

I. THE ECONOMIC ENVIRONMENT

(1) MAJOR FEATURES OF THE ECONOMY

1. The Republic of Guinea is a coastal country of West Africa with an area of 245,857 km² and a population of 7.1 million inhabitants at the beginning of 1997. Except for the capital, Conakry, which has over one million inhabitants, the other main cities, including Kankan, Kindia and N'Zérékoré, have fewer than 100,000 inhabitants. Life expectancy at birth was below 50 years in 1995, with high rates of infant mortality and illiteracy (Table I.1).

Table I.1
Basic social data, 1990 and 1995

Indicators	1990	1995
Population (millions)	5.8	6.6
Urban population (percentage)	26	30
Rate of population growth (percentage)	3	3
Infant mortality rate (per '000 live births)	138	128
Life expectancy	44	49
Public spending on health (percentage of GDP)	0.5	0.5
Public spending on education (percentage of GDP)	1.5	1.7
Illiteracy (percentage of population)	76	64
- Men	65	50
- Women	87	78
Human development indication (HDI ranking/total number of countries)	173/173	167/175

Source: World Bank, various publications; United Nations Development Programme, *Human Development Report*, several issues.

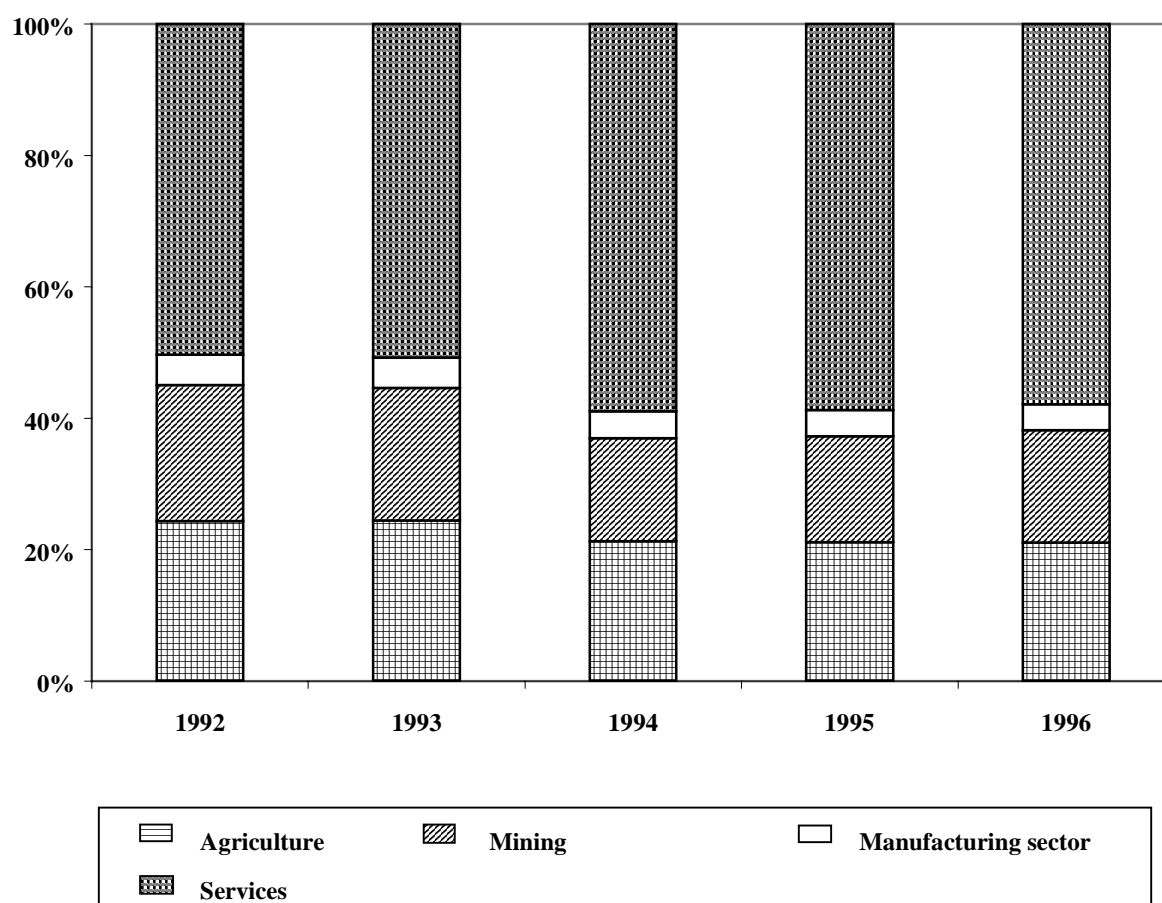
2. With a Gross National Product (GNP) of US\$570 per capita in 1997,¹ Guinea is a least developed country. Formal activities are dominated by exploitation of the numerous mining resources with which the Guinean subsoil abounds (Chapter IV (3)(i)). Bauxite (the main mineral resource), gold and diamonds are currently mined on an industrial scale. These resources undergo little local processing but still account for over 90 per cent of goods-export revenue. Their contribution to real GDP, however, is falling (Chart I.1). Guinea has considerable potential (*inter alia*, high rainfall, fertile and largely unexploited land) for the development of rural activities, which has been held back by heavy State intervention (for about 20 years). The resulting flight from the countryside has contributed to the ageing of the active rural population and the increasing proportion of women in that population. Manufacturing activity, already underdeveloped, has fallen following the winding up or cessation of the activities of certain State enterprises, as current constraints on the sector have failed to awaken the enthusiasm of private investors (Chapter IV (4)).

3. The drift from the countryside - the relative size of the urban population has more than doubled in 20 years - and illiteracy have contributed to the development of the services sector, which is dominated in Guinea by informal trade: this sector accounts for over 50 per cent of real GDP (Chart I.1). Guinea has a seaboard, a fact which could have encouraged the development of transit trade in goods intended for the land-locked countries of the subregion. Owing to lack of investment in basic infrastructure, shipping services are limited to Guinea's international trade, particularly the transport of mineral products. Informal activities, which are a feature of all sectors, are believed to amount to 60 per cent of GDP and to supply 90 per cent of non-agricultural jobs outside the civil

¹ World Bank (1998).

service. They range from retail trade (50 per cent of informal jobs) to vehicle repair (30 per cent of informal jobs), including exchange activities (Box I.1), catering, small metal-production units, small-scale cloth mills, leather processing, masonry and joinery. Informal operators obtain financing from decentralized networks and people's savings and credit funds (Chapter IV (5)(ii)(a)).

Chart I.1
Breakdown of real GDP by sector, 1992-96



Source: WTO Secretariat on the basis of statistics supplied by the Guinean authorities.

Box I.1: The informal exchange market

The exchange liberalization policy (Annex I.1) has enabled, inter alia, the opening of private accounts in foreign exchange by foreigners residing in Guinea, the setting-up of regulated Bureaux de Change and the authorization of current transfers in foreign exchange. However, the banking system's inability to meet the whole demand for foreign exchange and the runaway increase in the different charges (including taxes and fees) have encouraged the development of an informal market. Foreign currency rates with respect to the Guinean franc are fixed on that market by reference to the official rates set by the Central Bank of the Republic of Guinea (BCRG). Most of the foreign exchange supplying that market comes from diamond and gold mining and the tourism sector.

In 1997, because of the heavy drop in the country's foreign-exchange revenue, the BCRG introduced institutional and statutory measures designed to mobilize exchange resources which were bypassing the official channels. Immediate measures encouraged the commercial banks to improve their management of foreign-exchange accounts. The banks accordingly reduced costs and commissions on accounts; abolished commissions on transfers from abroad; reduced the margin between "Libor" and "Pibor"; lowered the rate of return on foreign exchange savings accounts; and improved the application of the exchange regulations. Medium-term measures involving all market operators, including the State, are also planned. However, despite this action by the authorities, no significant change has been noted to date in the mobilization of foreign exchange resources by the formal market. Despite the fact that mining resources are heavily dependent on fluctuations in world prices, Guinea still relies on external assistance and the mining sector, which are the country's principal sources of foreign exchange.

(2) ECONOMIC DEVELOPMENTS**(i) From independence to the 1980s**

4. In 1960 the Republic of Guinea, which became independent in 1958, left the franc zone and set up its own central bank, with a national currency, the Guinean franc, which was replaced in 1972 by the Syli. A Marxist-type socialist regime with a single party (the Democratic Party of Guinea) was established on independence and enabled the State to intervene in all sectors of activity from production to marketing, including price fixing.² This State intervention discouraged private initiatives and, with the starting up of mining activities in 1975, encouraged the economy to become dependent on bauxite mining.

5. The economic growth sustained by mining was slowed by the second oil shock in 1979-80 and the fall in bauxite prices. The Government resorted to the printing of money by the Central Bank in order to offset the reduced state revenue resulting from the drop in prices. Financing of the increasingly large public deficits through the printing of money maintained the level of demand (the State being the main employer). The fall in revenue from exports of bauxite, the country's chief product - agricultural activity had already diminished and industrial production was still low - contributed to the fall in investment and consequently in production. The decrease in supply versus demand kept inflation going.³ The Guinean currency, the Syli, lost all credibility and the banking system, which was composed of State banks, became insolvent.

² 1984 the public sector consisted of about 130 enterprises and employed 100,000 persons.

³ The few economic statistics for the period are unreliable.

6. The first economic reform measures were taken in the early 1980s. The change in political regime occurring in 1984 encouraged a certain radicalization of the reforms in the direction of making the economy more liberal.⁴ An Economic and Financial Reform Programme (PREF) was adopted in 1985 with the support of the International Monetary Fund (IMF) and the World Bank, with the object of restoring macroeconomic and financial balance, reviving growth and improving the living conditions of the Guinean population. The national currency, the Syli, was considerably devalued and replaced in 1985 by the new Guinean franc. In the banking field, the reforms consisted in closing and winding up the State banks.⁵ A new banking system consisting of six commercial banks is now in existence. Monetary and trade liberalization reforms were also started.

7. Channels of distribution were liberalized and price regulation was abolished on most products, apart from petroleum products and the public services. Budgetary reforms were started and were aimed particularly at reducing State expenditure through a reduction in the number of civil service employees. State enterprises were wound up and 25 others privatized.⁶ However, social disturbances in 1990 compelled the Government to double civil service salaries and increase family allowances by 50 per cent, thus frustrating the current reforms.

(ii) Economic situation in the 1990s

8. In 1991 the IMF granted Guinea a three-year Enhanced Structural Adjustment Facility (ESAF). The Structural Adjustment Programme (SAP) concluded for this purpose was not followed up owing particularly to external shocks (fall in alumina prices). A new SAP was established in 1993. In 1996, however, salary rises higher than those laid down by the programme jeopardized the disbursement of external financing for several months, particularly ESAF financing. A long-term development strategy (Guinea, Vision 2010) was adopted in December 1996⁷ because of the persisting macroeconomic imbalances. The main goals of this strategy are economic stabilization and the promotion of the private sector with a view to balanced economic and social development based upon exploitation of the country's potential. A new ESAF was granted by the IMF in January 1997 for three years.

9. The reforms carried out under the structural adjustment programmes implemented in the 1990s have mainly concerned the improvement of State revenue and management of the Guinean franc. Revenue improvement is being undertaken by combating customs fraud. The Société générale de surveillance (Chapter III (2)(ii)) was asked to carry out an import verification and revenue security programme for this purpose. Certain measures were adopted in order to reduce the scale of exemptions, *inter alia* the reorganization of procedures and reduction in the number of import categories qualifying for the exemption scheme. Because of the drop in revenue from mining, the State levy (excluding taxation of the mining sector) was progressively raised from 2.1 per cent of GDP in 1986 to 7.7 per cent in 1996 (Table I.2). Value Added Tax (VAT) was introduced at the 18 per cent rate in 1996 and its scope extended to mining in 1997.

⁴ Keynote speech of 22 December 1985.

⁵ These banks were the National Bank for Trade, Industry and Housing (CNCIH), the Guinean Bank for External Trade (BGCE), the National Savings and Deposits Bank (BNED), the Commercial Bank of Guinea (BCG) and the National Bank for External Services (BNSE). Total banking-system commitments at winding-up came to about GF 56 billion, of which 31.9 billion represented advances by the Central Bank. Unproductive investments accounted for GF 42.5 billion, i.e. about 80 per cent of bank assets.

⁶ Thirty enterprises were privatized but the agreements concerning five of them were terminated by the State because the buyers did not honour their commitments, including those on investments. New buyers are awaited.

⁷ Government of Guinea (1996).

Table I.2
Relative size of the mining sector contribution to the State levy, 1986-96
 (GF billions and percentage)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Tax contribution by the mining sector (% of the State levy) ^a	82.4	79.0	68.3	67.8	67.2	57.6	45.1	39.1	28.7	27.5	26.3
Non-mining levy (% of GDP)	2.1	3.1	4.4	4.4	4.9	5.8	7.4	7.1	7.4	8.0	7.7
Mining levy (% of GDP)	9.7	11.5	9.6	9.3	9.9	8.0	6.1	4.5	3.0	3.0	2.8
Reminder											
Overall State levy (% of GDP)	11.8	14.6	14.0	13.7	14.8	14.5	12.2	11.2	10.4	11.0	10.1
State levy (billions of GF)	77.8	135.9	162.9	222.4	293.9	329.9	361.1	351.6	343.3	401.5	414.9

^a In calculating the tax contribution of the mining sector no account has been taken of taxes on salaries: taxes collected under this head in 1993 came to about GF 2 billion, of which 1.4 billion related to the Guinea Bauxite Company.

Source: Guinean authorities.

10. Money management measures have consisted in introducing a system of compulsory reserves, the rate of which was 11 per cent at the end of 1987, and in regulation by means of interest rates, for which the reference is the rate for treasury bills (TBT): the BCRG sets minimum interest rates for savings accounts at 3 points below the TBT and the rates for job creation at 12 points above.⁸ Since June 1988 rates of return on one-year deposits must be fixed on or two points above the inflation rate for the preceding year. Money-market activities resumed in January 1996 and the BCRG established open market operations in April 1996. The exchange liberalization reforms have continued (Annex I.1).

11. With the exception of the 2.4 per cent and 2.9 per cent growth rates recorded for 1991 and 1992 respectively, the various reforms have led to an annual increase of at least 4 per cent in real GDP since 1989 (Chart I.2).⁹ Inflation has been contained and its level has fallen from 19.4 per cent in 1990 to 1.9 per cent in 1997 (Table I.3). The trade balance, which is in perpetual deficit, is improving steadily; it could show a slight surplus in 1998 as a result of increased bauxite exports. Compared with other external balances, the results of the reforms remain modest.

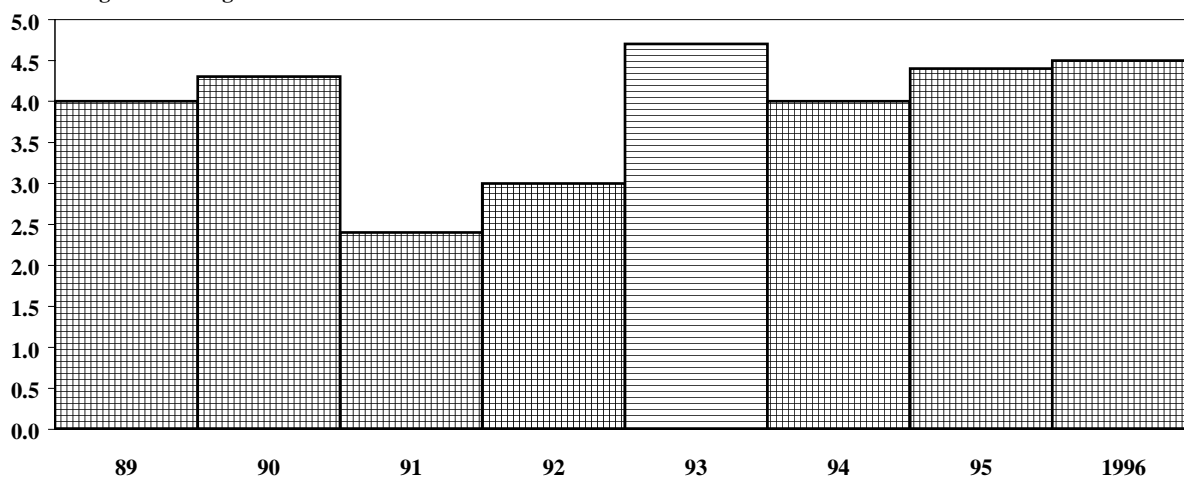
⁸ The TBT is equivalent to the bank refinancing rate and bank rates are indexed according to the latter, which went from 22 per cent in 1993 to 16 per cent in August 1995 and then to 9 per cent in November 1997 following the gradual drop in inflation.

⁹ The growth rate for real GDP has generally exceeded the rate of population growth since the end of the 1980s.

Chart I.2

Real gross domestic product of Guinea, 1989-96

Percentage of annual growth



Source: World Bank, World Development Indicators 1998.

Table I.3

Basic economic indicators, 1990-97

	1990	1991	1992	1993	1994	1995	1996	1997 ^a
Nominal GDP (GF billion)	1,861	2,272	2,963	3,133	3,304	3,652	3,950	4,326
Nominal GDP (US\$ million)	2,818	2,982	2,974	3,178	3,395	3,686	3,934	3,933
Nominal GDP per capita (US\$)	486	505	488	504	530	558	570	546
of which: fixed investment per capita	79.7	80.2	93.2	86.9	74.0	92.7	96.4	116.9
Consumer prices (% change)	19.4	19.6	16.6	7.1	4.2	5.6	3.2	1.9
Exchange rate (GF/US\$)	6,60.2	753.9	902.0	955.5	976.6	991.4	1,004.0	1,100.0
Money supply (M2; % change)	..	29.2	22.3	19.2	-2.5	10.6	-0.9	..
Interest rate (on borrowings in %)	21.2	24.5	27.0	24.5	22.0	21.5	21.0	..
External debt (% of exports in GF)	287	351	458	453
Gross international reserves (in US\$ million)	494	491	491	515	463	544
Gross international reserves (in months of imports)	..	1	1	2	1	1	..	3
<u>Use of GDP (% of GDP) :</u>								
Private consumption	71	76	82	84	83	77	75	71
Government consumption	8	10	8	7	8	7	7	7
Investment	20	18	16	16	16	19	20	21
Net exports of goods and non-factor services	1	-4	-6	-7	-7	-3	-2	1
<u>Public accounts (% of GDP):</u>								

Table I.3 (cont'd)

	1990	1991	1992	1993	1994	1995	1996	1997 ^a
Public revenue (excluding grants)	..	14.5	12.2	11.2	10.4	11.0	10.1	11.1
Public spending (% of GDP)	..	22.7	19.3	18.5	17.6	17.6	16.2	17.4
Balance ^b	..	-8.2	-7.1	-7.3	-7.2	-6.6	-6.1	-6.3
<u>Balance of payments</u> (% of GDP) :								
Trade balance	3.0	-0.3	-3.1	-2.1	-1.8	-1.7	-0.5	-0.1
Current balance (excluding Government grants)	-7.2	-9.7	-8.8	-10.7	-9.2	-9.0	-7.7	-8.0

.. Not available .

a Estimate.

b Balance = total revenue (excluding grants) – total spending.

Source: World Bank, World Development Indicators 1997; IMF, International Financial Statistics, several issues, and Guinean authorities.

12. Outstanding external medium- and long-term debt amounted to US\$ 3.2 billion, i.e. 80 per cent of GDP, at the beginning of 1997. Forty-nine per cent of this debt is due to multinational organizations, 26 per cent to members of the Paris Club and 25 per cent to other bilateral creditors other than those of the Club. The Paris Club rescheduled the Guinean debt on the Naples¹⁰ terms in February 1997 and wrote off 50 per cent of the debt.

(3) TRADE PERFORMANCE

13. Although showing signs of improvement following the rise in the rate of import coverage by goods exports (i.e. an improving trade balance), the deficit in Guinea's current balance remains high (Table I.4). This deficit, which can be attributed to the service balance, including interest on external debt, is the main reason for the unfavourable overall balance; net capital movements, although substantial, do not compensate for the deficits in the current balance. Net imports of services by Guinea have generally exceeded net capital flows in its favour.

¹⁰ The Naples terms offer several renegotiation options to developing countries which have already negotiated their debt on concessionary terms.

Table I.4
Balance of payments, 1993-96
(US\$ million and percentage)

	1993	1994	1995 ^a	1996 ^a
	(US\$ million)			
Trade balance	-67.2	-62.0	-61.7	-17.8
Net services	-219.4	-208.6	-236.3	-251.0
of which : interest on debt	-65.9	-69.3	-77.1	-84.9
Net private transfers	-54.3	-40.9	-34.4	-35.7
Current balance (excluding grants)	-340.9	-311.4	-332.4	-304.4
Official grants	117.9	120.2	147.6	122.0
Current balance (including grants)	-223.0	-191.2	-184.9	-182.4
Net capital movements	189.1	50.9	138.6	99.2
Overall balance	-11.4	-143.7	-51.8	-83.3
	(Percentage of GDP)			
Trade balance	-2.1	-1.8	-1.7	-0.5
Current balance (excluding grants)	-10.7	-9.2	-9.0	-7.7
Grants	3.7	3.5	4.0	3.1

a Estimates.

Source: Guinean authorities.

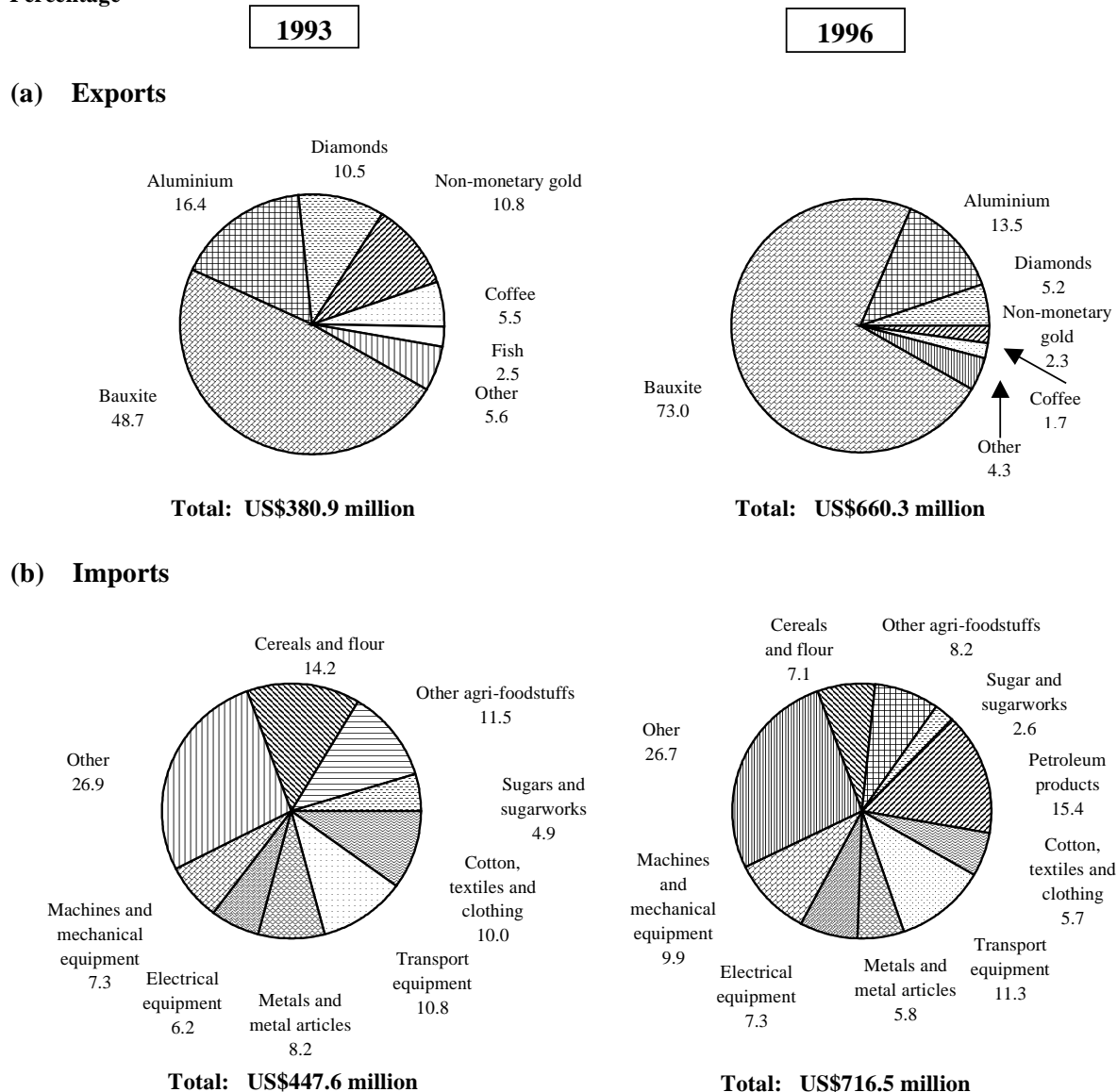
(i) Trade in goods

14. The bulk of Guinean exports consist of mineral products, particularly bauxite and aluminium; these two products represented 86.5 per cent of the total value of exports in 1996 compared with 65.1 per cent in 1993 (Chart I.3). This performance, which can be attributed to bauxite, the exported volume of which increased over the period, strengthened dependence on this product. The fall in the share of aluminium in goods exports is due to a decrease in volume, which was not offset by the rise in prices. Other exports consist mainly of coffee, cocoa, fish and fruit. Exported agricultural products accounted for about 4.2 per cent of export value in 1996 compared with 8.2 per cent in 1995. Exports of these products fell heavily between 1993 and 1996. The share of fish in total goods exports became insignificant.

15. Guinean imports consist mainly of agri-foodstuffs, petroleum products and transport equipment. The continuous depreciation of the Guinean franc and the measures taken under the food self-sufficiency policy contributed to the fall in the share of agri-foodstuffs in total imports (Chart I.3). The increased share of petroleum products in total imports is due to the greater number of vehicles in the country, and to imports of machines and mechanical equipment.

Chart I.3
Exports and imports by main groups of products, 1993 and 1996

Percentage



Source: Guinean authorities.

16. The European Union and the United States were the main destinations for Guinean products (over 70 per cent of Guinean exports) in 1996. The increase in exports to the United States between 1993 and 1996 (Chart I.4) is due to the depreciation of the Guinean franc versus the US dollar and to Guinea's increased production of bauxite, the main object of this trade. In addition, the drop in exports to the Commonwealth of Independent States (CIS) reflects the end of the socialist era in Guinea, with the progressive maturing of the last counter-trade contracts. It also reflects the economic stagnation affecting the CIS and the subsequent fall in demand, including that for foreign products.

The countries of the Economic Community of West African States (ECOWAS) take less than 1 per cent of Guinean exports. Aluminium is exported mainly to the United States and Spain, and diamonds and gold to Europe.

17. Guinea's main suppliers are the European Union - chiefly France - the United States, Côte d'Ivoire and Japan (Chart I.4). China's share of the Guinean market fell from over 10 per cent in 1993 to 2.4 per cent in 1996 owing to the redirection of Guinea's trade towards non-socialist countries following the economic opening up of the country. The ECOWAS countries supply around 20 per cent of Guinean imports.

(ii) Trade in services

18. The balance of services is in perpetual deficit. Interest payments on external debt have accounted for over a quarter of the deficit since 1993 (Table I.4). No statistics are available for other items in the balance of services.

(4) INVESTMENT

19. The ratio of investment (Table I.3) and of Gross Fixed Capital Formation (GFCF) to GDP have shown a rising trend since the early 1990s. The GFCF in Guinean francs nearly tripled over the period 1991-97 (Table I.5). The largest share of GFCF comes from the private sector as a consequence of the ongoing privatization reforms: this contribution by the private sector to the GFCF is rising.

Table I.5
Investments, 1991-97
(GF billion and percentage)

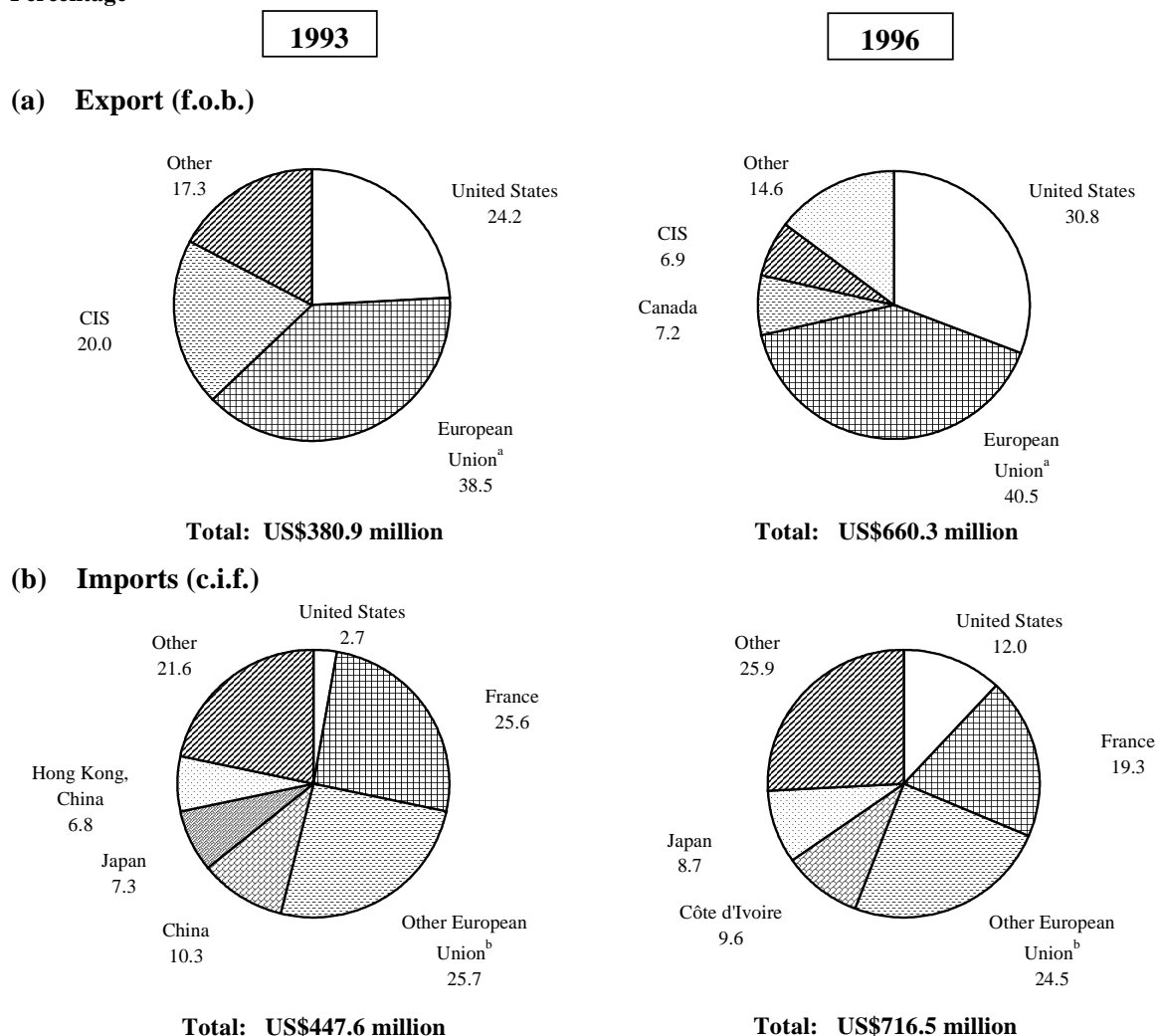
	1991	1992	1993	1994	1995	1996	1997
	(GF billion)						
Gross fixed capital formation	356.7	512.6	523.2	462.6	606.2	667.6	925.8
- government sector	159.0	219.3	200.5	181.7	211.8	197.5	259.6
- private sector	197.7	293.3	322.7	280.8	394.4	470.1	666.2
	(percentage of GDP)						
Gross fixed capital formation	15.7	17.3	16.7	14.0	16.6	16.9	21.4
- government sector	7.0	7.4	6.4	5.5	5.8	5.0	6.0
- private sector	8.7	9.9	10.3	8.5	10.8	11.9	15.4
	US\$ million						
Director foreign investments	38.8	19.7	2.7	0.2	0.8	23.8	17.3

Source: Guinean authorities; and IMF, *International Financial Statistics*, October 1998.

20. Direct foreign investment fell strongly after the socio-political crisis which took Guinea in 1990; this investment has shown faint signs of revival since 1996. No information on countries of origin or on the destinations of such investment is available. However, the mining sector would appear to have received the bulk of it.

Chart I.4
Exports and imports by trading partner, 1993 and 1996

Percentage



- a** The European Union countries considered are those for which statistics are available. These are: France, Spain, Italy, Ireland, Belgium/Luxembourg and Germany.
- b** Because of the importance of France in the structure of Guinean imports, that country has been considered separately from the other European Union countries. The item "Other European Union" includes Spain, Great Britain, Italy, Belgium/Luxembourg, Germany and the Netherlands. The European Union, including France, thus supplied over half Guinean imports in 1993 (51.3%) compared with 43.8% in 1997.

Source: Guinean authorities.

(5) OUTLOOK

21. The basic aim of the Guinean authorities in the short term (1998-2000) is to establish the conditions necessary for sustained and diversified economic growth based on a larger contribution from the private sector. Growth rates of GDP in real terms of 5.5 per cent from 1999 and of 6 per cent from the year 2000 are visualized on this basis. These growth rates should be sustained by an

increase of over 7 per cent per annum in exports, with a larger increase in exports of non-mineral products (Chapter II.3), i.e. a diversification of exports. Seventeen branches for such diversification have been identified in the industrialization plan (Chapter IV(4)), the idea being to process local resources, including those from some of these branches, prior to export, which would help to create jobs and increase Guinea's foreign exchange revenue. With a stable import demand, the increase in exports should help to improve the trade balance, and this should permit a progressive reduction in the deficit on the external current account (excluding Government transfers) to less than 4 per cent of GDP in 2017, with a surplus in the overall balance of payments from 2003 onwards and gross international reserves of 3.6 months' imports in 2017.

22. Subject to the situation on the world bauxite and alumina market, the improvement in external balances and the relief of debt, including the implementation of the debt buyback plan, should help to reduce the burden of medium and long-term external debt and enable Guinea to honour its foreign commitments. Total investment should reach 24 per cent of GDP in the year 2000, with private investment amounting to 16.6 per cent of GDP. Continuance of the restrictive monetary policy and of execution of the Medium Term Spending Framework (CDMT)¹¹ should enable the annual inflation rate to be kept below 4 per cent.

¹¹ The CDMT consists of the following stages: identification of strategic medium-term objectives together with reliable performance indicators; translation of these objectives into priority sectoral activity programmes; establishment of the costs of these programmes; fixing of mandatory medium-term sectoral budgets; and finally, breakdown of the annual budget according to priority programmes.

ANNEX I.1: EXCHANGE REGULATIONS¹²

23. Guinea has its own currency, its own monetary policy and its own exchange regulations. The principles of these regulations are, however, fairly close to those of France. Since the Guinean currency was created in March 1960, three different versions have been used: the Guinean franc from 1960 to 1972, the Syli from 1972 to 1985 after a heavy devaluation of the Syli. The rate, which used to be US\$1 to new GF 300 on introduction of the new currency in 1985, rose to 991 in 1995 and then to new GF 1,100 to the dollar on 31 December 1997.¹³ Guinea accepted Article VIII (Sections 2, 3 and 4) of the Articles of Agreement of the International Monetary Fund on 17 November 1995.

24. The exchange rate for the Guinean franc is fixed on the Interbank Foreign Exchange Market (MID)¹⁴ by comparing offers of and demands for foreign exchange stated by local banks. The BCRG notifies the primary banks daily of the average weighted prices resulting from the previous day's operations. The minimum amount traded on the MID is equivalent to US\$20,000. No tax is levied on sales or purchases of currency. The role of the BCRG on this market is to:

- (i) regulate prices by buying and selling foreign exchange according to its exchange-rate objectives;
- (ii) check supporting documents by verifying the files supplied. Any infringement noted is penalized by the immediate refunding of the sum purchased and payment of a penalty calculated according to the credit interest rate of the currency concerned;
- (iii) finalize exchange operations carried out between banks on the basis of telegraphic payments;
- (iv) monitor exchange positions, the net position of foreign exchange assets which approved intermediaries are authorized to hold being set at 40 per cent of the amount of their capital.¹⁵

25. Imports from abroad whose value is equal to or greater than US\$2,000 must obligatorily be domiciled with a commercial bank (approved intermediary). The latter must then have a Descriptive Import Application (DDI) completed by the importer in quadruplicate. The goods-import regime without foreign exchange purchase is authorized, subject to DDI formalities and banking rules.

26. All exporters of goods and services are authorized to keep and freely manage 100 per cent of their export revenue in foreign exchange, provided that such revenue is domiciled with one of the local commercial banks. Residents must collect and repatriate to the bank of domiciliation all amounts payable to them by foreign countries for exported goods whose value equals or exceeds US\$500. Exports must all be invoiced in foreign exchange. The bank of domiciliation opens, on behalf of the exporter, a domiciliation file, a summary statement of which is drawn up in quadruplicate. Gold exports are subject to prior BCRG authorization. Revenue from invisible transactions must be repatriated.

¹² Guinea's exchange regulations are described in IMF (1997). The following presentation is partly based on that source.

¹³ The Guinean franc is used throughout this report, the period concerned making it clear whether the new or the old Guinean franc is meant.

¹⁴ The MID is a delocalized market operating daily from 0900 to 1300 hours by means of an electronic data system situated at the BCRG.

¹⁵ Any infringement of this rule is penalized in accordance with the current regulations.

27. All foreigners residing in Guinea have been authorized to hold foreign exchange accounts at local banks since July 1994. The conditions for opening such accounts are left to the banks, as for accounts in Guinean francs. The foreign exchange account holder is free to carry out all transactions not prohibited by the current regulations. However, in the interest of improving controls on financial flows he is not allowed to have a cheque book. Residents are also allowed to make transfers relating to current transactions other than imports of goods and services. Such transfers are carried out by approved intermediaries. The transfer of part of the salary of foreigners working in Guinea is subject to authorization. This authorization is automatic only for contracts approved by the Ministry of Labour. Currency allowances for travelling have been raised to US\$1,000 as against the previous figure of US\$ 800; this amount may be increased on the basis of a reasoned application.

28. All capital transfers carried out by the official exchange market and by foreigners residing in Guinea are subject to authorization by the BCRG. Nationals are forbidden to transfer capital abroad through the official exchange market. Furthermore, direct investment in Guinea must amount to at least GF 10 million; nationals must control the enterprises concerned if the foreign investment is between GF 10 and 50 million.