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THE REPUBLIC OF GUINEA - TEN YEARS OF INDEPENDENCE

1958 - 1968

BY

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In 1958, Guinea was the only territory of the former French colonial empire south of the Sahara to decide in favour of immediate independence, and this was declared on 28 September of that year. Guinea's refusal to join the Franco-African Community was, in fact, the outcome of a series of changes dating from 1953. The "Parti Démocratique de Guinée", a section of the "Rassemblement Démocratique Africain" formed after the second world war and led by Sekou Touré, owed its success to the support of trade unions and farmers. Comparatively neglected and less urbanized, Guinea did not have the type of social structure found in the relatively more developed countries on the western coast (such as Senegal, Ghana or Ivory Coast).

Its structure was rather that of the deprived countries of the hinterland. The powerful traditional chiefs ruling the Peuhls of Fouta Djallon (the Almamys) having given their support to the colonial government, the "Parti Démocratique de Guinée" (P.D.G.) (Guinea Democratic Party) was compelled to look for support in the rural area. For, in the few small towns of the country, the "P.D.G." could only rely on a few civil servants of the lower grade among whom Sékou Touré began his political career as the Secretary of the Postal Workers Union. The chiefs first joined forces under the label of the "Section Française de l'Internationale Ouvrière - (SFIO)" (Socialist Party), then, under that of the "Mouvement Socialiste Africain" and that of the "Bloc Africain de Guinée" which later became the "Parti du Rassemblement Africain". This party, defeated at the 1956 elections, was dissolved by the first Government of the "P.D.G." in December 1957. In the following spring, the struggle

for power ended in favour of the "P.D.G.". While the Government encouraged the massacre of a number of chiefs and instigated farmers to take possession of the lands taken over from them by the former in collusion with the colonial Government, the "P.D.G." opened its doors to the defeated chiefs of the opposition.

## 2 - AGRICULTURE:

Guinea which is divided into four distinct, natural regions, produces various traditional foodstuffs. The Fouta Djallon highlands which reach to a height of 1,700 metres is the source of two rivers: The Senegal and the Niger. It groups 40% of the country's population, excluding that of Conakry. The climate is tempered by the altitude, this enabling people living in the area to take to cattle rearing. The minimum average temperature is 14°C at Labé in January, while the maximum average temperature does not exceed 32.8°C (May-April). The Fouta Djallon Mountains separate the coastal region from the upper Malinké (18% of the population) which extends to the upper Malian Valley of the Niger from Siguiri to Kankan and Kouroussa.

The coastal region which lies between the Atlantic Ocean and the Fouta Djallon Mountains (17% of the population, excluding Conakry) is extremely damp: the annual average rainfall in Conakry being 4,305 millimetres, the rain falling mainly during the three months of the hot season. Humidity never falls below 65% at the height of the dry season (May-April).

The forest region which is located at the South-east end of the country, between Ivory Coast and Liberia, is the beginning of the thick equatorial forest of the southern coast. It is, however, densely populated (25% of the population.)

The Fouta Djallon is inhabited by the Peuhls, whose main occupation is stock-breeding. However, grassland crops such as millet and "fonio"

are cultivated by the "Rimaïbé" captives. Millet is grown in Upper Malinké; cassava in the low "soussou" coastal area and rice in the forest region. The major foodstuff produced in 1959 were estimated at 270,000 tons of paddy rice, 270,000 tons of millet, sorghum, fonio and maize, 750,000 tons of cassava and sweet potatoes, these representing a daily ration of 2,500 calories and a value of 10.7 billion CFA francs at the time. Estimates for the period 1960-69 vary greatly (see Table).

The increase in food production has been very modest. As in other parts of Africa - it keeps pace with the growth of the rural population. Imports of food has to be substantially increased in order to meet the growing needs of developing towns. Henceforth, they amount to 3 billions in addition to American Aid which in 1965 for instance, amounted to 40,000 tons of rice.

In 1968, the livestock was estimated at 1,700,000 head of cattle, 1,100,000 heads of sheep and goats.

Cash crop agriculture, very limited at the time of independence, has not made much progress either (see Table<sup>1</sup>). The Banana plantations which yielded their record crop in 1965 (100,000 tons), suffered a disastrous fall in output between 1955 and 1958, the disease attacking bananas causing the havoc. The situation became worse after 1958 as a result of the departure of European planters and the end of French protection.

Production has been fluctuating around 75,000 tons for the last ten years, but the target of the seven-year plan is to achieve the former record of 100,000 tons by 1971. The yield of other crops grown in plantations is still more modest: 13,000 tons of coffee (target 1971: 46,000 tons) and 26,000 of palm kernels. There was, however, progress in the cultivation of pineapples the demand for which increased considerably in the Eastern Countries in recent years: (25,000 tons against 11 in 1960).



In groundnut production, the quantity of groundnuts exported is still negligible (25,000 tons) in spite of the progress made. On the whole, agricultural exports to Europe remain at a value of around 4 billions. To this figure should be added one billion of agricultural produce exported to neighbouring African countries, namely livestock (30,000 head of cattle, 50,000 head of sheep and goats a year) and citrus fruits (5 to 6,000 tons a year).

The export of agricultural produce is the monopoly of "GUINEXPORT". An equalization fund covers, in part, the deficit resulting from the high prices paid to producers. The State subsidies to the Fund varied between 600 millions and 1.5 billions, according to the years and the world prices. The accumulated losses of "GUINEXPORT" from 1960 to 1968 amounted to 3.7 billions. In order to reduce this deficit, the Government has been compelled to lower the purchase price paid to producers in 1968-1969. Illicit exports to neighbouring African countries provide foreign currency for the black market.

Fishing was the monopoly of a Polish-Guinean Semi-public company (SOGUIPOL) until 1963. The results have been extremely disappointing, the catch having never exceeded 3,000 tons. It is now being reorganized within the framework of a Sea Fishing Board. Timber production which was non-existent before independence, began in 1964, when a sawmill was installed at Nzérékoré, its capacity being 50,000 cubic metres of timber.

### 3 - MINING:

Mining products are the major exports of Guinea. Guinea has the third largest bauxite deposits in the world. The deposits of the Kassa Island, which were nearing exhaustion, were given up in 1967. This was followed by the mining of the deposits on Tanara Island, entrusted to an American Firm HALCO, in return for various royalties and taxes amounting

to one million dollars a year. The processing of bauxite into alumina is carried out by an international company FRIA (Olin Mathieson Chemical Corp. U.S. and Pechiney) which invested a total amount of 35 billions from 1957 to 1960. The factory began operation in 1960 and reached its full capacity of 480,000 tons in 1963. This capacity was increased to 535,000 tons in 1966. 19,000 people live in the new township of FRIA, this number including 1,000 Guineans and 300 foreign technicians working in the mine and factory. The company retains two-thirds of its earnings in foreign exchange, the sale of the product being calculated at 63.5 dollars per ton. This covers its imports as well as repatriated profits. The other third is paid to the local board of exchange for local settlements by the company. The Guinean Treasury obtains from FRIA about 12 million dollars a year in the form of royalties, taxes and profit sharing.

In October 1969, an agreement was concluded between Guinea and Halco Company resulting in the establishment of the semi-public Bauxite Company of Guinea. This agreement should lead to the mining of the bauxite deposits at Boké. The proposed investments amount to 190 million dollars, 85 of which will be contributed by the Guinean Government (for works involving the infrastructure: 135 kilometres of railroads, the Port of Kamsar etc.). The latter, will at the same time, receive an IBRD loan of 65 million dollars for that purpose. Guinea should receive sixty five percent of the net profits with a 49% participation of the capital, the HALCO group (with prevailing American capital, in association with Pechiney. Kuhlman and Montecatini) having the controlling interest of 51%. Exports will begin in 1972 with 4.7 million tons, which will later be increased to 8 million. The earnings of the Guinean Treasury will increase gradually from 5 million dollars in 1972 to 11 million in 1982 and 23 million in 1987. At the time the agreement was signed, the IMF, until then non-committed towards Guinea, decided to come to the help of the Guinean franc, by granting her a drawing right of 3.8 million dollars.

An agreement signed at the same time between Guinea and the U.S.S.R. in November 1969 will lead to the mining of the bauxite deposits of Kindia. The ore will be exported to Russia at the rate of 3 million tons a year. The planned investment will be financed by a loan, this amounting to 22 billion Guinean francs. The exported bauxite will go towards settling Guinea's debt to the U.S.S.R.

The iron ore deposit of the Kaloum Peninsula (near Conakry), exploited since 1953 by a Franco-British group, gives a regular output of 700,000 tons since 1960. The reserves amounting to 170 million tons of ore with an iron content of 50 to 55% are far below those of Mount Nimba: 300 million tons with an iron content of 65 to 67%. The mining of the Kaloum ore has been given up in 1967. That of Mount Nimba is subject to a previous agreement still being negotiated with various groups (Japanese, Europeans etc...). An agreement signed with 5 companies (American, Australia, Italian, Rumanian and Yugoslav) has already led to the prospecting of these deposits. The ore will be exported through the Liberian port of Buchanan.

Before independence, Diamond mining was controlled by foreign companies (SOGUINEX, BEYLA MINING COMPANY), which were nationalized in 1961. Production then fell to a quarter of its former level. The "liberalization" policy decided in 1963 made it possible for individual diamond winners to carry on their activities.

Their output cannot be assessed, most of it being smuggled to Liberia and Sierra Leone while official exports continued to decrease (from a value of nearly 2 billions to less than 300 millions, finally dropping to zero).

Gold which was traditionally mined in the Siguiré region amounts to 2 to 3 tons a year (400 to 600 millions) exported clandestinely.

#### 5 - INDUSTRIES, INFRASTRUCTURE AND SERVICES:

On achieving independence, Guinea had no industries worth speaking of.

The value added in all manufacturing and power industries did not exceed 300 millions as against 1.4 billions for construction and public works.

During the first three year plan (1960-63) and the first five years of the seven-year plan, about 10 small industrial projects were undertaken, all connected with light industry. A textile factory was built to supply 75% of the textile goods needed on the local market (24 million metres, at a factory cost of 1.5 billion Guinean francs), and was financed by a British Group the cotton being supplied with the help of America. Also set up were an assembly plant of American lorries, a cigarette and match factory (financed by China) a saw-mill (Soviet) and a furniture factory (financed by Yugoslavia) a brick factory (also financed by Yugoslavia), a canning factory (3,000 tons of tomatoes, 900 tons of fruits and 800 tons of meat) with the help of the Soviet Union. A glasswork, a small oil mill and a soap factory are in the process of being set up.

Electric power production increased from 100 million Kilowatt-hours in 1960 to 200 in 1968 (65% of which is consumed by FRIA). The National Power Company which has been nationalized since 1961, plans an additional output of 63 million Kilowatt-hours through the development of the Konkovré site. The inadequacy of the Transport infrastructure constitutes a serious bottleneck in the development of Guinea. The road network which was inadequate in 1958 did not benefit from any foreign aid as did the other countries of the former French Colonial Empire. Medium term private loans (Belgium and French) and a few loans from the IBRD (for the construction of roads leading to the mining areas) constituted nearly the only resources set aside for road equipment. The amount devoted to the maintenance of these roads was very inadequate.

The Conakry-Kankan railway line which crosses the Fouta-Djallon highlands needs to be reconstructed in several places. The rolling stock has been renewed recently by the purchase from France of 25 locomotives.

The railway line has been repaired in some areas thanks to loans granted by Czechoslovakia and Western Germany. This railway hardly transports more than 84,000 tons a year and it runs a deficit of 250 million a year. Ports are also inadequate - with the exception of installations for the handling of mineral ores. On the other hand, important aid was received in the field of civil aviation. With Soviet equipment amounting to 2.5 billions, "Air Guinée" constitutes a typical example of a costly prestige operation, having an annual deficit of 850 millions. The "reorganization" of Air Guinée has now been taken over by PAN-AM, an American Company.

#### 6 - DEVELOPMENT PLANS AND ECONOMIC POLICY:

In spite of the country's claims to an "exhaustive and imperative socialist planning" Guinean plans did not suffer much from those of other African countries. They entailed a series of projects poorly carried out.

The first three-year plan has been implemented in four years (July 1960-April 1964). Forty billions were invested including investments of 4.5 billions in agriculture (as against 10.1 planned); 7.3 in industry, 13.0 in transports; 5.6 in education, health and housing; 10.0 in administrative infrastructure. The seven-year plan which followed from May 1964, forecasts investments amounting to 130,000 billions out of which 16 was set aside for agriculture, 29 for industry, 61 for transports, and practically nothing for the administration and the social services. The rate of investments forecast is twice as high as those made in the previous period. From 1964 to 1969, nearly 50% of the investments forecast have been made (Table 2).

In spite of the implementation of many of the projects envisaged, the planning did not yield the results "anticipated".

The first plan <sup>1/</sup>implied a real growth rate of 15% a year. However, no national accounts statistics are available to enable us to measure exactly the real growth achieved. On the other hand prices, which in

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1. See Samir Amin: Trois expériences africaines de développement; le Mali, la Guinée et le Ghana, PUF 1965.



principle are more or less efficiently controlled (there is at the same time, a flourishing market) are, to our knowledge, not recorded. The gross domestic product of Guinea in 1960 may be estimated at about 60 billion CFA francs. This correspond to 50 dollars per head, but the figures recently given in Conakry (180 billion Guinean francs, giving a per capita figure of 120 dollars of the official rate of exchange) are exaggerated even if we were to consider the important rise in real prices which more than doubled in 10 years? and the over-valuation of the Guinean franc in relation to the CFA francs which fall into the same category.

What is certain is that real growth has been very modest. However, this may have been higher than that recorded in most of the other West African countries. In 1959, the output of the traditional sector may be estimated at 23 billions (food production and stock-breeding: 18 billions); handicraft and traditional construction: 5 billions. The output resulting from these activities increased to the same extent as the population, by 25%, in ten years.

On the other hand, cash crops stagnated around 4 billions at constant prices. The output of mining activities estimated at 1.4 billions in 1959 increased to 3 billions at constant prices in 10 years (about 5% of the G.D.P.), that of the manufacturing industry from 0.3 to 2.5 billions (estimate obtained by comparison with that of similar industries elsewhere in West Africa) and that of construction and public works from 1.4 to 3.0 billions, (same as the volume of investments). Finally, the activities of the transport, trade and services sectors increased from 9.4 to 15 billions (elasticity of the **tertiary** sector in relation to the G.N.P.: 1.4) and that of the Administration from 4 to 11 billions. This gives an overall growth of about 4.5% a year, that is, of about 2% per capita.

On January 1, 1959 the population of Guinea was estimated at 2.9 million inhabitants with only 180,000 people living in the urban areas (towns with more than 2,500 inhabitants). Conakry had 90,000 inhabitants. In 1969, the population would be 3.8 million inhabitants, that of Conakry 230,000 inhabitants. Besides the capital, there are only 7 "towns" with a population more than 10,000 inhabitants, namely Kankan, Kindia, Labé, Fria, Macenta, Mamou and N'Zérékoré.

Although the rate of urbanization has been relatively high (10% a year in Conakry, 4% for other towns, 7% on the whole). Guinea is still less urbanized (9.5% of the total population in 1969 as against 6.2% in 1959).

The result is that the disparity in the average per capita incomes during the colonial era - which varied from 1 to 9 (10,000 francs per annum for those living in the rural areas and 92,000 francs for people in the urban areas) has not changed during the last ten years (the per capita output at the prices of 1960 remaining 9,500 francs for people in the rural area and 96,000 francs for those in the urban area). From this essential socio-political point of view, it may be submitted that the pattern of the Guinea growth does not differ much from that of other African countries. The real wage, pegged down at 28 francs per hour for agricultural workers and 38 francs/hr. for urban workers, fell heavily with the rise in prices. In 1965, the wages of the less paid civil servants have been increased by 12% as against a 5% increase in the wages of other civil servants. In 1968, the Government employed 25,000 wage earners, the mines 3,400, industries 5,800, power and water works 4,500, building 4,200, transports 6,500, services and trade 17,900, hotels and households services 3,500 that is, a total of about 71,000 urban wage earners to which are to be added 29,200 agricultural, fishing and farm workers. In 1963, there were about 50,000 non-agricultural wage earners, of which 21,000 were civil servants. The increase in these



numbers being much more than the increase in output, urban growth reveals a potential unemployment problem which has been largely solved by the absorption of a large number of people in the Government service and State enterprises.

In fact, the true aspects of the economic policy are to be found elsewhere. 1959 was far from being a "normal" year. The sudden departure of French civil servants and the discontinuation of all forms of aid as a result of Guinea's accession to independence, led to various difficulties. The aid from Eastern countries - taking the form of goods supplied to State shops created for trading purposes - made it possible to cope with a difficult financial situation. However, Guinea's membership to the monetary zone of West Africa and the lack of control on transfers to foreign countries resulting from this membership, led to a serious capital flight: under these conditions, Guinea could do nothing but create its own national currency, which it did on 1 March, 1960.

There were the circumstances surrounding the preparation of the first three-year plan which was submitted to the "P.D.G." at the Congress which met at Kankan in the spring of 1960. The general directives constituting the essential point of this hastily prepared plan concerned the reforms to be carried out in the major structures of the economy, the object being both decolonization and the setting up of socialist structures. Those directives mainly aimed at the organization of the rural sector on a system of cooperatives, the creation of state experimental agricultural stations (State mechanized pilot farms), giving priority to the public sector for the development of industry and transports, the nationalization of the major trade (monopoly of the home trade agency), the creation of a national currency and the control imposed on transfers, administrative and tax reform making it possible to reduce management

costs of public services and to ensure to the State an increasing part of savings and finally, the mobilization of the masses and trained personnel, through regional decentralization.

The system of co-operatives for the rural sector and the modernization of agriculture have not yet been given any serious attention. Guinea is a late starter in this field and the progress made in agricultural intensification (use of fertilizers and farming implements) is nothing compared with the achievements in other countries during the same decade. If the principle of State-ownership has been observed with respect to the small industries created since independence, this principle has not strictly been adhered to in recent years. There has been a tendency towards association with western private capital (case of the textile factory, the motor-assembly plant,, diamond mining).

Besides, the major mining companies providing Guinea with almost all its earnings in foreign currency are controlled by foreign capital (Péchiney, Olin Mathieson Corp U.S.A., Harvey Aluminium Inc. U.S.A., etc. State monopolies in trade had to face various ups and downs. In November 1963, the retail trade was "denationalized". Since then, there have been frequent campaigns to denounce the abuses of those African private traders responsible for fraudulent export and speculation against the Guinean franc. Finally, the administrative and tax reform envisaged in 1959-60 has never taken place. The methods and institutions concerned are still the same as those found in all the other African countries of the region - largely inherited from the colonial era.

This is the background to the expansion of the public sector. In 1968, most of the small State industries were still working well below their capacity level: 50% for the Mamou Canning Industry, 50% for the Nzérékoré Sawmill, 33% for the furniture factory with the exception of

the National Tobacco and Match Company, the profits of which exceeded 1.5 billions since 1966, all other industries show a deficit (operating deficit of all industries in 1966: 800 millions). The same applies to the sector as a whole: building enterprises (Batiport, brick factory etc), transport companies (transit and urban transports from Conakry, Railways, "Air-Guinée" - deficit estimated at 800 million) and service industries (hotels etc.). In the trading sector, Guinexport - which subsidizes agriculture shows a deficit by the very nature of its transactions, while the "profits" of ALIMAG (General Import and Food Enterprise - profit made in 1966: 800 million) as well as those of other State Trading enterprises hardly make up for this deficit.

On the whole, the management of some 70 State enterprises with a turnover of 33 billions in 1967, representing the greater part of the turnover of the modern sector, excluding the mining sector, is hardly balanced (less than 2 billion of the net profits after deduction of taxes also amounting to 2 billions as well as a low estimate for depreciation amounting to 1 billion). Besides, the public sector has a large debt: not only the total debt of State enterprises represents 86% of their total assets - this being quite normal since investments are financed by foreign loans - but the short and medium term debt represents 63% of these assets in 1967. The cash balance of enterprises, varying widely from one year to another (see table 4b) nevertheless shows a negative annual average (about .4 billion). The actual payments to the sinking fund being lower than those forecast, the profits paid to the State are only impressive when payment, to the sinking fund are abnormally reduced.

The combined results obtained in the public sector are thus poor but not catastrophic: 3 billions of annual gross profits which are hardly enough to cover the necessary depreciations (see table 4b).

7 - PUBLIC FINANCE AND THE MECHANISM OF THE GUINEAN INFLATION.

On the eve of independence (1957-58), public expenditure within the country amounted to 10.5 billions, 5.5 billions being for the internal budget and 0.8 billion for that of local governments and institutions; 1 billion for the French military budget; 7 billion for the French civil budget and .9 billion as civil and military pensions; finally 1.6 billions for the investments taken over by FIDES (Economic and Social Investment Development Fund).

The ordinary budget of Guinea has almost always been balanced and has even shown a relatively important surplus contrary to current assertions.

Expenditure increased from 8 billions in 1960 to more than 19 billions in 1967-68. Since 1964 the ordinary budget includes the Posts and Telecommunications as well as the Railways and Ports budgets. Since 1965, it also includes the service of the External Debt, supplemented by the earnings of the Equalization Fund as well as those of the Sinking Fund of State enterprises. The surplus varied between 1 and 2 billions a year - until 1964, but now seems to be disappearing, the funds in the depreciation account being insufficient for public debt servicing (Table 3).

To this ordinary budget may be added those of the 29 administrative regions created in 1961. These have increased from 1 to 3 billions.

The Budget made for the implementation of the plan has been very irregular from year to year. From 1960 to 1968, expenditure in that respect was, on average, about 10 billion a year, increasing from 8 to 12 billions within the decade. The greater part of the budget was financed by foreign aid. This contribution increased from 4.6 billions a year during the first five years of the decade to 8.2 during the second half.

Current administrative expenditure in the strict sense (expenditure incurred on wages and salaries, current purchases of goods and services, in other words, the public debt excluding social transfers and subsidies) increased from 7 billions in 1959 (first budget of the Republic of Guinea) to 16 billions in 1969. 4 to 11 billions respectively being for wages and salaries.

The rate of growth of these expenses (8.5% a year) has been more rapid than that of the available resources of the economy.

The increasing number of those enrolling in schools (1960: 80,000 in the primary school; 1968: 300,000; secondary school enrolment: 1960: 5,300 pupils, 1968: 25,000) and defense expenses are the main causes. Taxes had to be increased further as the earnings paid in by mining companies were very modest (less than 6% of the total amount of taxes collected). The increase in the taxes collected including the royalties paid in by the mining companies were below 7% per annum at current prices. The surplus from the actual current budget, from which we exclude the sinking fund, the public debt etc., had thus been on the decrease.

Development plans have been financed by foreign loans, to the extent of 62% of the amount needed (10 billions a year). The First Plan was almost entirely financed by Eastern countries whereas more western countries participated in the financing of the second plan, the United States in particular.

Domestic savings, that is, the budget surplus set aside for the implementation of the plan, the profits of State trading concerns, the investments in voluntary human labour, would have met 20% of the needs. The rest, 2 billions on average per year, was obtained by inflationary means.



From 1965, the main source of inflation has been the State enterprises and not the Government of the day. In addition to the amount of 25 billion of long term foreign loans allotted for their equipment, the enterprises were given bank advances to the tune of 25 billions in order to cover, in part the capital formation not financed by foreign aid, but in particular their operating deficits. The second source of inflation has been the capital budget of the Government. It received 11 billions from the Plan but taking into account the surplus of the ordinary budget (7 billions), it made a very modest appeal (4 billions) to the Central Bank. From March 1960 (date on which Guinea left the Franc Zone and created the Central Bank) to the end of 1965, the net advances of the monetary system to the Treasury (to the ordinary budget as well as that of the Plan) and to the public enterprises amounted to between 7 and 36 billions.

From 1965, the origin of the inflation is transferred from the sector of State enterprises to the State itself. From 1965 to 1968, the net advances of the banking system to the State enterprises (loans granted to these enterprises minus the deposits of the latter) decreased from 30 to 27 billions. On the other hand, the net advances to the State increased from 12 to 31 billions. On the whole the net advances of the monetary system to the State and to Public enterprises increased from 42 to 58 billions. The advances given to the State made it possible to cover the deficits of the administration as well as that of the plan (investments not financed by foreign aid); and even those of public enterprises, in so far as the amount paid by the latter to the budget was below the expected level.

The exact share of responsibilities of the three possible sources, for the inflation (current administrative deficit, investments financing, deficits resulting from the management of State enterprises) is difficult to assess and may even be artificial (to the extent that the prices on

which "profitability" is determined are themselves artificial.) But we may be certain with regard to the figure for the total inflationary gaps, which was in the region of 50 billions in 8 years (more than 6 billions a year). This is an important gap (10% of the GDP), if compared with the gross domestic product of Guinea at the beginning of the period involved (60 billions).

But these advances to the State (about 6 billions a year) have only been absorbed at the rate of about 60%, due to the increase in liquid assets (bank notes and private deposits) held by the public. The volume of the total money in circulation (notes and private deposits) increased from 12 billions in 1960 to 42 in 1968. The deficit of the external balance accounts for the rest.

The inflation resulted into a disorderly increase in prices, in spite of the official price control begun in 1959. It also led to the development of a black market, including a market for foreign currencies supplied by clandestine exporters. Wages which increased from 10 to 20% in 1959 have since been pegged down, but a revision of the salaries of Civil servants in 1965 reduced the range while for the productive sector of the economy, this range tended to widen.

#### 8 - BALANCE OF PAYMENTS AND EXTERNAL INDEBTEDNESS.

Exports suddenly increased from 5 billions in 1958 to more than 12 billions since 1960 and were about 14 billions in 1968-69. Mineral ores brought in more than 60% of the total income.

There will be an increase in exports when the iron ore of Mount Nimba and the bauxite of Boké are mined around 1975. Mineral ores will represent 90% of total exports. Imports, other than those of FRIA and those of capital goods financed by foreign aid within the framework of the PLAN, amounted to about 7.5 billions on average, during the decade. In spite of the restrictive measures adopted, they tend to increase



faster than exports, while the growth rate of exports is 1.6% per year, that of current imports is 4.2%. Basic food products, an important part of these imports, are supplied by American aid since a number of years.

Between 1945 and 1958 Guinea received from F.I.D.E.S. (Economic and Social Investment Development Fund) about 25 billions (of which about 60% was in the form of subsidies). From 1960 to 1965 it will have received more than 45 billions in foreign aid, of which 20 billions will be long term loans from Eastern countries and 19 billions of American aid (half in foodstuffs), the rest being supplied by various Western countries (West Germany, Great Britain etc . . .) and the IBRD. Between 1965 and 1968, it will have received 18 billions from the United States and 12 billions from the Eastern Countries, but at the same time, it will have started repayment (13 billions during these 4 years). It will be noticed that, in recent years, the United States have been tending to replace the Eastern Countries in this field.

However, the massive aid given did not lead to an appropriate equilibrium of the balance of payments. To the total trade deficit should be added the income transferred by mining companies (3 billions) as well as the income of foreign technicians (2 to 3 billions). Besides, substantial repayments on the external debt started in recent years. In 1960, Guinea did not have a large external debt to pay, amounting to about 3.4 billions, this being below its net foreign reserves which amounted to 5.5 billions. At the end of 1965, the external debt of Guinea amounted to 43 billions and at the end of 1968 to more than 65 millions. Two thirds of this debt are made up of long term loans for capital formation, but the proportion of the private suppliers' credits tends to increase. On the other hand, the short term debt (for the purchase of consumer goods) to Eastern countries with which Guinea has signed clearing agreements

is very important, amounting to more than 15 billions. One third of this debt has been reconverted into long term debt. All foreign reserves of Guinea were obviously exhausted by the beginning of the decade. The annual debt service (interests and depreciation) rose to more than 4 billions since 1968/69 and absorbed one third of the revenue from exports.

#### 9 - THE UPS AND DOWNS OF GUINEAN SOCIALISM:

The abolition of chieftaincy in a country very little developed during the colonial era and with neither town's nor a developed plantation economy, were to bring apparently unrestricted power to a limited class of people, the junior employees of the civil service. The "Loi cadre" (skeleton law) having removed the illusion of a possible alignment with the French Civil Service, the "P.D.G." chose the way to independence. This move threatened the existence of the Franco-African Community which in any case survived for only two years after Guinea's independence. During that time, France refused the Guinean offers of collaboration and the agreement protocols of January 1959 were rejected in July of the same year. The financial aid given by Ghana since December 1958 and the immediate support of Eastern countries to State trade institutions which took over from the defaulting European trading concerns explain the forced trend towards socialism. However, Sekou Touré's visit to the United States, Great Britain and Western Germany in 1959 and the benevolent attitude of the major international mining companies made this attitude less radical. The decision to "break away" from the Franco-African community was taken in 1960, at the second Afro-Asian Solidarity Conference and this was later reinforced by American aid.

There were remarkable changes in the context of African political evolution. The active period between 1958 and 1960 led to the creation of the "Union Générale des Travailleurs d'Afrique Noire - UGTAN" (the General Union of African Workers South of the Sahara) which took a radical position of the Conakry Congress in January 1959, the Guinea-Ghana-Mali Union and the Casablanca Pact.

This was followed, as from 1963, by an alignment for political reforms in Africa, which involved active participation in the creation of the Organization of African Unity - O.U.A. the dissolution of the Casablanca Group, a protest against the assassination of Sylvanus Olympio in 1963, participation in the creation of the O.E.R.S. (Organization of the Senegal River State) etc. The same applied to the international policy adopted, and in 1963 a settlement with France put an end to the financial dispute. Socialism was adopted at home, the position of the major mining companies and Guinea's participation in the international market have never been challenged. The last "plots" qualified as "reactionary" took place in 1960 and 1961 (conflicts with the church). Later came the "communist plot" planned by teachers and students in November 1961. We should therefore understand the similarity between the results obtained and those achieved in the other countries of the former French West Africa. The situation as a whole may be summed up in the table below:

ECONOMIC SITUATION 1959 - 1969 <sup>1/</sup>

	<u>Beginning of the Decade</u>	<u>End of the Decade</u>	<u>Annual rates of growth</u>
<u>Gross Domestic product</u>			
<u>factor costs, constant</u>			
<u>billions 1959 value</u>			
Traditional Economy	23.0	28.8	2.5%
Farming	4.0	4.0	-
Mining	1.4	3.0	7.5%
Industries	0.3	2.5	20 %
Construction, Public Works	1.4	3.0	7.5%
Transports, Trade Ser- vices	9.4	15.0	4.8%
Administration	<u>4.0</u>	<u>11.0</u>	<u>10 %</u>
TOTAL GDP .....	43.5	67.3	4.5%

1. All the figures of the table are calculated according to the slope of the trend, positively adjusted, and the percentages are given in the last column.

	<u>Beginning of the Decade</u>	<u>End of the Decade</u>	<u>Annual rates of growth</u>
<u>Population (in thousands)</u>			
Rural .....	2,720	3,440	2.5%
Urban .....	180	360	7 %
TOTAL .....	2,900	3,800	2.6%
<u>Public Finance (current bil- lions)</u>			
Government expenditure .....	7.0	16.0	8.5%
Revenue accruing from taxation	7.7	15.0	7 %
<u>Investments</u>			
Gross investments .....	8.0	12.0	4.2%
External financing .....	4.6	8.2	6 %
<u>Balance of payments</u>			
- Exports .....	12.0	14.0	1.6%
<u>Imports</u>			
- Fria .....	2.0	2.0	-
- Plan .....	4.0	6.0	4.2%
- Current .....	6.0	9.0	4.2%
<u>Foreign contribution</u>			
- Allotted to development ....	4.6	8.2	6 %
- Current .....	1.0	3.0	12%

A purely economic judgement may prove very severe. A modest growth was achieved in spite of the considerable effort made to invest (about 18% of the G.D.P.) which was therefore not very effective. Growth was not even throughout the economy and farmers never benefitted from it. In addition the social structure changed very little since independence. There was important and increasing foreign financing (from 58 to 61% of the investments, excluding mining companies). However, bureaucracy increased and there was inefficient management of the public sector, leading to a continuous inflation causing further distortions in the social structure. This inflation was partly controlled by gradual increase in the external debt. Increasing foreign aid also contributed

1. Mining companies excluded.

to this inflation. In other words, there was increasing dependence on foreign countries, the United States replacing the Eastern Countries in giving support to the country. However, it may be said that the performance of Guinea compares favourably with that of many other African countries when we take into consideration the overall rate of growth, industrial achievement, school enrolment etc... Besides, all these were achieved without much "technical assistance". This is perhaps Guinea's big revelation. In 1958, it was thought in the colonial offices that an African State could not survive without the "technical assistance" and a collapse was anticipated after the massive departure of the colonial civil servants. Guinea has proved that an African State could do away with it.

Its administration compared favourable with others. Its performances as well as the quality of these performances were very much the same as for other countries.

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TABLE 1: GUINEA - MAJOR PRODUCTIONS

	1960-65	1966-69
	(yearly averages)	
<u>Food Production</u> (000 tons) (1)		
Rice .....	220 to 330	275 to 375
Maize .....	180 to 450	275 to 325
Millet .....	45 to 130	70 to 80
Cassava .....	420 to 450	400 to 475
Sweet potatoes .....	55 to 90	75 to 85
<u>Industrial Sea Fishing</u> (tons)		
	2 500	1 500
Livestock : Cattle (000 head)	1 500	1 700
: Sheep and goats (000 head)	800	1 100

	1960/63	1964	1965	1966	1967	1968	1969
<u>Cash Crops</u>							
(000 tons)				( yearly average )			
Banana (2) .....	75	81	87	90	69	50	75
Coffee (2) .....	14	13	14	11	13	10	13
Palm kernels.....	26	20	25	28	24	25	28
Pine apples.....	11	11	13	12	13	15	25
Shelled groundnuts.....	8	11	15	15	17	19	25

...../.....



<u>Mining Productions</u>	1960/63	1964	1965	1966	1967	1968	1969		
	(yearly average)								
Bauxite (000 t) (3)	340	184	241	251	250	1000	1000		
Alumina (000t )	330	484	520	525	530	535	535		
Iron ore (000 t) (4)	740	427	553	705	264	-	-		
Diamond (000 carats) (5)	45	52	42	49	29	-	-		
	1960 - 1961	1962	1963	1964	1965	1966	1967	1968	
Electricity (mls kwh) (6)									
Fria	77	109	115	119	125	130	126	128	129
Public sector	24	25	32	37	43	47	60	70	73

NOTES:

- (1) Various estimates, varied according to sources and years, very doubtful.
- (2) Targets 1971: 100,000 tons of banana and 46,000 tons of coffee.
- (3) Excluding the bauxite processed into alumina by FRIA - 1975 targets of the BOKE mine exploitation: 2,500 tons of bauxite..
- (4) KALOUM ore, exhausted - target of Munt Nimba ore exploitation still unknown.
- (5) Targets in the region of 150,000 carats.
- (6) 1971 targets : Fria and Boke: 300 billion Kwh: public sector: 100 billion.



TABLE 2: GUINEA - ECONOMIC AND SOCIAL DEVELOPMENT  
PLAN

<u>INVESTMENTS</u> (in billion of F.)	"Three year" Plan 1960-64		"Seven year" Plan 1964-71	
	Forecasts	Implemen- tation	Forecasts	Implemen- tation
				1964-69 (1)
Agriculture .....	10.1	4.5	12.4	3.5
Industry, Electricity - Mines(2) ..	8.3	7.3	36.2	20.9
Administration (3).....	6.7	9.1	-	-
Transport - equipment.....	4.2	6.6	30.1	7.6
Ports - Airports.....	1.3	2.5		
Roads.....	1.2	3.7	25.1	11.8
Telecommunications.....	0.2	0.2	5.2	3.1
Education.....	3.7	3.4 )		
Health.....	1.8	1.2 (	6.8	3.8
Housing.....	0.8	1.0		
Miscellaneous;.....	<u>0.6</u>	<u>0.8</u>	<u>15.4</u>	<u>13.0</u>
TOTALS	38.9	40.3	131.2	63.7

FINANCING

(External financing) (4)	23.1	57.8	40.9
Local financing			
Natural savings (5)	6.5	33.8	15.0
Monetary means (6)	10.7	39.6	7.5

- (1) From May 1964 to May 1969 that is 5 years.
- (2) Including more than 50% for Mines and Power, in the Seven-Year Plan.
- (3) Included in the "miscellaneous" item in the Seven-Year Plan.
- (4) Long term credits, suppliers' credits, AID BOKE and counterpart US Fund, special bilateral credits.
- (5) Profits of State enterprises.....
- (6) Advances of the Central Bank.

TABLE 3: GUINEA - PUBLIC FINANCES - CURRENT BUDGET (in billions Guinean Francs)

<u>Year</u>	1960	1961	1962	1963	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
Revenues ....	7.6	8.7	9.1	10.4	12.2	13.2	16.2	14.4	15.6	
Expenditure...	8.0	7.6	7.2	11.1	10.5	11.7	16.2	16.1	19.1	
<u>Forecasts</u>										
Taxes.....	7.7	8.3	9.5	10.0	10.5	9.8	11.8	11.0	14.5	13.3
Other revenues..	0.5	0.4	0.2	1.2	1.2	6.4	6.2	9.6	7.7	10.0
<u>Expenditure</u>										
Wages.....	"	5.1	4.7	5.0	4.9	8.2	9.5	11.3	11.9	11.7
Goods and services	"	3.0	3.1	2.5	1.8	3.1	3.9	4.2	4.6	5.2
Public debt....	"	0.1	0.1	0.8	1.0	3.7	3.3	3.8	4.4	5.6
Other expenses	"	0.5	1.8	2.9	4.0	1.2	1.3	1.3	1.3	1.0

(1) Since 1964 includes payments made to the equalization fund, the sinking fund of State enterprises; in 1966-67 includes also the revenues of the Railway Department.

TABLE 4: GUINEA - FINANCING BURDEN OF THE TREASURY (in billions of current Guinean francs)

a) <u>1961-1964</u>	1961	1962	1963(1)	1963-64	1964-65
Operation of the budget .....	+ 1.1	+ 1.9	- 0.7	+ 1.7	0.0
Implementation of the Plan (2)	- 1.7	- 8.1	- 0.0	- 2.0	- 3.8
State enterprises (3)	- 9.8	- 25.4	- 6.4	- 10.1	- 0.6
<u>Financing burden of the Treasury</u>	10.4	31.6	7.1	10.4	4.4
<u>Financing:</u>					
Indebtedness external (4)	5.1	10.8	3.6	5.0	3.0
Monetary means (5)	5.3	20.8	3.5	5.4	1.4

(1) 9 months

(2) Surplus of administrative investments and equipment subsidies of State enterprises from external resources and the budget.

(3) Management deficits and financing of investments apart from foreign aid.

(4) Of State and State enterprises.

(5) Advances to the State and to the Public sector.

...../...

b) - 1964-1968

	1962	1963	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
Payments to the State sinking fund (forecasts)	-	-	-	2.8	2.4	3.7	3.2	3.1
Payments to the State sinking fund (actual)	-	-	-	"	2.4	2.3	0.0	"
Net profits transferred to the Plan.	5.2	1.7	2.8	3.7	"	1.8	"	"
Net profits kept by the enterprises.	0.6	0.8	1.5	0.0	"	0.1	"	"
Expenditure financed by foreign capital.	"	"	5.0	3.6	8.9	12.2	4.7	"
Treasury surplus or deficit.	"	"	- 5.6	0.6	5.6	- 1.8	- 0.6	"
<u>Financing to be met by the Treasury</u>								
Budget surplus or deficit.	"	"	1.7	1.5	0.0	- 1.7	- 3.4	"
Payment of pensions.	"	"	- 0.8	0.5	- 1.5	- 1.9	- 1.9	"
Results of Regional budgets	"	"	0.5	0.2	- 3.7	0.3	0.2	"
Plan.	"	"	- 1.0	- 5.2	- 2.9	- 0.1	- 2.4	"
State enterprises.	"	"	- 5.6	0.6	5.6	- 1.8	- 0.6	"
Errors and omissions.	"	"	- 1.1	- 2.9	- 3.2	2.2	1.0	"
Total deficit of the fund.	"	"	- 6.3	- 5.3	- 5.7	- 3.0	- 7.2	"
<u>Financing:</u>								
Bank credit.	"	"	9.3	10.8	4.0	8.1	10.3	"
State deposits.	"	"	- 2.1	- 8.0	- 2.1	- 1.3	- 1.3	"
Deposits of the Equalization fund.	"	"	- 0.9	2.5	- 0.4	- 3.8	- 1.8	"

NOTES: (-) nil or does not exist; (") data unknown.

**TABLE 5: GUINEA -- MONETARY SITUATION 1961-1968** (in billions of Guinean francs)

a) INTEGRATED DIFFERENTIAL BALANCE SHEETS 1961 1965

	1961	1962	1963	1964	1965
Currency.....	2.8	6.6	4.3	4.8	7.0

COUNTERPARTS:

a) - Foreign contributions:

- Reduction of foreign reserves.....	- 5.7	- 8.6	0.6	0.6	- 1.9
Short term debts.....	0.0	- 2.8	2.5	- 0.1	- 0.4
Medium term debts.....	0.0	0.0	- 3.5	- 0.2	- 1.9

b) - Public advances to the State.....

To State Enterprises.....	3.9	16.5	6.0	0.4	3.9
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c) - Other items

Advances to the private sector.....	0.3	1.2	0.4	0.4	- 0.8
Miscellaneous.....	3.7	- 5.9	3.4	4.7	3.6

b) - Overall balance sheet of the banking system (in billions of current Guinean francs)

<u>ASSETS</u>	<u>December 1960</u>	<u>June 1965</u>
Foreign reserves .....	12.4	2.4
Advances to the Ministry of Plan....	4.6	15.5
Advances to State enterprises.....	6.0	33.8
Advances to the private sector.....	<u>0.4</u>	<u>2.5</u>
TOTAL .....	23.4	54.2

LIABILITIES

Short term external debts.....	7.0	11.5
State deposits.....	1.3	8.2
Notes in circulation.....	9.0	14.3
Deposits of State enterprises.....	2.4	5.5
Other deposits.....	2.8	18.7
Counterpart fund.....	0.0	5.3
Other items (net).....	1.5	7.6

C: INTEGRATED BALANCE SHEETS 1963-1968 (as at 31st September of every year, in current billions)

<u>ASSETS</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Foreign reserves						
Assets .....	2.4	2.9	2.8	1.9	1.5	2.0
Liabilities .....	- 8.8	-10.0	-10.6	-10.9	-13.2	-16.4
Loans to the State (net) .....	5.0	5.6	11.6	22.8	24.4	30.9
Loans to State Enterprises .....	28.9	35.7	41.5	36.2	39.5	41.7
Loans to the private sectors .....	2.5	2.7	2.6	1.7	1.8	2.2
Other items .....	- 0.9	0.6	1.2	1.0	3.8	4.7
<b>TOTAL</b>	<b>29.2</b>	<b>37.5</b>	<b>49.0</b>	<b>52.8</b>	<b>57.8</b>	<b>65.0</b>

LIABILITIES

Bank notes in circulation .....	10.4	12.8	13.8	14.6	15.8	19.3
Sight deposits : State enterprises ....	3.8	5.0	11.4	11.7	13.2	14.7
Private sector .....	11.0	15.6	12.4	14.2	14.8	17.1
Time deposits .....	0.0	0.0	1.8	1.9	1.9	1.8
Import deposits .....	1.6	0.2	1.3	0.7	2.5	3.5
Counterpart funds	2.4	3.9	8.3	9.7	9.6	8.6

TABLE 6 - GUINEA BALANCE OF TRADE - EXTERNAL BALANCE AND DEBTS 1959 -- 68

A - TRADE BALANCE 1958-64 - IN BILLIONS CURRENT GUINEAN FRANCS

	<u>1958</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Exports: .....	4.9	12.7	15.2	11.1	12.3	12.9
Imports .....	"	12.3	18.0	16.2	11.4	12.1
(including imports for the plan)	"	( 0.0)	( 0.0)	(10.8)	( 4.8)	( 5.0)

B. - BALANCE OF PAYMENTS 1963-64 IN BILLIONS OF CURRENT GUINEAN FRANCS

	<u>1963</u>	<u>1964</u>
<u>Revenues:</u>		
Exports .....	12.3	12.9
Various current revenues .....	0.3	0.9
Private capital .....	1.0	1.2
Aid from Eastern countries:		
Long term .....	4.8	5.2
Short term .....	1.0	1.2
U.S.A. Aid .....	3.6	3.7
Financial settlement with France	1.3	0.0
Capital movements .....	<u>- 0.6</u>	<u>- 0.6</u>
TOTAL .....	23.8	24.8
<u>Expenditure:</u>		
Imports		
FRIA .....	2.6	2.6
PLAN .....	4.8	5.0
Others .....	8.8	9.5
Income Transfers:		
Private (1) .....	5.2	5.1
Public debts : interests .....	0.6	0.7
Depreciation .....	1.8	1.9

1. Transfers from FRIA, savings of foreign technicians, etc.



TABLE 6 (cont'd):

C - EXTERNAL DEBT: SITUATION IN 1960 AND 1965 (in billions of Guinean Francs)

	<u>December 1960</u>	<u>June 1965</u>
Short term (clearing agreements) .....	7.0	11.5
Long term (consolidated clearing agreements) .....	0.0	3.0
Debt of State enterprises .....	<u>3.3</u>	<u>22.7</u>
 TOTAL .....	 10.3	 42.3

D - FOREIGN TRADE 1965/68 (in billions of Guinean francs)

	<u>1964/65</u>	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>	<u>1968/69</u>
<u>EXPORTS</u>					
Agricultural produce .....	3.5	4.0	4.1	4.6	5.1
Mineral ores .....	9.3	8.8	8.5	8.5	9.0
<u>IMPORTS</u>					
Fria .....	2.9	2.4	1.6	1.8	1.8
Plan .....	3.2	3.3	2.4	4.7	3.0
Others .....	9.8	9.3	9.2	5.8	11.0
Balance .....	- 3.1	- 2.2	- 0.6	0.8	- 2.1

E - BALANCE OF PAYMENTS 1965-68 (billions of Guinean francs)

	<u>1964/65</u>	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>
<u>Revenues:</u>				
Exports .....	12.8	12.8	12.6	13.1
<u>Foreign contribution:</u>				
Private capital .....	0.5	0.4	-	0.3
Public capital				
U.S.A. ....	4.5	3.3	2.5	8.1
Other countries .....	4.1	5.7	3.1	-
- repayment .....	-3.1	- 2.6	- 1.2	- 5.9
<u>Foreign reserves:</u>				
Payment agreements .....	0.5	0.9	2.2	3.3
Miscellaneous (net) .....	0.1	0.3	0.5	- 0.6
	19.3	20.7		
<u>EXPENDITURE:</u>				
Imports .....	15.9	15.0	13.2	12.3
Various services .....	0.2	1.8	1.4	1.3
FRIA Services .....	2.2	3.1	3.8	3.8
Errors and omissions .....	1.0	0.8	1.4	0.9

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