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SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCEAssistance to GuineaReport of the Secretary-General

1. In a letter dated 8 June 1984 addressed to the Secretary-General, the Head of State of Guinea described the critical social and economic situation of his country and requested emergency aid from the international community and the United Nations in the economic, social and humanitarian fields.
2. On 26 July 1984, in its resolution 1984/59, the Economic and Social Council, confirming the urgent need for international action to assist the Government of Guinea in its national reconstruction and rehabilitation efforts, requested the Secretary-General, in consultation with the Government of Guinea, to organize a programme of social, economic and humanitarian assistance to support the actions of the Government with a view to discharging the urgent task of national reconstruction and rehabilitation. The Council also invited the Secretary-General, after consultation with the Government of Guinea, to report to the General Assembly, at its thirty-ninth session, the requisite information concerning the action to be taken or the proposals to be made with a view to providing the necessary aid to the Government of Guinea.
3. Pursuant to the resolution, the Secretary-General arranged for a mission, led by the Assistant Administrator of the United Nations Development Programme and Regional Director, Regional Bureau for Africa, to visit Guinea from 19 to 24 August 1984. A summary of the mission's report, annexed hereto, provides a survey of the current economic situation in Guinea and a description of the country's economic policies and development strategies and presents recommendations for follow-up action.

ANNEX

Summary of the report of the mission to Guinea

(19 to 24 August 1984)

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. INTRODUCTION	1 - 4	4
II. GENERAL ASSESSMENT	5 - 14	4
III. SURVEY OF THE CURRENT ECONOMIC SITUATION IN GUINEA	15 - 61	6
A. General economic situation	15 - 20	6
B. Sectoral situations and constraints	21 - 61	8
1. Agriculture, stock-raising, forestry and fishery production	21 - 33	8
2. Industry, mining and energy	34 - 40	11
3. Economic infrastructures	41 - 49	13
4. Human resources, employment and civil service	50 - 53	15
5. Public finances, currency and credit	54 - 61	16
IV. ECONOMIC POLICIES AND DEVELOPMENT STRATEGIES	62 - 75	19
A. Macro-economic policies	62 - 63	19
B. Sectoral policies	64 - 75	19
1. Agriculture and rural development	64 - 67	19
2. Industry and crafts	68 - 69	21
3. Economic infrastructures	70	21
4. Public finance and currency	71	21
5. Human resources and employment	72 - 73	22
6. Trade and transport	74 - 75	22

CONTENTS (continued)

	<u>Paragraph</u>	<u>Page</u>
V. INTERNATIONAL TECHNICAL AND FINANCIAL CO-OPERATION	76 - 84	23
A. Technical assistance	76 - 79	23
B. Financial assistance	80 - 84	24
VI. RECOMMENDATIONS FOR FOLLOW-UP ACTION	85 - 89	25
<u>Appendix.</u> Excerpt from Final Communiqué		28
<u>Map</u>		30

I. INTRODUCTION

1. The mission, led by the Assistant Administrator of the United Nations Development Programme and Regional Director, Regional Bureau for Africa, visited Conakry from 19 to 24 August 1984.
2. In order to obtain relevant information and expedite the work of the mission while in the field, members of the mission held prior discussions with World Bank officials. Information was also provided by the United States Agency for International Development (USAID), Washington, D.C. Discussions were also held in Paris on 16 and 17 August with the French Minister of Co-operation and with officials in his Ministry as well as with officials of the Ministry of Finance and of the Central Economic Co-operation Fund (CCCE).
3. In Guinea, the mission met the Prime Minister and a number of senior Ministers and other Government officials. Working meetings, chaired by the Minister of Economic Affairs with the assistance of the Directors-General and other senior officials of various ministries, were held over a period of two days. The Resident Co-ordinator of the United Nations system and other local representatives of the United Nations organizations participated fully in the work of the mission. Discussions were also held at Conakry with representatives of some of Guinea's principal economic partners, namely, the European Economic Community (EEC), France, the United States of America and the Union of Soviet Socialist Republics.
4. Following discussions between the Government and members of the mission, agreement was reached on action to be taken. These were described in a Final Communiqué, an excerpt from which is provided in appendix 1.

II. GENERAL ASSESSMENT

5. On the basis of discussions and documentation made available by the Government of Guinea, the Government of France, the World Bank and the United Nations Conference on Trade and Development (UNCTAD) and also from on-the-spot observations, the mission concluded that Guinea has been suffering for many years from a variety of economic and social ills, including:
 - (a) A decline in agricultural production in general and an accelerating decline in food production in particular;
 - (b) Deterioration of the education, health and other social service sectors;
 - (c) A serious loss in Government revenues and foreign exchange;
 - (d) Inefficient operation of a large number of state enterprises due to mismanagement and other factors;
 - (e) An inflated civil service and inefficient administration.

6. These problems were caused by many factors, both internal and external. One aspect of the situation is the existence of an unofficial parallel market which provides the country with 80 per cent of current consumption goods. An overly centralized and bureaucratic Government apparatus also contributed to the present critical situation.
7. The situation has recently been aggravated by the effects of the drought and a disorganized mass influx of Guinean refugees who have been returning to their country of origin following the liberalization measures that the new Government instituted after it took power on 3 April 1984.
8. Senior officials of the present Government repeatedly expressed their full commitment to the principles of human rights and an open society, and stated that they had taken radical measures to restore and uphold them. One indication of the impact of these measures is the spontaneous mass return of Guinean refugees from neighbouring countries and elsewhere.
9. The combination of political measures and economic reforms (liberalization, encouragement and mobilization of private initiatives) is expected to contribute to the economic recovery of the country. However, these measures will have only a limited impact on the future of Guinea and its people if the international community does not give them its full support and make a concerted effort to mobilize resources to help the Government.
10. The country's natural resources (agriculture, fishery, forests, water and mineral wealth) are potentially very considerable. However, mismanagement of the economy and certain other factors such as drought and the world economic situation have not only limited their development but have also adversely affected productive capacity and brought about the deterioration of the existing infrastructure.
11. The education, health and social services sectors have likewise suffered a serious deterioration.
12. Unfavourable monetary and pricing policies have had a pronounced effect on production, particularly with regard to agricultural production, and have led to the establishment of an unofficial parallel market which eventually covered 80 per cent of consumer goods, as a result of which the foreign trade of public and private companies and the revenues of the State were reduced to a minimum. Furthermore, according to Government representatives, valuable foreign exchange was lost in the process, to the extent that foreign currency earnings are now limited to those derived from exports of bauxite and certain other minerals and average \$US 10 million per month, of which 55 per cent is used to cover the country's energy imports.
13. In order to rehabilitate the economy and with the help of the World Bank and the International Monetary Fund (IMF), the Government has introduced and will pursue policies of economic, monetary and social reforms.
14. However, if the Government is to be able to deal effectively with the very serious problems the country is facing, it will need the strong moral and economic support of the international community.

III. SURVEY OF THE CURRENT ECONOMIC SITUATION IN GUINEA

A. General economic situation

15. The economic situation in Guinea appears at first to be a paradox: there is, on the one hand, immense and diverse economic potential and, on the other hand, a per capita income and economic growth which do not reflect this wealth. The soil and subsoil in Guinea have enormous potential in agricultural, pastoral and mineral resources. Yet, the Guinean economy is currently in disarray.

16. A number of studies and surveys ^{1/} of the economic and social situation in Guinea have recently been carried out. For this reason, the present report deals primarily with the most important aspects of the problem of economic crisis and development in Guinea.

17. In spite of its potential wealth, the per capita gross domestic product (GDP) of Guinea is \$270 - one of the lowest in the world. The annual per capita GDP growth rate was approximately 0.9 per cent from 1970 to 1980. Since 1980, the per capita GDP growth rate has been increasingly negative, reflecting the acceleration of the deterioration of the country's social and economic situation (see table 1).

Table 1

Growth of per capita Gross Domestic Product and population growth 1970-1983

<u>Year</u>	<u>Total GDP</u> (millions of United States dollars)	<u>Per capita GDP</u>	<u>Growth rate of</u> <u>per capita GDP</u> (per cent)	<u>Population</u> <u>growth rate</u> (per cent)
1970 to 1980	-	-	0.9	2.5
1980	1 779	363	-	-
1981	1 861	360	-0.2	2.3
1982	2 042	342	-0.5	2.3
1983	1 620	270	-20.0	2.3

18. In 1983, the total population was estimated at about 6 million people (a general population census is to be carried out this year). The slight slow-down in population growth since 1980 (from 2.5 per cent in 1970-1980 to 2.3 per cent since 1980) does not reflect a decline in the birth rate but rather a marked deterioration in the health situation, the direct consequence of which has been an increase in the infant mortality rate, which rose from 165 per thousand in 1980 (the sixth highest in the world) to almost 200 per thousand in 1983 (the highest in the world). Per capita calorie consumption scarcely exceeds 78 per cent of the required minimum; not more than 10 per cent of the population has access to healthy water and the average life expectancy is 43 years.

19. According to the Government's report on economic and social conditions in Guinea, the current crisis in Guinea results from the cumulative effect of internal and external factors.

(a) At the internal level, growth has been impeded by a number of factors, including: an artificial trading network and an artificial exchange rate policy, underestimation of administrative and technical constraints in the mobilization and management of development resources, the systematically discriminatory character of measures relating to agriculture as regards prices, taxes and production incentives, the excessive growth of the public sector and the tertiary sector, the deterioration of communication infrastructures, leading to the isolation of various economic areas of the country, and the inadequacies as regards health, education, housing and town planning;

(b) The situation has been aggravated by external factors such as the world economic recession, inflation and the fall in the prices of raw materials, which have seriously jeopardized the possibility of recovery of the Guinean economy in all sectors. The most obvious sign of the impact of the international economic slump on the Guinean economy is the deterioration in Guinea's terms of trade, (see table 2).

Table 2

Terms of trade 1978-1982
(Base year 1960, index 100)

<u>Year</u>	<u>Terms of trade</u>
1978	60
1979	90
1980	78
1981	67
1982	61

20. The portion of GDP allocated to productive agricultural and industrial investments in Guinea has always been small. It was 15.2 per cent in 1980, 16.5 per cent in 1981 and 15.8 per cent in 1982. As can be seen from table 3, the rate of growth of per capita real investment has not only been small and irregular since 1960, but in some periods has even been negative, and has contributed to the poor performance of the Guinean economy.

Table 3

Per capita public investment 1960-1983

<u>Years</u>	<u>Investment ratio</u>	<u>Growth of real per capita investment</u>
1960-1970	15.1	2.0
1970-1980	17.0	-0.1
1980-1981	15.2	3.3
1981-1982	16.5	-3.5
1982-1983	15.8	-

B. Sectoral situations and constraints

1. Agricultural, stock-raising, forestry and fisheries production

(a) Agriculture

(i) Production

21. Agricultural production, which forms the basis of the Guinean economy with about 80 per cent of the Guinean population working in the sector, has been particularly disappointing, and the mediocre results achieved in this sector in recent years have been a main contributing factor in the poor performance of the domestic economy. Cereal imports have increased from 8,000 tonnes at the time of independence to 90,000 tonnes in 1982. This large cereal deficit will probably increase further as a result of the return of many Guineans who had taken refuge in other countries. There has been a substantial decline in official exports of all agricultural products: since independence, coffee exports have fallen from 16,000 tonnes to less than 3,000 tonnes; pineapples, from 5,000 tonnes to 1,000 tonnes; bananas, from 80,000 tonnes to zero (table 4).

Table 4

Official exports of agricultural products
 (tonnes)

<u>Product</u>	<u>Year</u>	
	<u>1958</u>	<u>1983/84</u>
Bananas	80 000	0
Palm oil	30 000	10 000
Coffee	16 000	3 000
Pineapples	5 000	1 000

22. However, it should be noted that since the official purchase prices paid to producers do not cover production costs, much of the production is exported clandestinely. The level of agricultural production is substantially influenced by the non-exploitation of vast areas of potential agricultural land, which are estimated at 7,400,000 ha, as compared with a cultivated area of about 1,100,000 ha (approximately 14.8 per cent of the potential) and by the persistence of many unfavourable factors such as drought, which since 1982 has affected more than 16 of the 33 prefectures of the country in the north-east, north and north-west regions, as well as plant diseases and soil erosion, poor management of collective agricultural enterprises (ex-Fermes agro-pastorales d'arrondissement) (ex-FAPA), and the fact that small farmers lack modern agricultural equipment. To all this must be added the lack of an agricultural credit policy, the scarcity of inputs and the non-existence of research and extension services. An increasing proportion of the crops produced is being lost each year because of the lack of infrastructures and appropriate means of transport, so that the contribution of the agriculture sector to the total GDP is continually declining.

23. In 1982, the agricultural sector accounted for 39 per cent of total GDP. Since 1960, the growth of per capita GDP in this sector was negative until 1981.

(ii) Constraints

24. The main constraints on agricultural production which have been aggravated in recent years by the continuation of the drought are the following:

(a) The limited cultivation of available land;

(b) Lack of agricultural inputs;

(c) Out-dated production methods, plant diseases and the lack of supervisors and supervisory technicians which limit yields;

(d) The farmers' lack of interest in producing marketable and exportable surpluses because the purchase prices paid by the Government do not cover production costs, tax policies which place farmers at a disadvantage; and the lack of production incentives;

(e) The lack of a strategy for achieving self-sufficiency in food.

(b) Stock-raising

(i) Production

25. Guinea has significant potential in the form of the N'Dama breed of cattle much sought after throughout Africa because they are highly resistant to trypanosomiasis and thus can live normally in areas that are infested with tsetse flies - and large numbers of sheep, goats, pigs and fowl (see table 5).

Table 5Livestock

<u>Type</u>	<u>Number of head</u>
Cattle	2 000 000
Sheep	1 000 000
Goats	1 000 000
Pigs	1 000 000
Fowl	6 000 000

(ii) Constraints

26. Because of the lack of sustained programmes to control epidemics and the marketing policies pursued by the former administration, the productivity rate of this sizeable livestock resource has fallen to a very low level. Yield is low because of disease and animal epidemics and the lack of proper means to curb these scourges affecting the N'Dama.

27. In 1983-1984 there was an outbreak of anthrax among the cattle and more than 50 per cent of the herd died. The situation has become even more serious because of the shortage of fodder owing to the persistent drought in the stock-raising areas and the onslaught of legions of caterpillars, which this year have destroyed part of the crops and fodder plants.

(c) Fishery(i) Production

28. Available studies and surveys of Guinea's fisheries all point to the density of species and the magnitude of the country's fishery resource. The catch potential is estimated at 560,000 tonnes annually, whereas the amount needed for local consumption is estimated at 60,000 tonnes annually. In spite of this potential, no more than 20,000 tonnes of fish are landed annually at present. There is thus a need to develop Guinea's fishing industry substantially and to establish processing industries. Developing the sector will not only provide the population with needed fish products but will also help diversify and inject vigour into the industrial and export product sectors, enabling the country to earn foreign currency and contributing to economic revival.

(ii) Constraints

29. Fishery output remains low, primarily because of the lack of infrastructure and equipment. The equipment now used is rudimentary and old. Operators do not have the means to replace it and the public authorities are unable to assist them. As to the banking system, it is currently unable to provide the credit needed to establish a modern fishing infrastructure and purchase modern, reliable equipment.

(d) Forestry

(i) Potential

30. Guinea has very extensive forests but their rational exploitation is limited by the lack of transport infrastructure. The distance from N'Zérékoré, the exploitation zone, to Conakry, where the sawmill is located, is almost 1,200 kilometres; moreover, the roads linking the two areas are in very bad condition and become impassable during the rainy seasons.

31. As no inventory has been taken of forestry resources, not much is known at the present time about the existing species. However, there are four basic types of forest, as shown in table 6:

Table 6

Forests

<u>Type of forest</u>	<u>Area (hectares)</u>
Wooded savannah	10 200 000
Scattered forests (Fouta Djallon)	1 400 000
Dense tropical forests (N'Zérékoré, Kissidougou, Sérédou)	1 200 000
Mangroves (coastal area)	200 000

32. There is also potential for growing such species as pine trees and eucalyptus trees in Fouta Djallon, Fraké and Framiré in the forest area.

(ii) Constraints

33. Guinea's forests are not at present an important source of foreign currency earnings. Over-exploitation by the population in search of fuel wood, and erosion, destroy considerable areas every year. Moreover, infrastructure and equipment needed for rational industrial exploitation are lacking.

2. Industry, mining and energy

(a) Processing industry

(i) Production

34. Guinea's industrial sector is currently unable to provide the necessary momentum for economic growth. It is characterized by a rigid structure allowing for very little variety and is limited to a few sectors of production that are not necessarily related to available natural resources. Most existing processing enterprises process agricultural products, and their performance is adversely affected by low agricultural output. There are a few industries producing construction materials whose output is linked to the availability of foreign

currency, as they import the raw and semi-finished materials necessary for their operation.

35. Owing to irregular and inadequate supplies, many enterprises are almost idle, and those which are still operating are doing so at 20 to 30 per cent of capacity; as a result, production costs are high. Industry has never accounted for more than 3 per cent of total GDP (see table 7) and, in 1982, employed less than 10 per cent of the total available manpower.

Table 7

Growth of per capita Gross Domestic Product in the processing industry
1960-1983

<u>Years</u>	<u>Processing industry</u> <u>as a percentage of total GDP</u>	<u>Growth of per capita GDP</u> <u>in the industrial sector</u> per cent
1960-1970	-	1.4
1970-1980	-	0.6
1980-1981	2.7	0.7
1981-1982	2.7	1.2
1982-1983	2.8	1.1

(ii) Constraints

36. Industrial output is suffering from a lack of planning and serious study of how to establish profitable industrial units. It also suffers from a shortage of raw materials and spare parts and inadequate energy production. In this sector as in others the shortage of management personnel and skilled technicians gives rise to serious problems. The existence of industries that are not suited to local conditions and are dependent to a large extent on raw materials and semi-finished products from abroad means that industrial output is very vulnerable to external imbalances. Other factors which have an adverse impact on production and account for the negligible contribution of industry to the gross domestic product are the lack of financial discipline in the management of public and semi-public enterprises and the almost complete lack of a competitive private sector.

37. Industrial growth also is enormously affected by the inadequate level of electric power production and the fact that the electric power supply network is very old.

(b) Mines

38. The mining sector is at present by far the most active economic sector in Guinea, providing more than 98 per cent of the country's foreign exchange resources. Guinea's mineral potential is considerable: the largest bauxite reserve in the world, with 12 billion tonnes of reserve constituting two thirds of the world's reserves; enormous diamond reserves estimated at close to 120 million carats; and sizeable iron, manganese, uranium and gold reserves, the extent of

which has not yet been evaluated with certainty. Recent prospecting for oil has confirmed that Guinea has potential oil resources, but neither the extent nor the accessibility of the reserves are yet known.

39. Despite these enormous potential mineral resources, the mining sector accounts for a relatively small share of GDP, owing in particular to the fact that, first, this sector has very little value added in the case of Guinea because most of the minerals extracted are exported in their raw state and, second, because little mining activity is going on, the quantity of minerals currently being extracted amounts to 12.2 million tonnes of bauxite (1/1000 of the potential), 708,000 tonnes of aluminium and only 60,000 carats of diamonds (1/2000 of the potential). Production in the mining sector has been very irregular, rising by about 48 per cent between 1973 and 1977 and stagnating between 1977 and 1980. Since 1981 there has been a modest recovery enabling the mining sector to contribute 4.4 per cent to GDP in 1981 and 1982. There are hopes for strong growth in the mining sector from 1984 on, owing to the activities of the AREDOR Company (gold and diamond mining).

(c) Energy

40. Electric power production in Guinea is very low, much lower than the average for the least developed countries. The main energy sources in Guinea are still wood and hydrocarbons. The total annual production of electric energy is 500 GWh and only 80 GWh of this are produced by hydroelectric dams. Yet Guinea has more than 24 watercourses which are important hydroelectric energy sources. Because of the low level of hydroelectric production, almost 55 per cent of the State's foreign exchange is used each month to purchase hydrocarbons. Industrial production and the operation of some public services (hospitals, health centres, water supply services, telephone and telegraph services) suffer from the insufficiency of electric energy production.

3. Economic infrastructures

(a) Roads

41. Guinea has a road network of 28,400 kilometres, of which only 1,300 are asphalted. Only about 4 per cent of the roads making up this large network are passable at all seasons. Some parts of the country remain inaccessible and isolated from the rest of the country during a good part of the year, especially during the rainy seasons, because of the impassability of the roads. The poor condition of the access routes makes for frequent interruptions in the provision of basic necessities to certain areas and sites that are of great importance to the economy, such as the Conakry sawmills (which are often cut off from the forest areas of N'Zérékoré, so that it is impossible for them to be supplied with wood) and the four Hertizian telephone transmission centres whose fuel supply is interrupted during the rainy seasons, thus cutting telephone links within the country and between Guinea and the rest of the world.

(b) Railroads

42. There is a total of 1,038 kilometres of railroads. The railway installations, the warehousing and storage facilities in the stations and the rolling-stock are all very old. Mineral production suffers enormously from the decrepit condition of the railway facilities linking the mines to the main ports from which minerals are shipped.

(c) Airports

43. Guinea has two international airports: one at Conakry and the other at Kankan. Neither of them has air flight safety equipment meeting international standards, such as adequate night ground lighting and a system of radar detection and radio communication to prevent accidents. The air fleet includes two Boeing 707s, three Boeing 727s, one Ilyushin 18 and eight other aircraft.

(d) Ports

44. There are two international maritime ports: the port of Conakry for regular traffic in various goods, and the port of Kamsar for the export of bauxite. The facilities for receiving ships and for debarkation, embarkation and warehousing in the port of Conakry are old and badly maintained. Although traffic in this port has been greatly reduced because of the lack of economic activity, the installations are not adequate to handle efficiently even the limited movement there is at present. The maritime fleet comprises 13 ships.

(e) Telecommunications

45. Guinea has one telephone exchange in Conakry and four or five fuel-operated ground stations. There are about 10,000 telephones in the entire country. Although the transmission stations are relatively new, they operate intermittently because of fuel supply problems (owing in part to the lack of government funds and in part to the difficulty of reaching their locations because of bad road conditions). Telephone communications within the country (in the towns and from one area to another) and between Guinea and the outside world are virtually impossible during the rainy seasons. The single telephone exchange in Conakry currently in operation is completely overloaded, which affects the quality and frequency of telephone calls.

(f) Water and electricity supply infrastructures

46. The facilities for water conduction and supply are not only old but insufficient in number. Only 10 per cent of the population of Guinea has access to drinking water. Per capita water consumption is very low (50 litres per day as against the 120 litres internationally recommended). Following the recent cleaning of the main head that supplies water to Conakry, the problem of the lack of water supply infrastructure became evident when the existing installations proved incapable of controlling the water pressure. Several parts of the country do not have any water supply infrastructure at all. Because of the drought, the inhabitants of some areas are obliged to travel tens of kilometres in search of water.

47. The electricity supply infrastructure is in an even worse state. The transformers and the installations for the conduction and supply of electric current are old and their operations contribute a threat to the safety of users at the present time. Not only is the provision of electricity insufficient, but it is very often interrupted, and this is dangerous for the operation of factories and services.

(g) Social infrastructures

48. Not only is the number of hospitals, schools and health centres inadequate but they are in very bad condition. The buildings housing these services date on the whole from the colonial period and, because of inadequate maintenance, most of the facilities have fallen into ruin or are in the process of doing so. The majority of the schools have no doors and no plumbing facilities whatever. The same problem exists in the hospitals and in some public buildings used for Government offices.

Constraints

49. Constraints affecting the transport, communications and telecommunications infrastructures and the water and electricity production and supply infrastructure are due above all to age, the poor state of repair and quantitative insufficiency. Housing and urban development leave much to be desired. The enormous resources which are needed for the development of these infrastructures are not currently available.

4. Human resources, employment and civil service

(a) Human resources and employment

50. The situation with regard to human resources is the result of the inadequacy of the former educational system in which greater emphasis was placed on the number of people being educated rather than on the quality of the education. This situation has led to low productivity in all sectors, owing to a serious shortage of qualified management personnel, especially middle management, and the inadequacies or absence of technical and vocational schools. Unsuitability of education to employment opportunities has resulted in waste, loss and the production of graduates who cannot find employment.

51. Roughly 57.6 per cent of the total population or 3.5 million persons are of working age. Of these, 80 per cent work in agriculture, 10 per cent in industries and mines and 6 per cent in services (see table 8). The growth rate of the active population was 1.1 per cent from 1960 to 1970 and 1.3 per cent from 1970 to 1980. Projections show that the number of persons seeking work will grow at an average annual rate of 2.3 per cent between 1980 and the year 2000.

Table 8Breakdown of the active population by sector

<u>Sector</u>	<u>Active population</u> (thousands)	<u>Percentage of total</u>
Agriculture	2 800	80
Industry	350	10
Services	210	6
Other	<u>140</u>	<u>4</u>
Total	3 500	100

(b) Civil service

52. The administration's capacity in the areas of project preparation, planning, implementation of development plans and the control and management of resource flows is very limited because of the lack of qualified managerial and technical personnel, the lack of reliable macro-economic data and the inadequacy of development priorities and programmes. The civil service is over-burdened in terms of staffing and costs. Co-ordination among project-study agencies needs to be improved, supervisory personnel needs to be strengthened.

53. The number of civil servants rose by 44 per cent between 1976 and 1981, representing an annual growth rate of 7.6 per cent. Salaries were increased by 16 per cent over 1980-81 or about 3 per cent per annum on the average between 1976 and 1981. Most of the public enterprises show deficits. Their operations absorb the bulk of budgetary resources, since the Government has traditionally offset their deficits with government revenues. The public sector deficit currently stands at almost 16 per cent of GDP.

5. Public finances, currency and credit(a) Public finances

54. State expenditures increased significantly over the past three years and amount to as much as 16.45 per cent of GDP. Growth in productive investments has been zero.

55. At current prices, fiscal revenue increased at an average annual rate of less than 2 per cent between 1976 and 1981, representing a decline in real terms. In 1981, taxes raised from private mining companies accounted for 48 per cent of all fiscal revenue (see table 9).

Table 9

Fiscal revenue in 1981
(Percentage of total)

I. Current revenue

A. Fiscal revenue:	61.4
Corporate taxes	6.7
Taxes on international trade	50.4
Other	4.3
B. Non-fiscal revenue:	38.6
Contributions from State enterprises	<u>34.5</u>
Total	<u>100.0</u>

II. Fiscal revenue

Taxes paid by mining companies	47.9
Import duties and taxes	25.4
Other	<u>26.7</u>
Total	<u>100.0</u>

56. Public expenditure increased more rapidly than revenue, at an average annual rate of 12 per cent. The large increase in the public sector wage bill (13.8 per cent annually from 1976 to 1981) as a result both of the recruitment of recent graduates and an increase in salary levels is the major cause of the rapid growth in public expenditure.

57. The data concerning the activities of semi-public enterprises required for the preparation of a consolidated account of the public sector are insufficient and incomplete. Information concerning their financing ^{2/} indicates that the public sector posted deficits amounting to 14 billion syllis (approximately \$US 700 million) between 1976 and 1981. Until 1978, Government operations (the net from direct transactions with semi-public enterprises) were generally balanced; as from 1979 they began to show significant deficits, reflecting the burden imposed by the number of personnel and the wage bill within the civil service. From 1976 to 1981, the net annual deficit of State enterprises rose to 11.5 billion syllis (\$US 575 million) which accounted for 6.3 per cent of GDP.

58. Guinea's public finances suffer from inadequate fiscal revenue and foreign capital, a shortage of foreign exchange, weakness of the currency and the financing of the deficits of semi-public enterprises. They also suffer from administrative procedures. Account should be taken, however, of the weaknesses in available national documentation concerning the public sector, which make evaluation of the nature and magnitude of activities in this sector extremely difficult. The difficulty of analysing Guinea's accounts is one of the major obstacles to the formulation of appropriate development plans.

Table 10

Financial operations of the public sector from 1975 to 1981

	<u>1975/1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	(Billions of syllis at current prices)					
Available financing <u>a/</u>	1.8	0.3	0.6	-3.4	8.1	6.9
External financing	1.3	0.1	1.2	1.1	0.9	1.7
Domestic financing	0.5	0.1	-0.7	-4.5	7.2	5.2
Public sector surplus (+) or deficit (-) <u>b/</u>	-1.8	-0.2	-0.6	3.4	-8.1	-6.9
Government surplus (+) or deficit (-) <u>c/</u>	1.0	-0.3	-0.2	-0.6	-1.1	-1.5
State enterprises (residual, including errors and omissions)	-2.8	0.1	-0.4	4.0	-7.0	-5.5
		(as percentage of GDP)				
Public sector deficit	-6.7	0.8	-1.9	11.2	-24.7	-19.7
Net government balance	3.8	-1.1	-0.6	-2.1	-3.5	-4.2
Balance, State enterprises (including errors and omissions)	-10.5	0.3	-1.3	13.3	-21.2	-15.5

a/ Disbursements less scheduled amortization of debt, plus increase in arrears and net expansion of domestic credit.

b/ After consolidation of arrears.

c/ After State corporation transfers.

(b) Currency and credit

59. The juxtaposition of two markets - a public sector market in which prices are controlled and set on the basis of costs in foreign currency calculated at the official exchange rate, and a parallel, unofficial market which supplies two thirds of the population, both urban and rural, and in which the prices of goods are 5 to 12 times higher than the controlled prices of the official market - did much to weaken the national currency, the syli, with respect to foreign currencies. This situation was compounded by the practice of expanding the money supply in order to finance the structural deficits of the public and the para-public sectors. Whereas in the other countries of West Africa the amount of money in circulation represents only 20 to 25 per cent of GDP, in Guinea it represents more than 44 per cent. As early as 1973, the monetary situation in Guinea was showing signs of deterioration. At that time the current account balance was already registering a deficit of more than \$170 million, or 18 per cent of GDP. Total exports barely covered one third of imports.

60. Although the visible trade balance was positive every year until 1980, the balance-of-payments deficit continued to grow, rising from \$120 million in 1980 to \$180 million in 1983, thereby aggravating the country's precarious economic and financial situation. Guinea's debt burden is also very heavy, with an outstanding foreign debt of \$1.7 billion in 1983. The country's inability to cope with its public debt has led to an accumulation of arrears which will continue to increase unless Guinea is granted a massive rescheduling in the immediate future.

61. The inadequacy of past price policy with respect to production costs and its poor relationship to the income level of workers resulted in economic chaos and stagnation, the burden of which falls primarily on the farmers, workers and ordinary consumers. The first and only increase in the wages of workers occurred only in 1975, 17 years after independence, while the cost of living had steadily continued to increase. Moreover, the tax and customs system currently in force is not adapted to the economic constraints facing the country and major and immediate reforms are needed.

IV. ECONOMIC POLICIES AND DEVELOPMENT STRATEGIES

A. Macro-economic policies

62. The Government, aware of the need for reform, has laid the foundations of a new economic policy, which it presented in a document prepared for the mission entitled, "Study of economic and social conditions in Guinea". The main purpose of the Government's new economic policy is to remove the major bottle-necks to future development programmes. The Government acknowledges that it is primarily the responsibility of the nation itself to find the means of resolving the crisis, with foreign aid being no more than a supplement. National sectoral commissions to prepare economic reforms have been established.

63. The new economic policy has two focal points:

(a) A short-term programme to rehabilitate the main production structures and infrastructures with a view to improving the profitability of existing resources;

(b) A short-term and a medium-term development programme aimed at increasing production and establishing conditions for maintaining this growth in such key sectors as the rural sector, human resources, industry, mining, currency and public finances, transport and trade.

B. Sectoral policies

1. Agriculture and rural development

64. Since agriculture is the heart of the Guinean economy it is essential in the short term to employ a strategy designed to promote the growth of this sector in order to improve the performance of the economy as a whole. The immediate

provision of food must be accompanied by a basic effort to provide peasants with fertilizer, selected seed and appropriate tools, as well as incentives to enable them to resume and increase their production of food crops and cash crops. Guinea's climatic conditions, which vary according to region, and the quality of its soil give reason to expect a rapid recovery and diversification of agricultural production. This agricultural policy should make food self-sufficiency possible, and forward planning must be quantitative.

65. The Government feels that priority should be given to small-scale peasant farming and the introduction of appropriate technology, one reason being that, during the past two decades, the small farmers have managed under especially difficult conditions to feed the rural population and to maintain a certain level of domestic trade and agricultural exports. The second reason is that poverty in Guinea is still primarily a rural phenomenon. The productivity and the income of small farmers must therefore be increased in order to enable them to contribute more effectively to the development of the national economy. Consequently, considerable improvements must be made in production techniques and in crop diversification, particularly in the arid zones and in certain mountainous regions. As for restoring production incentives, the measures vary, but the most important, if not the most visible, are: increasing prices to producers, establishing more open and more competitive marketing facilities, supplying agricultural inputs, making consumer goods available to rural producers and developing communication infrastructures (roads, railways, etc.) to facilitate the transport of agricultural goods from the place of production to the places of marketing or final consumption, thereby avoiding waste, loss of crops and loss of earnings to farmers, as is now the case.

66. The Government considers that harmonious, balanced and lasting national development requires the organization and planning of rural development. This policy will permit increasingly close interaction between the modern and traditional production sectors. The quality and quantity of production should also be improved by the training of rural manpower which will profit from the leadership provided by trained agricultural technicians and engineers.

67. The rural development plan will be aimed not only at expanding food crop production with a view to achieving self-sufficiency in food, but also at giving a new impetus to the production of export crops, so as to increase the country's foreign exchange resources, and at developing stock-raising by use of the appropriate methods and promoting fisheries by the establishment of appropriate infrastructures and the provision of equipment. In this regard, particular attention should be paid to non-industrial fishing, and those engaged therein should receive assistance from the public authorities, since this branch of fishing is less destructive, less costly and provides employment. To avoid the continued deterioration of forestry resources, and following the preparation of a forestry inventory which is at present lacking, a master-plan for Guinean forestry development should be formulated so that, in association with agriculture, forestry exploitation may contribute to a tangible improvement in the level of living and in per capita income.

2. Industry and crafts

68. In view of the constraints facing Guinean industrial production, the question of the formulation and alignment of a new industrial policy arises: should the Guinean processing industry retain its present form and scope, should it be expanded or contracted? The Government considers that only so-called "motor" industries should be selected and included in the Interim Rehabilitation Programme, that is, those industries able to maintain sound links with other industries and economic sectors, able to function on the basis of locally-produced raw materials, able to supply the domestic market with substitute products for certain imported commodities, and able to earn or to conserve the foreign currency needed to promote the development of other sectors, particularly agriculture, transport, construction and energy. The new development strategy for this sector should take account of the constraints which have been placed on the development of industrial production in the past. The first stage should be to rehabilitate certain existing infrastructures, sector by sector, on the basis of a well-defined programme, while taking due account of problems relating to the supply of raw materials, semi-finished products, equipment and energy, the technology used and the human resources available, using as criteria the notions of cost effectiveness and benefit. The second stage, the establishment of new industrial plants, should be subject to the same criteria and to that of the capacity to create new jobs. Existing enterprises which do not measure up to these standards should be closed down.

69. Such an approach should be combined with the encouragement of small and medium-sized enterprises and crafts and with the enactment of legislation or regulations capable of promoting the mobilization of domestic and foreign financial resources and access to bank credit by individual entrepreneurs and private companies. In order to maintain interest and attract potential investors in this sector, flexible fiscal provisions should be enacted.

3. Economic infrastructures

70. In the context of the Interim Rehabilitation Programme, the rehabilitation of certain economic infrastructures (transport, telecommunications, energy production, health and housing) is essential. The Government would like to establish new infrastructures within the limits of available funding.

4. Public finance and currency

71. Austerity measures have been formulated by the Government in accordance with its economic rehabilitation goals, with a view to placing public finance on a sound basis, lowering recurring costs and allocating scarce budgetary resources to economic and social development. The Government's intentions in this field are as follows:

(a) To temporarily halt recruitment of civil servants and freeze civil service salaries during the period of reorganization and the implementation of a new economic policy;

(b) To undertake studies, with a view to rehabilitating or liquidating public enterprises in accordance with the criteria of efficiency and profitability;

(c) To take steps to open negotiations on the possibility of rescheduling payments on foreign debt over longer periods at reasonable interest rates;

(d) To pay particular attention to good management of the currency and to the necessary supporting measures;

(e) The Government would like to establish a framework to promote the formation of domestic savings, which might make the self-financing possible in the medium-term or long-term economic development.

5. Human resources and employment

72. The Government considers that it is necessary to prepare and implement in the short term a human resources planning programme in order to adapt the labour force to the goals of economic and social development. This will involve ensuring that there is a correspondence between education and employment. In this field, the Government envisages a fundamental review of overall employment policy, particularly with regard to the structure of and the conditions of entry into the labour market in the light of prevailing constraints. The authorities consider that sacrifices must be made, but that the new employment policy must, above all, have as its goal the mobilization and utilization of human resources for purposes of productivity and output.

73. Up to the present, the public sector has provided most of the employment opportunity in Guinea. The new administration feels that the number of people employed in the sector must be reduced, thus lessening the burden which the sector imposes on the State budget. The Government feels that:

(a) The public sector must be provided with competent and well-trained managers and technicians who are able to prepare and ensure the efficient execution of development programmes and to manage or efficiently supervise the management of State resources and development institutions;

(b) The civil service should be reorganized on the basis of a rigorously defined and evaluated classification of posts conducive to the planning of a far-reaching administrative reform with new structures and a more efficient and better motivated staff, followed by a gradual limitation of recruitment to the civil service and a progressive hardening of the entry requirements.

6. Trade and transport

74. The shortcomings of this sector have contributed to the decline in agricultural production and to the existence of two parallel markets. The Guinean Government, aware of these shortcomings, consider that the systematic reorganization and liberalization of trading channels are essential to the

correction of the balance-of-payments situation, the building up of State resources and producers' revenues and the recovery of domestic production. They deem it necessary, within a short time, to formulate a commercial code, to undertake trade planning, to set up a trading information system by establishing a reliable data bank with a view to making necessary adjustments at the right time. Such a series of measures and reforms should include a review of the system for taxing products and of customs procedures. The reorganization of the transport, transit, insurance and reinsurance sector should be carefully studied and appropriate and economical measures should be taken in accordance with the new orientation.

75. Commercial banks, whose activities were halted in the 1960s, should be invited once more to play their role as providers of credit to the economy and, more particularly, to the private sector, the development of which is provided for within the context of the new political and economic orientation.

V. INTERNATIONAL TECHNICAL AND FINANCIAL CO-OPERATION

A. Technical assistance

76. Guinea attained independence in particularly difficult conditions. The breaking off or decline in economic exchanges with several of its traditional trading partners reduced the network of its financial and technical co-operation within the international community. Despite the maintenance or development of co-operative links with a certain (rather small) number of countries, a phase of marked decline in the volume of aid began. For lack of adequate programming, ad hoc aid was only too often channelled into varied and operationally dispersed stop-gap activities.

77. During the early years of its independence, Guinea received limited technical assistance for some of its key ministerial departments from certain friendly countries. However, the possibilities of providing a detailed breakdown of the components of that foreign aid are very limited, because of the non-existence or inadequacy of the documentation relating to aid during that period; and the fragmentary and temporary nature of the aid. It was only with the resumption of UNDP activities in Guinea and the reopening of the UNDP office at Conakry in 1977 that annual reports on assistance began to be prepared; the first of those reports was prepared in 1978.

78. Foreign aid to Guinea virtually stopped towards the end of the 1960s. From that time until the closing of its Conakry office in the early 1970s, UNDP was practically the only provider of technical assistance. Faced with growing difficulties, Guinea attempted to reopen its doors to the outside world from the mid-1970s onwards. Diplomatic links were re-established with many countries and UNDP was invited to reopen its Conakry office. According to the available information on aid from 1979 to 1982, the share of technical assistance in project funding and in total foreign aid was as shown in table 11.

Table 11

Share of technical assistance in foreign aid 1979-1982

<u>Years</u>	<u>Per cent, projects a/</u>	<u>Per cent, programme b/</u>
1979-1980	45.2	21.5
1980-1981	38.6	8.1
1981-1982	47.0	12.0

a/ Percentage of the technical assistance component in the budgets of projects with such a component.

b/ Share of technical assistance in total foreign aid.

79. Since 1977, most foreign aid projects have been projects with large fellowship and equipment components. Those two components accounted for approximately 78.5 per cent of total foreign aid in 1979-1980, 91.9 per cent of foreign aid in 1980-1981 and 88 per cent of foreign aid in 1981-1982.

B. Financial assistance (budgetary aid, equipment, fellowships)

80. From the early 1970s until the early 1980s, external (mainly bilateral) aid to Guinea was dominated by barter agreements. In 1973-1975, such agreements covered a substantial part of the national accounts, namely 64 per cent of public debt payments and 60 per cent of new State commitments.

81. During the period 1970-1976, the total amount of bilateral and multilateral aid, excluding that from the countries members of the Council for Mutual Economic Assistance (CMEA) and China, remained relatively modest, at the level of \$US 10.3 million in 1970 and \$US 11.5 million in 1976.

82. Beginning in 1979, the former Government began trying to determine the deep-seated reasons for the country's poor economic situation. Consideration was given to reforms aimed at stimulating the economy by promoting foreign investment and at introducing effective control of public expenditure. The effort to introduce economic discipline led to a slight increase in development aid programmes, the amount of multilateral and bilateral aid reaching \$US 48.3 million in 1978 and \$84.9 million in 1980. However, the reforms introduced by the former Government were not directed towards the fundamental constraints on the economic machinery. Furthermore, projects were often designed and operated autonomously which made it difficult to integrate them in the economy.

83. During the years 1978-1982, more than 50 per cent of external aid was devoted to investment projects; the remainder was used mainly to meet balance-of-payments deficits, food deficits, debt payments and the financing of current imports. Only 4.1 per cent of external aid was allocated to agriculture and of that amount only a

very small fraction went to small farmers. In 1982, more than 37.1 per cent of total aid was spent on emergency assistance operations, mainly food, reflecting the extent to which the Guinean economy had declined.

84. In order to avoid past errors, the new Government has expressed the intention of establishing co-ordinating machinery to ensure that aid programmes complement each other and conform with the country's fundamental developmental objectives. Moreover, the mobilization of external assistance to provide a sufficient flow of financial and technical resources in time must be accompanied by a set of fundamental reforms aimed, first, at improving the operation of institutions and, second, at increasing the productivity and profitability of the productive system.

Table 12

Foreign aid received by Guinea 1980-1982
 (millions of dollars)

<u>Years</u>	<u>Total external aid</u>	<u>Official development assistance</u>
1980	143.2	98.7
1981	125.7	95.9
1982	86.9	66.6

Sources: World Bank, UNCTAD, UNDP

VI. RECOMMENDATIONS FOR FOLLOW-UP ACTION

85. Following consultations with the Government of Guinea, it was agreed that a two-pronged approach should be adopted, namely, an Emergency Humanitarian Assistance Programme and an Interim Programme of Economic Rehabilitation.

(a) An Emergency Humanitarian Assistance Programme financed through grants and donations is currently being prepared. Its purpose will be to cover the critical shortage of materials and services in order to meet the basic and immediate needs of the population, reduce the bottle-necks affecting the supply of materials and services, and make up for the lack of essential production factors. The duration of the programme will be 12 months. This Emergency Programme will be part of Guinea's total requirements for 1985; the balance of Guinea's needs will be financed from local resources and concessionary loans and credits from the international community (including IMF, the World Bank and major donors). With respect to concessionary finance, the World Bank is considering a mini-meeting of donors in early 1985 which will cover balance of payments, budget deficits and other non-project financing.

The emergency assistance will cover food products, agricultural inputs, veterinary products, pharmaceuticals, laboratory equipment, school supplies and equipment, etc. The Government has submitted a formal request which is currently being reviewed by the specialized agencies. The mission recommends that, once the review has been completed and the total requirements have been assessed, the Secretary-General should launch an appeal to the international community for donations to cover the Programme. The requirements will be determined and finalized with the help of the World Bank by the end of November 1984.

Furthermore, a request for assistance to the Guinean returnees is currently being reviewed by the Office of the United Nations High Commissioner for Refugees.

In view of the situation prevailing in the country, this Emergency Programme is absolutely essential in order to prevent further human suffering and still greater deterioration of the economy. It will bridge the gap between the next 10 or 12 months and the launching of the Interim Economic Rehabilitation Programme (1985-1987) being prepared by the Government.

(b) The Interim Programme of Economic Rehabilitation should cover measures that will permit the rehabilitation and maintenance of existing productive capacity, restore and improve its performance, provide essential services, promote the private sector, improve Government performance and restructure the economic base by eliminating or reducing the scope of activities of public enterprises or by other methods. However, it is essential that suitable reforms are introduced first if the programme is to produce the desired results.

86. In order to mobilize the resources needed for financing this Programme, the Government of Guinea intends to organize a conference of its economic partners.

87. The Government will require large-scale technical assistance for the preparation, programming and execution of short-term and medium-term projects. For this purpose, a package of projects of the United Nations system is requested, the main features of which are the following:

(a) Technical assistance to strengthen the capacity of the key ministries and train personnel. This will take into account and be co-ordinated with inputs from all donors, including the World Bank;

(b) Assistance in the preparation of the Interim Programme of Economic Rehabilitation;

(c) Assistance in the preparation of a conference of principal economic partners.

It should be stressed that the co-ordination of aid is imperative.

88. Also in follow-up action, a mission in which UNDP, the Department of Technical Co-operation for Development of the Secretariat and the World Bank are represented,

should visit Guinea early in October 1984 to help the Government programme the external assistance requirements for the preparation of the Interim Rehabilitation Programme and key technical assistance needs.

89. The balance of UNDP funds available for Guinea will be concentrated for the remainder of 1984 and the next two years mainly on the provision of the services of technical advisers whose task it will be to consolidate the institutional structure and human resources of the Government in order to enable it to cope with the current emergency phase and the Economic Rehabilitation Programme and assist in the training of personnel. The technical advisers will also be called upon to provide technical assistance for transforming the structure of the economy and the administration to respond to the new options open to the Government.

Notes

1/ These include:

(a) Guinea's Memorandum of Presentation to the United Nations Conference on Least Developed Countries (1981);

(b) Economic and Social Memorandum of Guinea for 1983-1984 (World Bank).

2/ Statistics of the Banque Centrale de la Guinée.

APPENDIX

Excerpt from the Final Communiqué

1. During working meetings between the mission and experts of the ministerial departments concerned, chaired by the Minister of Economic Affairs, more precise information about the country's urgent and priority needs in those sectors where foreign aid is required was presented and classified under two categories:
 - (a) Emergency humanitarian needs, including the provision of goods and services to meet the basic and immediate requirements of the population;
 - (b) Priority development activities in the key sectors, relating both to specific projects and to activities not linked to projects with particular emphasis on operations aimed at the rehabilitation, maintenance and revitalization of the existing productive machinery.
2. Concerning the emergency humanitarian needs, a preliminary statement of priority needs for the next 12 months was presented to the mission by the Government covering the following areas: feeding the population; agricultural inputs and small implements, veterinary products; pharmaceutical and water treatment products; small equipment and supplies for laboratories and hospitals; handbooks, teaching materials and school supplies; a rehabilitation programme for repatriated persons, including foods, medical care, agricultural implements and seed. Implementation of this emergency programme requires support, personnel and equipment, including vehicles, ambulances, spare parts and the material needed to keep them in operation.
3. The Government, together with the United Nations, will prepare on the basis of these needs an emergency assistance programme which will be submitted to the Secretary-General with a view to an appeal for emergency assistance addressed to Member States, financial institutions and international organizations, as well as non-governmental organizations.
4. The projects in connection with priority requirements for rehabilitation of the economy were submitted by the Government, preceded by an analysis of economic and social conditions in the country, a presentation of rehabilitation objectives and strategies, and sectoral reports. The sectors discussed were: agriculture, stock-raising, fishery and forestry; industry; housing and town planning; health and social affairs; education; water and energy; infrastructure and transport, postal services and telecommunications.
5. The Government having confirmed its decision to organize a conference of the country's principal economic partners in 1985, the two parties examined the question of international assistance required for the preparation of the conference and agreed as follows:
 - (a) The Government will prepare the Interim Rehabilitation Programme (1985-1987);

(b) A technical mission under the auspices of the United Nations system will come to Guinea, at the Government's request, to assist it in preparing the Interim Rehabilitation Programme; the mission will also help the Government in the preparation of documents required for the conference of principal economic partners, including the macro-economic framework, sectoral analyses and details of projects to be submitted for external financing.

6. As regards support for programming and co-ordination and for executing, supervising and following up activities in connection with the Interim Rehabilitation Programme, UNDP is prepared to furnish technical assistance with a view to strengthening the capability of the ministries concerned through the appointment of experts and consultants and through education and technical training activities designed to promote and consolidate national expertise; this will form the subject of a multi-disciplinary assistance project in co-ordination with other multilateral and bilateral partners wishing to make a contribution. The Government has expressed its appreciation of this proposal and has accepted it.

7. Furthermore, it has been recognized that, in order to succeed, the entire complex of rehabilitation and recovery measures and far-reaching reforms envisaged by the Government, backed, in particular, by sound management of the currency and by appropriate adjustment measures, should be harmoniously interrelated and supported by effective co-ordination both at the level of the national structures and at that of external aid.

8. The Guinean authorities have expressed their satisfaction with and deep appreciation of the prompt response of the Secretary-General of the United Nations to the request for assistance addressed to him by the President of the Republic, and welcome the fruitful exchanges with the Economic Reconnaissance Mission as well as the results achieved and the prospects for increased co-operation in the future.

Conakry, Friday, 24 August 1984

