

COUNTRY PROFILE:**REPUBLIC OF GUINEA****DATED:****FEBRUARY 2009****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	Case-by-Case

Recent Political Highlights

- ❑ After independence in 1958, Guinea severed ties with France and turned to the Soviet Union for support. The first president, Ahmed Sekou Toure, pursued a revolutionary socialist agenda and destroyed political opposition. Tens of thousands of people disappeared or were tortured and executed during his 26-year regime. The socialist-style leadership was abandoned when Toure died in 1984.
- ❑ Chief of state is Captain Moussa Dadis Camara, President of the National Council for Democracy and Development, who led a military coup following the death of President Lansana Conte on 22nd December 2008.
- ❑ The US expressed concern about the military coup in Guinea and reiterated its call for a return to civilian rule and the holding of free, fair and transparent elections as soon as possible. The US has suspended assistance to Guinea, with the exception of humanitarian aid and programmes supporting the democratic process.
- ❑ The ruling military junta is planning for elections to be held before the end of the year, but did not make clear whether it would be presidential or parliamentary. The former French colony has been suspended from both ECOWAS and the AU, which prevented junta representatives taking full part in its February 2009 summit in Addis Ababa.
- ❑ Captain Camara addressed a gathering of representatives from the international community, political parties, unions and civil society urging that their refusal to assist Guinea will be blocking the process of democratisation. He presented a scheduled for the transition to restore constitutional order but failed to declare a date for elections this year.

Recent Economic Highlights

- ❑ Guinea has a population of 10m with an estimated population growth rate of 2.5% in 2008. Most of its population lives in poverty.
- ❑ Despite possessing major mineral, hydropower and agricultural resources, the country remains an underdeveloped nation.
- ❑ An IMF mission visited the Republic of Guinea during the latter half of 2008 to conduct discussions on the second review under the Poverty Reduction and Growth Facility (PRGF) arrangement, approved by the IMF Executive Board in December 2007. The mission noted the return to normal economic activity after the general strikes in early 2007 and said that strong demand in the construction sector was expected to lead to GDP growth of 4.5% to 5% in 2008. However, inflation has picked up recently mainly on account of petroleum and food import prices. Despite these shocks, Guinea's external position has started to improve, reflecting the pursuit of strict fiscal and monetary policy since April 2007 and the strong international assistance that the country has received. The mission also noted the important progress that has been made on strengthening economic governance, including publication of the audited accounts of the central bank and launching an action plan to improve public finance management.
- ❑ The IMF expects consumer inflation to fall from an estimated 17.9% in 2008 to 9.2% in 2009.
- ❑ Food price hikes have hit the capital harder than most others in West Africa, while an export ban is preventing rural populations from capitalising on high global market prices leading to rising concerns of food insecurity. In the capital Conakry, food prices are much higher than in many other West African capitals. A number of internal factors have contributed to sharp food prices like the rice import market that is dominated by a few players while Guinea lacks an efficient port system. Inflation requires attention as it has negatively affected state budgets. The agricultural ministry is trying to set up emergency rice stocks and cut taxes on staple foods.

Latest Trade Developments

- ❑ Main exports: bauxite, alumina, gold, diamonds, coffee, fish and agricultural products.
- ❑ Main imports: petroleum products, metals, machinery, transport equipment, textiles, grain and other food items.
- ❑ Major trading partners: Russia, Ukraine, Spain, US, Germany, South Korea, France, Ireland and China.
- ❑ Guinea is the world's top exporter of aluminium ore bauxite owing more than half the world's bauxite reserves. The mining sector accounts for more than 70% of the country's exports and about 80% of the country's foreign reserves and the World Bank estimates investments totaling \$20bn in the industry over the next decade. Most Guineans have not benefited significantly from the revenues thus far. Most of the money is said to be consumed by corruption. The 2008 international non-profit Transparency International's corruption index ranked Guinea as the country with the seventh most corrupt image in the world.
- ❑ SA's exports to Guinea total R286m in 2007 from R258m in 2006 and R61m in the year to March 2008.

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