Guinea

Sections

- The country made a significant start on reforms in 2011, paving the way to reaching completion point of the Highly Indebted Poor Countries (HIPC) Initiative and establishing the post-HIPC agenda at the centre of political debate, a process that needs to be deepened and speeded up in a context of budgetary constraints and weak capacity.

- Poverty persists and needs to be structurally reduced by means of a vigorous policy of sustainable, inclusive and environmentally friendly growth at a time when the socio-political and institutional environment is unpredictable and requires continuing dialogue.

- Guinea has great mining potential, and if it is properly exploited in a calmer political context and healthier business climate, it could foster economic diversification, the backbone of the emerging Guinea that its citizens so long for.

Overview

The socio-economic situation in 2012 was characterised by persistent poverty (with a 55.2% poverty incidence) even though reforms aimed at reviving economic and social development were implemented and the HIPC Initiative completion point was reached at the end of September 2012. The country benefited from external debt relief worth USD 2.1 billion.

After more than 50 years of independence and bad governance Guinea is ranked 178th out of 187 countries on the Human Development Index (HDI) of the United Nations Development Programme (UNDP). Infrastructure and services are inadequate, administration is weak and the private sector embryonic.

Economic growth is estimated at 4.2% in 2012, versus 3.9% in 2011, driven chiefly by higher agricultural production and the good performance of the secondary sector. In 2012 fiscal receipts as a proportion of gross domestic product (GDP) rose from 15.6% to 19.9% mainly thanks to higher revenues from oil-related products through the special tax on petroleum products, TSPP (Taxe spéciale sur les produits pétroliers), and to income from international trade.

Spending rose from 16% of GDP in 2011 to 18.7% in 2012 as a result of pay increases and investment in energy and agriculture. The budget deficit is estimated to have been 1.4% of GDP in 2012 compared with 0.3% in 2011.

The rate of inflation is put at 13.1% in 2012, compared with 21.4% in 2011. Normalisation of the country’s development context was combined with stricter monetary and foreign-exchange management. As a result, the gap between the black-market rate and the official rate shrank from 10% at the end of 2010 to 0.5% and it was possible to rebuild the reserves, with coverage of 4.6 months of imports at the end of 2011 compared with 0.7 months in 2009 and 2010. Even so, financial conditions remain difficult. The trade deficit worsened in 2012, rising to 16.5% of GDP in 2012, compared with 14% in 2011.

The political scene has long been conspicuous for inadequate dialogue between the protagonists, in particular in respect of the conditions of the organisation of the forthcoming parliamentary elections. Tensions have however eased, relatively speaking, with the government taking into account some of the opposition’s demands, such as suspension of the process of revising the electoral register and recomposition of the independent national electoral commission (CENI) on a basis of parity. But as was shown by recent events at the beginning of March 2013, a crisis of confidence still prevails between the different actors in political life.

Action undertaken by the government has not made it possible to reduce poverty, although an improvement in the literacy and school enrolment rates can be observed, as can a rise in attendance rates at health centres. Gender is still an issue in inclusive development in Guinea.

Initiation of the reforms made it possible to reach completion point of the HITP initiative, but Guinea still faces three major challenges: i) finalising the political transition process; ii) stimulating economic and social development by getting full value from the country’s huge natural potential; and iii) meeting the social demands of the country’s people.
Figure 1: Real GDP growth 2013 (West)

Figures for 2012 are estimates; for 2013 and later are projections.

Table 1: Macroeconomic indicators 2013

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth</td>
<td>3.9</td>
<td>4.2</td>
<td>4.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Real GDP per capita growth</td>
<td>1.5</td>
<td>1.7</td>
<td>2.2</td>
<td>3</td>
</tr>
<tr>
<td>CPI inflation</td>
<td>21.4</td>
<td>13.1</td>
<td>10.6</td>
<td>8.5</td>
</tr>
<tr>
<td>Budget balance % GDP</td>
<td>-0.3</td>
<td>-1.4</td>
<td>-0.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>Current account % GDP</td>
<td>-24.2</td>
<td>-25.4</td>
<td>-25</td>
<td>-28.7</td>
</tr>
</tbody>
</table>

Figures for 2012 are estimates; for 2013 and later are projections.
Recent Developments & Prospects

Table 2: GDP by Sector 2013 (percentage of GDP)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>-</td>
</tr>
<tr>
<td>Agriculture, hunting, forestry, fishing</td>
<td>25.3</td>
</tr>
<tr>
<td>Construction</td>
<td>10.9</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>0.4</td>
</tr>
<tr>
<td>Electricity, water and sanitation</td>
<td>-</td>
</tr>
<tr>
<td>Extractions</td>
<td>-</td>
</tr>
<tr>
<td>Finance, insurance and social solidarity</td>
<td>-</td>
</tr>
<tr>
<td>Finance, real estate and business services</td>
<td>0</td>
</tr>
<tr>
<td>General government services</td>
<td>-</td>
</tr>
<tr>
<td>Gross domestic product at basic prices / factor cost</td>
<td>100</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7</td>
</tr>
<tr>
<td>Mining</td>
<td>21.2</td>
</tr>
<tr>
<td>Other services</td>
<td>2.7</td>
</tr>
<tr>
<td>Public Administration &amp; Personal Services</td>
<td>8</td>
</tr>
<tr>
<td>Public Administration, Education, Health &amp; Social Work, Community, Social &amp; Personal Services</td>
<td>-</td>
</tr>
<tr>
<td>Public administration, education, health &amp; social work, community, social &amp; personal services</td>
<td>-</td>
</tr>
<tr>
<td>Social services</td>
<td>-</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>18.2</td>
</tr>
<tr>
<td>Transportation, communication &amp; information</td>
<td>-</td>
</tr>
<tr>
<td>Wholesale and retail trade, hotels and restaurants</td>
<td>6.2</td>
</tr>
<tr>
<td>Wholesale, retail trade and real estate ownership</td>
<td>-</td>
</tr>
</tbody>
</table>

Figures for 2012 are estimates; for 2013 and later are projections.

Forecasts for growth in 2012 have been revised downwards from the 4.8% initially projected by the government to 4.2%, compared with 3.9% in 2011. This drop was chiefly the result of a poor performance by the mining sector, symbolised by the mid-year closing of the Friguia aluminium refinery. Growth in 2013 should be of the order of 4.8%, rising to an average of 5.6% in 2014.

The primary sector is estimated to have grown by 4.6% in 2012, compared with a target of 4.9%, because of a fall in coffee and cacao production.

Growth in the secondary sector was not as strong as projected and has been estimated at 4% in 2012, compared with an objective of 5.1%. This outcome was due to the poor performance of the mining sector, where the growth rate was 0.9% versus a target of 2%, and a slowdown in building activity, where the growth rate was 7% (versus a target of 8.7%). Growth in the tertiary sector is put at 3.3% in 2012, compared with 3.2% in 2011. The different sub-sectors showed no great change.
Analysis of value added by sector reveals that the tertiary sector accounts for the largest part of GDP (39.8%) followed by the secondary (36.3%) and the primary (23.9%) sectors. This shows the problems Guinea is having in generating a growth dynamic based on getting full value from its huge natural potential, in spite of the efforts made to promote the mining sector and improve productivity in the rural sector.

Rice production is estimated to have risen by 8.67% in 2012 thanks to good rainfall and a good harvest distinguished by the launch of a government support fund and the distribution of agricultural inputs and equipment in the production areas. Crops varied between 2 and 4.5 tonnes a hectare. Production of maize and fonio is estimated to have risen by 4.5% and 6.4%, respectively, mainly because of an increase in the area under cultivation, while production of millet and sorghum is estimated to have dropped by 5.63% and that of tuber crops by 7.03%.

Manufacturing production is estimated to have grown by 5.1% in 2012, thanks in particular to improvements in the water and energy sectors, compared with 4.5% in 2011. The fact that some businesses are now generating their own electricity needs is a major element in higher costs and limits on the production of industrial units. Government action to deal with problem is not very effective and usually undertaken as an emergency and in a disorganised manner.

Private consumption dropped because household incomes fell and it is believed that overall demand increased more slowly in 2012 than in 2011, at 8.3% compared with 17.7%. In 2011 final public consumption fell by 9.1% because of measures to limit government spending but is estimated to have grown by 27.5% in 2012. This trend should continue in the medium term because of planned improvements in the situation and working conditions of public-sector employees.

Growth in public investment is estimated to have more than doubled in 2012 compared with a fall of 38.8% in 2011, helped by the development of transport infrastructure, measures to support rural development, investment in the energy sector to repair and develop production capacities, the renovation of a large number of urban roads and the development of the interurban network. Private investment rose by 14.5% in 2012, as against 93.9% in 2011. The rise in the 2011 figure can be explained by investment in the mining sector, which increased by 75.7%. Public investment is expected to grow by 43.4% in 2013 and private investment by 15.8%.
Macroeconomic Policy

Fiscal Policy

Fiscal receipts in 2012 rose to 19.9% as a proportion of GDP from 15.6% in 2011, boosted mainly by the growth in revenues from oil-related products (TSPP: Taxe spéciale sur les produits pétroliers) and income from foreign trade. If internal revenues are to be increased, fraud and the weakness of the institutional capacities of the tax and customs administrations are constraints to be overcome.

It is estimated that current government expenditure accounted for 18.7% of GDP in 2012, versus 16% in 2011. Current expenditure should remain relatively high, in part because of the pay rises that the government and trade unions agreed upon after long negotiations in 2012.

Greater attention to monitoring of expenditure and efforts to increase revenues helped keep the overall budget deficit under control (0.3% of GDP in 2011 and 1.4% in 2012). It is projected to be 0.6% in 2013.

<table>
<thead>
<tr>
<th>Table 3: Public Finances 2013 (percentage of GDP)</th>
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<tbody>
<tr>
<td><strong>2009</strong></td>
</tr>
<tr>
<td>Total revenue and grants</td>
</tr>
<tr>
<td>Tax revenue</td>
</tr>
<tr>
<td>Oil revenue</td>
</tr>
<tr>
<td>Grants</td>
</tr>
<tr>
<td>Total expenditure and net lending (a)</td>
</tr>
<tr>
<td>Current expenditure</td>
</tr>
<tr>
<td>Excluding interest</td>
</tr>
<tr>
<td>Wages and salaries</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Primary balance</td>
</tr>
<tr>
<td>Overall balance</td>
</tr>
</tbody>
</table>

Figures for 2012 are estimates; for 2013 and later are projections.

Monetary Policy

Monetary policy was tightened by the raising of the reserve requirement ratio from 9.5% to 17% and then to 22%, and of base rates from 16% to 22%, making it possible to sterilise excess liquidity in the form of non-interest bearing deposits with the country’s central bank, the BCRG (Banque centrale de la république de Guinée). Stricter currency management, a halt to deficit financing by money creation and improvement in food crops helped contain inflation, which has continued to fall, from 21.4% in 2011, an estimated 13.1% in 2012 and a projected 10.6% in 2013. The inadequate response of the productive system to demand pressures was, nonetheless, a source of inflationary tensions in respect of some consumer goods such as rice, oil, sugar and milk.

Stabilisation of the economy, investment in mining and building, and lower inflation were reflected in the growth of credit to the economy with growth of more than 10% in 2011 and more than 20% in 2012. Short-term credits accounted for 72% of total credit extended to the economy by the banking sector in 2011, compared with 1% for long-term credits. The long term credits are essentially extended to bank staff and multinational companies.

Introduction of more rigour into money and foreign-exchange management cut the differential between the
black-market and the official-market rates from 10% at the end of 2010 to 0.5%. With the banking of exceptional revenues of USD 750 million from Rio Tinto it became possible to rebuild the reserves to 4.6 months’ cover of imports at the end of 2011 against 0.7 of a month in 2010. They are estimated at 4 months of coverage in 2012.

In 2013 the BCRG will pursue its aim of getting inflation under control and limiting the inflationary pressures that could be produced by the completion of mining projects, by limiting the growth of the monetary base and by levies on excessive liquidity.

**Economic Cooperation, Regional Integration & Trade**

Guinea belongs to the Economic Community of West African States (ECOWAS) and has had a customs tariff in line with the West African Economic and Monetary Union Common External Tariff since 2006, which has two aims: i) to integrate the sub-region’s economies through a customs union to face the challenges of globalisation and ii) to build inside ECOWAS an integrated economic bloc taking advantage of the opportunities afforded by partnership agreements.

At the bilateral level only the agreement between Guinea and Morocco is mutually preferential. Guinea is eligible to benefit from non-reciprocal trade preferences in the framework of the workings of the Generalised System of Preferences and/or Less Advanced Countries schemes of several members of the World Trade Organization, the Cotonou Agreement with the European Union (EU) and the US Africa Growth and Opportunity Act programme. The country takes part in all the statutory ECOWAS meetings and has cut by 27% its backlog of payments to the international organisations to which it belongs.

The trade balance is estimated to have deteriorated in 2102 to reach 16.5% of GDP against 14% in 2011 under the influence of a growth in imports of 12%, which was greater than that of exports (up 5%), and this was related to the mining and building projects. The current-account deficit will remain high at more than 20% of GDP, compared with 24.2% in 2011, an estimated 25.1% in 2012 and a projected 25% in 2013.

Guinea depends on imports to cover 25% of its food needs. Except for rice from countries in Asia, the EU remains the main supplier.

Exports of agricultural produce are fairly limited and consist mostly of coffee and cacao. Exports to neighbouring countries consist chiefly of livestock, palm oil and potatoes. Coffee exports for the most part go to Morocco and the EU and amounted to 2 500 tonnes in 2011 and 1 950 tonnes in 2012. The country also exports pineapples and mangos to the EU and other countries in the sub-region, but the outlet that these two markets represents remains little exploited. If plans to give a new impetus to the country’s exports are to become a reality these two markets should be the subject of special attention in the talks over trade liberalisation with the EU under the Economic Partnership Agreements.

**Table 4: Current Account 2013 (percentage of GDP)**

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<tbody>
<tr>
<td>Trade balance</td>
<td>2.5</td>
<td>-0.2</td>
<td>1.4</td>
<td>-14</td>
<td>-16.5</td>
<td>-16.3</td>
<td>-17.5</td>
</tr>
<tr>
<td>Exports of goods (f.o.b.)</td>
<td>21.1</td>
<td>23.6</td>
<td>30.8</td>
<td>29.9</td>
<td>24.1</td>
<td>20.5</td>
<td>18.4</td>
</tr>
<tr>
<td>Imports of goods (f.o.b.)</td>
<td>18.6</td>
<td>23.8</td>
<td>29.4</td>
<td>43.9</td>
<td>40.6</td>
<td>36.8</td>
<td>35.9</td>
</tr>
<tr>
<td>Services</td>
<td>-7.2</td>
<td>-5.8</td>
<td>-7</td>
<td>-10.3</td>
<td>-6.9</td>
<td>-6.6</td>
<td>-6.6</td>
</tr>
<tr>
<td>Factor income</td>
<td>-1.7</td>
<td>-3.8</td>
<td>-1.6</td>
<td>-2.8</td>
<td>-2.5</td>
<td>-2.5</td>
<td>-2.5</td>
</tr>
<tr>
<td>Current transfers</td>
<td>0.4</td>
<td>0.8</td>
<td>0.4</td>
<td>2.9</td>
<td>0.7</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Current account balance</td>
<td>-5.9</td>
<td>-9.1</td>
<td>-6.8</td>
<td>-24.2</td>
<td>-25.1</td>
<td>-25</td>
<td>-26.2</td>
</tr>
</tbody>
</table>

Figures for 2012 are estimates; for 2013 and later are projections.

**Debt Policy**
At the end of 2011 external public debt stood at USD 3.193 trillion, or 62% of GDP. It was not sustainable, with a net added value (NAV) of debt relative to exports of 194% and relative to receipts of 312%. On 11 April 2012 Guinea agreed with its Paris Club creditors to reschedule its debt under Cologne Terms. At the end of September 2012 the boards of the International Monetary Fund (IMF) and the World Bank agreed that the country had reached the HIPC Initiative completion point. This translated into debt relief of USD 2.1 billion, which aims gradually to reduce the 194% NAV ratio relative to exports before the HIPC/Multilateral Debt Relief Initiative (MDRI) to around 33% in 2012 and 24% in 2032, after the aid.

On 25 October 2012 the Paris Club creditors undertook to cancel USD 655.9 million, amounting to normal relief of USD 356.3 million (the cancellation relief generally expected of the Paris Club) and supplementary relief of USD 299.6 million. This amounts to a cancellation of 99.2% of the debt owed by Guinea to its Paris Club creditors. In addition, the country has undertaken to seek the same level of debt relief from its other creditors.

The board of the African Development Bank (AfDB) agreed in November 2012 to cancel Guinea's debt in the amount of USD 175 million under the HIPC Initiative specifically, and of USD 274.7 million under the MDRI. This will allow the country to make a budgetary savings of around USD 304.9 million and will amount to a cut of more than 90% in Guinea's obligations towards servicing its debt to the AfDB Group.

**Figure 2: Stock of total external debt and debt service 2013**

Figures for 2012 are estimates; for 2013 and later are projections.
Economic & Political Governance

**Private Sector**

Informality predominates in the private sector, which is hampered by a poor business climate and equally poor transport and energy infrastructure. The tax burden is not properly shared because the country’s formal economic base is so narrow.

The World Bank report *Doing Business 2013* ranks Guinea 178th out of 185 countries because of its poor governance, corruption, bureaucratic lethargy, a low level of investor protection and difficulties in getting access to credit.

The investment code has been revised several times to provide greater incentives for investment but its rules governing the establishment of businesses are poorly applied. The weakness of the financial fabric and the high cost of credit limit the opportunities to create businesses. Political, legal and administrative changes in recent years have not made it possible to improve the business climate in Guinea.

Public instruments to support and nurture businesses are inadequate. There have been timid initiatives, but there has been no real strategy and concerted action to promote small- and medium-sized enterprises (SMEs), not to mention that those that are legally established must face competition from the informal sector.

Ignorance about export markets and the absence of any quality control of exported goods are amongst the main obstacles facing the trade sector. Guinean exports are not very competitive because the costs of the production factors (transport, packaging, electricity grid etc.) are so high.

The country has major and varied tourist attractions (beaches, the hills and cliffs of Central Guinea, etc.) but the tourist industry is still in its infancy with about 40,000 to 50,000 tourists arriving from abroad each year. The sector faces constraints in the form of insufficient basic infrastructure (hotels, access to tourist sites, etc.), the high cost of such services as international transport and hotels, and the low level of the qualifications of human resources.

In 2013, the government will need to intensify the reforms that have been embarked upon in the fields of justice, the investment code, the overall tax code, the customs code, the mining- and oil-industry codes, etc. The agency to promote private investment (*Agence de promotion de l’investissement privé*) set up by decree in June 2011 will need to strengthen its operational capacities.

**Financial Sector**

In 2012 Guinea had 16 registered commercial banks, 14 of which were operational. One was placed under provisional administration in December 2011 because of bad management and failure to observe banking regulations.

All the other banks respected the regulatory standard of 10% solvency. Some have ratios well above the standard. Only some have fully respected the minimum liquidity standard. The prudential regulation requires the banks to cover 60% of their assets by permanent and long-term resources. All the banks had transformation coefficients in excess of 60% in 2012. Very few banks failed to respect regulations governing limits on foreign-exchange risks.

Local investors face problems in meeting bank demands in terms of equity and guarantees. High interest rates, above 20%, and the required collateral make it hard to access credit. The complexity and cost of the necessary formalities as well as the legal risks involved weigh on the application of legal measures in respect of guarantees. Draft legislation aimed at strengthening banking oversight and financial intermediation in favour of SMEs and small- and medium-sized industries (SMIs) was prepared in 2012 and submitted to the national transition council, the CNT (*Conseil national de transition*). The business climate and the limited nature of banking portfolios are not favourable to the development of SMEs and SMIs.

The non-banking financial sector is made up of 13 registered microfinance institutions and 9 insurance companies, 8 of which are active. In the microfinance sector, financial products are chiefly current accounts and short-term loans. Some microfinance institutions also deal with money transfers.

**Public Sector Management, Institutions & Reform**

The government has drawn up new general regulations on public accounting and a guide to overseeing activities with a financial impact in a bid to strengthen the management of public finances. It has computerised stock-account data to integrate it into the spending chain. It has also revised the decree that categorises
supporting documentation in public expenditure. The government has continued to reform the public tendering process by relaunching the journal of public contracts and producing a buyer’s guide.

The CNT has adopted a budget-related organic law as part of its structural reforms. The accounting statements for the budgets between 2005 and 2011 have also been adjusted with a view to preparing remedial legislation on finance settlement and the adoption of a new finance law.

The freeze on public contracts signed in 2009 and 2010 and their auditing, commenced in 2011, and the effective application of the code governing public contracts continued in 2012 but were not completed. The same is true of the abolition of non-budgeted spending operations, the suppression of ad hoc exemptions from customs duties without a basis in regulations, the requirement for companies and public bodies to pay back to the Treasury receipts generated on its behalf and the strengthening of the fight against tax fraud and evasion.

The government has set up periodic meetings between the finance ministry and the BCRG to strengthen the co-ordination of macroeconomic policies. The two parties have agreed on an account-management convention.

To strengthen the co-ordination and monitoring of its actions, the government has established arrangements for their review and evaluation. This requires all ministerial departments to file with the office of the prime minister periodic reports on the state of progress and implementation of their respective schedules of activity and of cabinet decisions.

The process of purging the general register of state employees continued and was extended in 2012, with 1 436 full-time staff and workers on permanent contracts being sent into retirement and the names of 5 956 others removed. The process also made it possible to eliminate the names of 542 staff that were either deceased or had abandoned their posts. Another 516 employees were found to be in an irregular situation and were removed from the register, and 771 were suspended with their pay frozen because they had given up their jobs or were double-counted. An investigation into student scholarships resulted in discovering 39 000 bogus students.

With a view to giving the public sector a younger and more female dimension, the government signed an agreement with the French government for the training of 1 200 public-sector employees and young graduates at a rate of 400 a year. In 2012, 393 people were selected for this programme. A minimum salary of GNF 440 000 (Guinea francs) was introduced for the first time in the country.

These various measures are part of the implementation of the programme of state reform and modernisation of the administration developed and adopted by the government in 2012. Studies were conducted in 2012 with a view to reforming local governments and clarifying their relationships with their supervisory administrations in order to put decentralisation on a firmer footing. A decree on the adoption and piloting of the national political document on decentralisation and local development was signed and published in March 2012.

The process of reform peaked in 2012, but 2013 has seen a slowing of the implementation of the reforms caused by capacity constraints in the area of reform co-ordination, budgetary limitations, and the negative impact of the political and institutional tensions raised by the organisation of parliamentary elections intended to mark the end of the transition.

**Natural Resource Management & Environment**

The quality of Guinea’s environment has been progressively deteriorating, including destruction of the plant cover under the impact of clearance for farming, timber felling, brush fires and mining. The rate of deforestation is put at 502 500 hectares a year. The ecosystem has been most damaged in areas of poverty and extreme poverty.

According to 2012 data, almost 68% of the population have access to drinking water (compared with 74.1% in 2007) while the share of people using running water is lower still: 11.6% in 2012, against 8.4% in 2011. About 31% of people have access to hygienic lavatories, and 9.8% of households could dispose of household waste hygienically in 2012. It is unlikely that the targets of the Millennium Development Goals (MDGs) relating to a sustainable environment will be achieved by 2015.

In 2012, the government drew up a plan to combat the discharge of hydrocarbons into the sea. It compiled an inventory of the amount of timber felled before 2010 and launched a community-led total sanitation plan. Some 2 000 forest wardens were given military and technical training. Revenue from taxes and licences amounted to GNF 20 billion compared with an projected GNF 65 billion between 2008 (when the environmental protection fund was set up) and 2012.

**Political Context**
The electoral process continued in 2012 with the revival of technical discussions between the political parties, technical and financial partners, the CENI and the CNT, to determine how, in practical terms, the parliamentary elections could be organised and financed.

In September 2012, the CNT adopted legislation relating to the recomposition on a basis of equal representation in the CENI with the appointment of ten members of the presidential circle, ten members of the opposition, three representatives of civil society and two members of the administration. A new CENI was established with a new elected chairman, who gave details of a timetable for parliamentary elections in May 2013.

All those involved in political life have spoken of the need for a dialogue to set up the conditions for organising parliamentary elections that are credible, free, transparent and accepted by all. Accordingly, after recent demonstrations organised by the opposition parties, which resulted in the deaths of nine people and major material damages, a framework of inclusive political dialogue was established which brings together all political and civil-society points of view. The election date might be postponed after these discussions.

A ministerial reshuffle took place in October 2012, marking the departure from the government of the military. A ministry of human rights and public freedom was instituted to demonstrate the government's determination to take a positive role in strengthening the democratic process.

In the light of the crisis in Mali the government set up a monitoring centre and declared its solidarity with any decision that might be taken by ECOWAS, the African Union and the United Nations.
Building Human Resources

Results of a 2012 survey into the prevalence of poverty (ELEP-2012) showed that the great majority of the population (72.2%) were uneducated. Slightly more than 10% had completed primary or secondary schooling. Only 8% had completed university or professional training. The literacy rate among those over 15 was 34% in 2012, compared with 32.9% in 2007.

Only one person in three over 15 years old is literate, and twice as many men than women are literate. The gross rate of school enrolment amongst children aged between 7 and 12 rose from 56% in 2007 to 59.5% in 2012. The level of enrolment among the 13-to-16 age group was 21.7% in 2012 compared with 21.2% in 2007. The comparative figures for the 17-to-19 age group were 13.1% in 2012 and 10.9% in 2007.

In respect of health policy, government policy is based on strengthening prevention, combatting priority diseases and improving access to essential health services for the poor. In 2012, 61.4% of people attended modern health centres compared with 58.2% in 2007. The rate of admission at health services was 8 per thousand against a target of 15 per thousand and the occupancy rate of hospital beds was 61%.

The gross mortality rate in 2012 was 14.6 per thousand. Data from the population and health survey show that the rate of maternal mortality increased between 1992 and 1999, rising from 666 per one hundred thousand live births to 980 per one hundred thousand live births. On the other hand the rate of infant mortality dropped sharply to reach 67 per thousand between 2008 and 2012 compared with 86 per thousand between 2003 and 2007. The rate of child mortality fell from 145 per thousand between 2003 and 2007 to 122 per thousand for the period between 2008 and 2012. To cut maternal and infant mortality rates, the government has intensified its campaign for free caesarean sections, of which there were 8 770 for a total of 43 996 deliveries. The rate of vaccination was 86% for poliomyelitis and 91% for measles.

In the area of targeted illnesses, 23 016 people infected with HIV/AIDS or affected by it were treated (or 60% of those living with HIV/AIDS) compared with 58.24% in 2011. A total of 1 987 345 cases of malaria were treated, as were 11 576 cases of tuberculosis, 557 cases of leprosy and 7 227 cases of cholera. The government provided GNF 19 billion in 2012, as against GNF 2 billion in 2010, towards increasing the number of centres seeking to prevent transmission from mother to child, which rose from 89 in 2011 to 159 in 2012. The money also helped lower the prevalence among high-risk groups: 16% in 2012 against 34% in 2005 amongst sex workers, 5.6% against 6.5% in the military and 5.4% against 5.5% amongst lorry drivers.

The national committee to fight AIDS calculates that HIV/AIDS in 2012 was more common amongst women aged between 15 and 24 (with a 0.74% incidence) than men in the same age group (0.29%) and that the rate amongst children was 0.25%.

Poverty Reduction, Social Protection & Labour

Poverty increased between 2002/03 and 2007, rising from 49.1% to 53%, then to 55.2% in 2012. Some 6.2 million people were estimated to be poor in 2012. To combat poverty, in 2012 the government provided people with basic foodstuffs to the amount of 130 000 tonnes of imported rice and 15 000 tonnes of sugar, corresponding to a subsidy of GNF 54 billion, or around 0.6% of revenues. It also banned the re-export of basic foodstuffs, purchased and stored 2 208 tonnes of husked rice and 942 tonnes of paddy rice, which were surplus production by farmers and producer groups, and sold 27 200 tonnes of fish.

Reduction of poverty through a revival of growth and control of inflation is a major issue for the government. The adoption of relatively strict fiscal and monetary policies seeks to contain the erosion of real household incomes, attract private investment and generate more productive jobs, but unless these policies are matched by a significant upturn in the productive sectors, they will have little effect.

To cut poverty, the government also plans to reverse fertility trends, better match education policies to the stated needs of the labour market, rehabilitate and build marketing infrastructure, improve basic services and develop promising sectors.

Most household income comes from work. Less income from work means greater poverty. Analysis of the labour market shows that in recent years there has been a shift in the structure of employment towards less productive jobs such as employment in micro-businesses, household work and caregivers. This has undoubtedly been helped by the expansion of the informal sector and more widespread underemployment. It is accordingly important that the measures to be taken to foster the expansion of employment be accompanied by steps to increase workers’ productivity.
Between 2002 and 2010, the unemployment rate rose from 10.2% to 15% in Conakry, but dropped from 6.7% to 3.2% in towns in the country’s interior. The fall can be better explained by migration to the capital than by an increase in job opportunities.

The government has instituted a framework of dialogue and concertation on issues relating to youth employment and in August 2012 launched a plan to help the socio-economic inclusion of young people and women at risk through operations seeking to soak up youth and female joblessness. It also continued initiatives to help young people enter active life through construction work on infrastructure to recycle plastic and organic waste.

The authorities have started to promote microenterprises in partnership with several non-governmental institutions with a view to providing training in the entrepreneurial spirit and in starting up businesses: 155 business plans out of 300 were financed in favour of young people. In 2013, it plans to improve the circulation of news about the jobs market by using both modern and traditional communication channels.

These measures should continue and become more operational and better co-ordinated, which is a challenge in a political environment that alters according to the tensions linked to the transition to democracy and which is limited by a cash-based management of public finances that has problems in dealing with the implementation of sustainable and sizeable socio-economic projects.

**Gender Equality**

In the urban areas, the literacy rate among those aged over 15 is 72.3% for males and 46.1% for females. In the countryside the proportions are 31.8% and 11%, respectively. The school enrolment rate in the 7-to-12 age group is 88.1% for boys in urban areas and 85% for girls. The gap is wider in the countryside where the proportions are 52.1% and 44.8%, respectively. At the secondary level, in urban areas 73.4% of boys aged between 13 and 19 are enrolled and 57.9% of girls, but in the countryside the proportions are 24.3% and 13.6%, respectively. The differentials can be explained by the fact that girls end their schooling prematurely or because they do not succeed, or because there are no schools for them to attend. Girls make up 20.7% of those admitted to higher education.

Men earn one-and-a-half times more than women.

Women account for 22.58% of the the CNT, or 35 of the 155 members of parliament. There are 5 women and 30 men in the government. The country’s children’s parliament has 52 boys and 62 girls. In the central administration, women occupy 23% of jobs, 12% of which are decision-making positions. The economic and social council has 21% female membership and women hold 36% of positions in the judiciary and 8% in research and at university.

There are no women prefects in the decentralised services, but two women occupy positions as special delegation presidents, equivalent to mayors. In the political parties, women tend to play a supporting and social role rather than being decision makers. Women’s groups are heavily involved in income-generating activities. They make up 47% of the clients of microfinance institutions and receive 54% of credits granted per business sector.

It is believed that women are less present in the jobs market than men because of their household duties and low level of education and/or of qualifications compared with men.
Thematic analysis: Structural transformation and natural resources

Guinea’s main mining resources of economic interest are bauxite, iron ore, gold and diamonds. While iron ore has only recently been exploited, bauxite, gold and diamonds make up almost 88% of exports of goods and produce 20.57% of internal revenues. Local added value is put at 14.2%. The sector is the main destination of foreign direct investment (FDI) and is made up of semi-private companies, which have run into difficulties in the past ten years because equipment and infrastructure have become antiquated and as a result of competition in world markets.

There are estimated to be more than 9.4 billion tonnes of iron ore deposits with 350 million tonnes at Mount Nimba with a 66.5% content, but bauxite is the major mineral with proven and probable reserves of more than 20 billion tonnes, or two-thirds of world reserves.

The mining sector has a limited impact on economic activity, both upstream and downstream. The goods and equipment used to extract bauxite and to process it are not produced in Guinea. Any rise in mine production or exports does not stimulate production in other sectors but increases imports. The downstream impact depends on the degree to which mining products can be processed locally, but apart from the case of the Rusal alumina plant, there are no local mineral processing industries, which are generally regarded as sources of substantial added value, on which increased production could have an impact.

In addition mining exploitation and exports are highly capital-intensive. The two activities use a large amount of capital but relatively little labour, with the result that the sector’s ability to create jobs and induce structural change, even at a time of growth, is necessarily limited. It becomes clear, accordingly, that the modern mining sector has not helped act as a driver of inclusive growth or substantially reduce poverty, two essential conditions for carrying out deep structural change.

The weak involvement of mining activities with the rest of the economy has not produced knock-on effects that could generate major structural changes in the country over the past 30 years. The problems of governance linked to the management of the sector have contributed substantially to this state of affairs.

One of the conclusions concerning the mining sector that emerged at the Guinea economic forum in September 2012 was that there are no close ties between it and the other sectors of the economy, a point of view confirmed by its especially outward-looking character. A greater integration of the mining sector into the rest of the economy could have a more intensive ripple effect on the other sectors as investment in mining increases.

In tax terms, until the institution of the Second Republic, the mining sector used to be the greatest contributor to the public purse (82.4% of revenues in 1986) thanks to the increase in bauxite exports and high prices on the world market. A change in conditions on the world market for aluminium saw a sharp drop in public revenues, to 24.7% in 2000 and 20.6% in 2012. The implementation of a policy to diversify non-mining fiscal resources led to a change in the structure of taxation.

Guinea devised measures to confer on certain businesses tax exemptions under the October 1984 investment code, which was revised in 1995, specific tax and customs regimes, special conventions and so on. Until quite recently, the mining sector benefited from exemptions in respect of the ordinary tax provisions. The 1995 mining code abolished value added tax (VAT) on mining exports and cut import and export duties because of their negative effect on the competitiveness of the mining industry.

In 2012 the government instituted a standard mining convention, to which all existing and future conventions will be adapted. It has also decided to take a stake in all mining programmes.

The “fair value”, or share of production that the country gets back, is the indicator used to calculate the fiscal revenues from the mining sector. The mining companies keep 65% to 85% of their export earnings in foreign accounts. Those operating under a concession-contract regime do not repatriate their foreign-exchange earnings and pay instead a tax in foreign exchange to the BCRG. The licence fees and financial contributions benefiting communities where mining companies are based have risen by around an average of 3% over the last 20 years.

Surveys of poverty and inequality conducted in 2012 showed that the Boké and Kindia regions, the main areas where bauxite-producing companies operate, are among those hardest hit by poverty with rates of 58.9% and 62.5%, respectively. The regions of Kindia and N’zérékoré are the greatest contributors to overall poverty: respectively 18% and 21.4%. The resurgence of poverty and the lack of infrastructure in these places indicate that the use of local resources has little impact on the economies and well-being of local populations.

The government is relying on strengthening its relationships with partners to be able to develop the country’s potential, the strategy being to enhance the role of the private sector and ensure that market forces are
In 2012 it undertook a review of the 1995 mining code to encourage more investment in the sector and tried to improve the law relating to mining, which needs variously to be clarified, completed or adapted. It restricted the mining tax rate and base to make the sector more attractive and hopes to see an increase in the level of revenues.

The government is aware of the major importance of the mining sector, regarded as the chief source of the resources needed to restructure the economy and accelerate growth.

One of the aims of the mining code is to expand and diversify in the long term the exploration, exploitation and processing of mineral resources. The government acts as a guarantor of mining exploitation and exploration as long as regulations are respected and has made support for the private sector a basic element of its mining policy. Its role is restricted to setting the policy framework, in particular in regard to imports, licences, titles, jobs, the environment, and extracting value from resources, as well as ensuring that the steps implemented are monitored and the necessary support forthcoming.

The process of deriving real, major and supervised value of the country’s mining potential will make it possible, in the long run, to make the sector the engine of economic growth on condition that future investment has implications and impacts in respect of the other sectors of the economy. It is possible to imagine investment of USD 70 billion in the mining sector in the years to come with a resulting perceptible rise in GDP and the direct or indirect creation of 600 000 jobs.

The plan to build an alumina plant at Kabatale should generate 3 000 jobs during construction and 1 000 in exploitation. The integrated project at Dian-Dian with a capacity of 15 million tonnes a year of bauxite and 2.8 million tonnes of alumina should produce 7 000 construction jobs and 2 000 operational jobs. The alumina project at Sangarédi with a capacity of 3.2 million to 5.6 million tonnes should generate 7 000 to 10 000 jobs in the building phase and 1 500 when it becomes operational. According to the department responsible for prospective studies at the ministry in charge of mining “the CBG (Compagnie des bauxites de Guinée), with exports of 12.5 million tonnes of bauxite and a turnover of around USD 300 million would earn almost USD 2 billion if it processed it into alumina and around USD 5 billion if it processed it into aluminium”.

The Bellzone Kalia project with a capacity of 50 million tonnes of iron ore could generate 9 000 construction jobs and 3 500 operational jobs and it is worth noting the iron-deposit exploitation project at Simandou, which should lead to the building of a trans-Guinean railway and of a deep-water seaport at Benty.

Building these installations will require more energy. The development of a potential estimated at 6 000 megawatts (MW) has begun with the forthcoming construction of a dam at Kaléta, which should produce 200 MW and for which the government plans to train 1 000 young people.

These huge projects are of vital importance for the economic and social future of the country, but if they are to be realised there has to be an improvement in Guinea’s business climate, in particular in terms of security of investments, and an upturn in the global economy. If circumstances are less favourable, in the medium term the country could remain at its current pace of development with annual growth rates of between 4% and 5% and only a limited impact on the social dimension.