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Guinea

Diagnostic Trade Integration Study (DTIS) Update

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This report is the English translation of the French report and Action Matrix, validated by the Government of Guinea.

For Appendix 2 in Chapter 1 and Appendix 2 in Chapter 6, please refer to the French version

ABBREVIATIONS AND ACRONYMS

ABN	Autorité du bassin du Niger
ACE	Africa Coast to Europe submarine cable
AGOA	African Growth Opportunity Act
ANASA	Agence nationale des statistiques agricoles et alimentaires (National Agency for Agricultural and Food Statistics)
APIP	Agence de promotion des investissements privés (Investment Promotion Agency)
ASYCUDA	Automated System for Customs Data
AV	*Attestation de vérification* (PSI certificate delivered by BIVAC).
BCRG	Republic of Guinea's Central Bank
BOT	Build Operate and Transfer
BRG	Better Regulation for Growth Program
C&F	Clearing and Forwarding
CAFEX	Centre d'appui aux formalités d'exportation (Export Procedures assistance center)
CET	ECOWAS Common External Tariff
CIEPEX	International Center for Trade and Export Promotion (Centre international d'échanges et de promotion des exportations)
CIF	CIF Cost, Insurance, Freight
CN	Concept Note
CNI	National Commission for INvestments (Commission nationale des investissements)
CNUCED	Conférence des Nations Unies sur le Commerce et le Développement
DDE	Export Declaration (Déclaration descriptive d'exportation)
DDI	Import Declaration (Déclaration descriptive d'importation)
DGD	Customs Directorate
DTIS	Diagnostic Trade Integration Study
ECOWAP	ECOWAS Agricultural Policy
ECOWAS	Economic Community of West African States (CEDEAO in French)
EDG	Électricité de Guinée
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement (with the EU)
EPZ	Export Processing Zone
EITI	Extractive Industries Transparency Initiative
ETLS	ECOWAS Trade Liberalization Scheme
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investissement
FTA	Free Trade Agreement
GATS	General Agreement on Trade and Serivces
GDP	Gross Domestic Product
GF	Guinean Franc
GI	Geographical Indication
HIPC	Heavily Indebted Poor Countries debt relief initiative
HR	Human Resources
HS	Harmonized System trade classificaton
ICT	Information and Communication Technologies
IF	Integrated Framework
IFC	International Finance Corporation
IMF	International Monetary Fund
INS	National Statistical Institute (Institut national de la statistique)
ISRT	Inter-States Road Transit (TRIE in French)

I-TIP	Webbased Trade Information Portal
JBP	Joint Border Post
LDC	Least Developped Countries
MDRI	Multilateral Debt Relief Initiative
MFN	Most Favored Nation
MRU	Mano River Union
Mt	Million tons
MT	Ministry of Transports
MTP	Ministry of Public Works, Tourism and Trade
NGO	Non-Governmental Organization
OHADA	Organisation for the Harmonization of Business Law in Africa
PAPCG	Guinea National Trade Policy Action Plan (Plan d'action des politiques commerciales de la Guinée)
PNDA	National Agricultural Development Policy – 2015 Vision (Politique nationale de développement agricole – Vision 2015)
PNIASA	National Plan for Agricultural Investment and Food Security (Programme national d'investissement agricole et de sécurité alimentaire)
PNT	National Transport Plan (Plan national des transports)
PRSP	Poverty Reduction Strategy Paper
PSI	Pre-Shipment Inspection
PSR	Road Sector Plan (Programme sectoriel routier)
SEZ	Special Economic Zone
SNDR	National Strategy for the Development of the Rice Sector
SOGUIPAMI	Société guinéenne du patrimoine minier
SOTELGUI	Société des télécommunications de Guinée
SPS	Sanitary and Phytosanitary
SWOT	Strenghs, Weaknesses, Opportunities, Threats analysis
TDP	Degressive Protection Tax (Taxe dégressive de protection)
TEU	Twenty-Foot Equivalent Unit
TRIST	Tariff Reform Impact Simulation Tool
UGPAM	Union of Pineapple Growers of Maférénya
UNIDO	United Nations Industrial Development Organization
US	United States
USD	United States Dollars
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union (UEMOA in French)
WAMZ	West African Monetary Zone
WAPP	West African Power Pool
WCO	World Customs Organization
WDI	World Development Indicators
WTO	World Trade Organization
WCO	World Customs Organization

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EXECUTIVE SUMMARY AND ACTION MATRIX

1. The Government of Guinea has requested an update of the 2003 DTIS and has asked the World Bank to take the leading role in this exercise. [1] The update's objectives are to: (a) take stock of progress in the mainstreaming of trade in the government's national development strategy and of the implementation of Action Matrix recommendations; (b) complement and deepen the analysis in selected areas; and (c) revise and update the Action Matrix to take account of the evolving context since 2003.The aim of the analysis is to assist the Government of Guinea defining with the key priorities identified in the 2012-2017 Programme d'Action des Politiques Commerciales de la République de Guinée, and to further mainstream trade into the general policy orientation defined by Guinea's key policy documents, including the Poverty Reduction Strategy Paper (PRSP) III.

2. Three key messages emerge from the DTIS update:

i. **Guinea should put trade and regional markets and regional integration at the center of a development strategy based on diversification toward agriculture.** Guinea's agriculture is key for poverty reduction, job creation and food security. The country has not been able to build on its natural advantages and on the traditional expertise of its farmers. Agriculture in Guinea is entangled in a vicious circle starting from lack of investment and a distorted incentives scheme, leading to low productivity and competitiveness. As a result, Guinean agriculture is turning away from oversea trade, while other countries in the region have become world exporters of cash crops. In order to break the spell, a holistic approach to agriculture is needed, aimed at markets and emphasizing upstream and downstream services. The government should roll back command-and-control measures such as the one targetting rice imports and implement ECOWAS initiatives such as the ECOWAS Trade Liberalization Scheme (ETLS), transit and the regional strategy of quality control.

ii. **Guinea should leverage its extractive resources endowment to develop a two-step diversification strategy in services: (i) develop a strong support-services sector for the mining sector at home, and (ii) encourage its expansion into the regional market of neighboring countries**. Guinea can maximize the benefits of trade in sectors that are already open to competition and move up the value chain by developing ancillary services to traditional goods exports. Interaction with the modern, outward-oriented mining sector can raise the competitiveness of the sector and build local capacity; domestic services firms will progressively reduce their dependence on foreign investors and develop local demand and regional exports.

iii. **Guinea urgently needs to address cross-cutting constraints on the business environment.** In spite of macro stabilization and significant reforms in the recent years, Guinea has still retained many features of a command-and-control economy. State monopoly companies in key backbone services such as electricity, water and road maintenance have proven unable to provide a sufficient coverage. Trade related taxes-cum-exemptions make for a complex system with excess bureaucracy that lacks transparency and is subject to poor implementation or arbitrariness. As a result, informality is pervasive in every sector of the economy. The government of Guinea needs to create a business-friendly environment by: i) simplifying the trade related tax regimes and procedures; ii) ensuring healthy competition in key sectors such as wholesale and transport services; iii) establishing a dialogue with the private sector.

3. Building on the Government of Guinea's strategic documents, the results of missions on the ground, and analytical work carried out by the World Bank and other development partners, the DTIS

[1] Guinea's DTIS and Action Matrix were completed and validated by the Government in October 2003. In November 2006, Guinea presented a revised version of the DTIS Action Matrix.

update provides practical, detailed guidance to achieve these objectives through in-depth analysis and an overall action matrix.

Making the DTIS update the catalyst of a national competitiveness strategy

4. **Guinea is emerging from a period of deep economic and political troubles**. Guinea is recovering from decades of authoritarian rule since its independence from France in 1958. After a military coup in 2008, and the return to democracy since 2010. The political situation is still fragile, as witnessed by the delay in holding a parliamentary election,[2] the frequent demonstrations against electricity and water shortages, and violent clashes between communities. The country has also suffered from a series of external shocks: soaring food and energy prices in the 2000s, the up-and-down of the price of alumina, civil wars in neighboring countries (Liberia until 2003, Sierra Leone until 2002, Côte d'Ivoire until 2011 and Mali). Since late 2013, the outbreak of Ebola epidemic curtails economic activity, border trade, international travel and projects.

5. **Guinea is today still one of the poorest countries in the world**, with a per capita income of 490 USD, a literacy rate (34% of the adult population) that is lower than the Sub-Saharan average (61%) and scant access to electricity (12% before the operationalization of the Kaleta dam) and drinkable water (67.8%). The poverty rate has increased due to political turmoil, from 53% in 2007 to 55.2% in 2012 (with even higher rates in rural areas, where most of the population lives). The economy needs to create enough jobs for a labor force of 4.7 million, and an annual population growth of 2.56 percent.

6. **Since 2010, the Government of Guinea has made very substantial progress.** The new government achieved macro stabilization until the Ebola crisis struck: per capita GDP growth returned positive, fiscal balance was restored, the monetary financing of the budget was stopped, and inflation declined gradually to 8.5 percent on a year-to-year basis by April 2015. Guinea obtained a HIPC/MDRI debt relief in September 2012, on two-thirds of the debt stock. The new administration has also clarified property rights in the mining sector, engaged the country in the Extractive Industries Transparency Initiative (EITI), and is vigorously pursuing a strategy of using the mining rents toward poverty alleviation and the development of a diversified, job-creating private sector.

7. **The 2003 DTIS was largely delayed because of political events.** The 2003 DTIS highlighted i) the need of horizontal reforms on trade facilitation, export promotion and the legal framework and ii) it also called for export diversification in agriculture, tourism and handicraft. Overall, one third of the recommendations set in the DTIS Action matrix (revised in 2006) were implemented. Implementation rate was higher in two key areas, customs reform (with the adoption of Asycuda++), and legal framework (with the creation of a single window for enterprise creation). It has been lower in other areas such as regional integration, infrastructure and agriculture, and close to zero for tourism and handicraft.[3]

8. Beyond political troubles, one of the reasons of low implementation is the ambition and exhaustivity of the action matrix itself with its 154 recommendations without clear priority ranking. Next comes the absence of political will for reform at the time, and pervasiveness of rent-seeking in Guinea, which makes the political economy of reform difficult and would call rather for a step-wise strategy.

9. Compared to 2003, Guinea's prospects are improved by two potential game-changers: regional integration and the prospects of the mining sector. International context has shifted: the 2003 report focused more on the prospects of out-of-region market, making the best from initiatives aimed at least

[2] The parliamentary election has finally taken place in September 2013.
[3] For the tourism sector, not covered in this update, please refer to World Bank (2016b).

developed countries such as EBA and AGOA. In 2014, growing markets are in the South, and among them, ECOWAS. Mining sector has always been a basis of Guinea's development. But the expected start of the iron ore exploitation changes the dimension of the sector. Revenues from Simandou will exceed the size of the country's GDP.

10. But the true change is the willingness of the Government to use mining as part of a strategy for growth and job-creation in a diversified private sector. The Government has developed this strategy in documents such as the Poverty Reduction Strategy Paper III (PRSP), the Plan for Agricultural Investment and Food Security (PNIASA) and the Action Program for Trade. According to Paris principle, the DTIS update will align to the priorities set by the Government of Guinea.

11. The DTIS update (DTISU) aims at proposing a market-oriented trade strategy to leverage trade integration and mining for sustainable, inclusive growth. As such, the strategy is fully in line with the PRSP: job creation through the development of agriculture and services that will diversify the economy, alleviate poverty and provide sustained growth.

12. The DTISU emphasizes three broad priorities:

1. A market-approach based on regional integration chiefly for agriculture;[4]

2. Development of ancillary services to mining activites at home before exporting in the region and internationally;

3. Improving business environment in Guinea.

13. Priority 1 of the DTISU is aligned with the Government of Guinea's National Plan for Agricultural Investment and Food Security (PNIASA) 2013-2017. The report advocates to take stock from the opportunities of trade and regional integration and to put markets at the core of the strategy. Most Guinean exports are turned towards regional markets and Morocco. Some exports are oriented overseas, in niche markets, based on their high quality. For cotton, which requires an integrated value chain from inputs to grinning, the report recommends a PPP with an established foreign partner with large financial shoulders and strong credentials of experience of markets abroad. For this Guinea will need to draw the lessons from previous partnerships which did not lead to expected outcomes. Other export crops such as palm oil and rubber also need the entry of a strong partner with access to finance and knowledge of the markets. The DTISU recommend that other agricultural goods which are important for the livelihood of small farmers and food security, aim at the re-conquest of domestic market and expansion in the regional market by improving storage, packaging and transport capacities in the country.

14. **The Ministry of Commerce has an important role to play** on this front, working toward the implementation of ECOWAS rules on transit and trucking, as well as preferential tariffs and by designing a national strategy for quality control in line with ECOWAS. The ministry of Trade is also responsible of subventions on rice imports, which have an important social role, and whose true impact on its target population of the poorests, the nutrition status of the population as a whole, and national rice production should be further examined.

15. **The DTISU second priority is to leverage mining sector as a basis for the development of ancillary services.** The report advocates a two-step strategy: first develop ancillary services to the mining sector at home, before diversifying out of the mining sector and export in other ECOWAS countries. Within infrastructure services, promising prospects are electricity, road and rail interconnexions.

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[4] This may also be of concern to industry, fishing and handicrafts.

16. **The third priority is a transversal one**: improving the business environment requires coordinated action from all ministries in order to simplify the 200 trade regimes currently in place in Guinea, streamline export and import regulations and consolidate export promotion institutions.

17. **The DTISU advocates a strategy with sequencing, prioritization and focus.** It presents realistic measures that, if taken, could have large payoff in the short term. It also calls for actions that will have significant payoff in the future and will shift Guinea's comparative advantage, paving the way for an efficient use of the future mining boom.

18. **The DTISU's approach is centered on the coordinating role of the EIF implementation unit in the Trade ministry**. Because the DTISU's action matrix spans areas that go beyond the strict prerogatives of a trade ministry, the EIF implementation unit has a triple role in the process: (i) Action on a core of measures falling directly under the competence of the Trade ministry; (ii) Coordination with other ministries in charge of trade issues, in particular with respect to Industry, Agriculture, Mining, and Regional Cooperation; (iii) Advocacy and Proposal for a wider set of actions falling under the competence of other line ministries or belonging to higher-level strategic choices.

19. **The DTISU is also aligned with the Ministry of Commerce Action program on Trade policies** (Plan d'Action des Politiques commerciales de la Guinée PAPCG), prepared in 2011 for the period 2012-2017. The DTISU can be seen as a way to implement the Action program, with a clear sequencing and monitoring indicators. It is also an opportunity to put concrete actions behind broad objectives.

Trade performance

20. **Guinea is largely dependent on mining**. Mining products such as bauxite, gold and diamond account for 80 percent of the value of Guinean exports, 14% of GDP and 20% of fiscal revenue. Reliance on mining results in the concentration of export destinations, as well as services imports and FDI with a rik in the future of competitiveness loss for non-mining exports (the so-called 'Dutch disease') as was observed in other countries benefiting from an extractive industries boom.

21. **Guinea needs to import most products**, from capital goods and oil to food, manufacturing products and textile. Rice in particular is imported at a subsidized rate.

22. **Exporting firms in Guinea are largely traders, and close to informality**, with low survival rate. There is strong specialization of exporters between regional and out-of-region markets.

Trade-policy issues

23. **Regional integration is an immense opportunity for Guinea and needs to be effectively implemented.** According to Customs data, 43% of imports from ECOWAS enter in Guinea with the statutory tariff rate, without benefitting from the preferential access. The latter is used by only four ECOWAS countries (out of 14 ECOWAS countries exporting to Guinea in 2013). Only 14 Guinean firms were approved under the ETLS in November 2013. An audit of the reasons for the low implementation of trade preferences is needed. This could come either from difficulties to implement the rules on the ground or simply because the rules themselves are too restrictive, for instance, those regarding the traceability of the inputs' origin. The imperfect implementation of ECOWAS preferential regime is not only a handicap for current trade within the region; it could also entail significant losses in the future, when the Economic Partnership Agreement (EPA) with the EU will be put in place. Indeed, a simulation performed using the

Tariff Reform Impact Simulation Tool (TRIST) shows that the introduction of EU preferential access under the EPA will result in significant trade diversion against ECOWAS countries. The Government of Guinea should deepen bilateral relations with neighboring countries. ECOWAS products must be effectively granted preferential tariffs either by i) implementing the preference on the ground; ii) simplifying the procedures for ETLS approval; iii) simplifying the ECOWAS rules of origin. In any case, a precise monitoring on trade flows and effective conditions is needed.

24. **The maze of tariff regimes and taxes should be simplified.** Many taxes are levied on imports in addition to tariffs and even some on exports.[5] As a result, the mean duty supported by imports in Guinea is 35.3 percent, while tariff alone has an import-weighted mean of 15.4 percent (and a simple mean at 12 percent). Moreover, the number of preferential regimes is tremendously high, at around 210, of which 54 were actually used in 2013. As a result, considerable time and energy is spent in optimizing the fiscal regime. Only 58% of Guinean imports are paying the statutory tariff rate. Trade regimes should be simplified with the aim of an across-the-board reduction of the general tax rate and a broadening of the tax base. In particular, the fees and procedures associated with import and export declaration (DDI, DDE, *Fiche de Demande d'Inspection-FDI*) should be reassessed because they are duplicative and augment trading costs. Other levies must be reintegrated into the general budget and their utility must be assessed.

25. **Contrary to common wisdom, the heavy array of exemptions is not efficient at attracting FDI.** Recent works show that foreign investors are not responding to lower corporate taxes or special tax regimes, and even less in low-income countries. FDI are rather attracted by a country's endowments in resources, human capital, quality of infrastructure and business environment. A race to bottom through tax incentives undermines the ability of host countries to improve the fundamentals (infrastructure and education) that do make a difference in investors' decisions. Hence, the DTISU advocates cross-cutting reforms that will benefit all and create a healthy number of would-be exporters. The revision of the investment code is a step in this direction.

26. **The current tax regime is regressive**, as Guinea imports most of its consumption goods, and the poor spend a larger share on food than rich households. The planned ECOWAS common external tariff (CET) reform on January 2015, with a new 5th band for sensitive products will reinforce the regressivity. The Government of Guinea may want to think of accompanying measures in order to mitigate the transition's effect on the cost of living for poor households such as decreasing the too many domestic taxes of all sorts, streamlining transport and distribution services and improving competition in the wholesale and import sector.

27. **The trade policy on rice needs to be assessed**. The government of Guinea manages actively the trade policy for rice, subsidizing imports, implementing temporary export bans, and fixing local prices. However, this policy, motivated by social objectives, has not succeeded at overcoming food insecurity and it also hurts local producers. It is also likely to give way to capture of the public subsidy by intermediates.

28. More coordination is needed between the many institutions that are in charge of trade policy matters: the Ministry of Trade (on multilateral negotiations and the pre-declarations of import and exports - DDI/DDE-), International cooperation (ECOWAS), Transport (port, air, road transport services and railways), Public Works (infrastructure), Planning (overall stategy) and sectors specific ministries (Industry, Mining, Agriculture, Livestock, Fisheries, Tourism). It is complicated to coordinate the missions of so many ministries and public agencies. Exemptions which pertain to trade and investment policy (including FDI) are decided by the CNI in the Ministry of Industry. The Central Bank (BCRG)

[5] To date exports in Guinea are tax-exempt. Some products like wood products are subject to protection measures.

regulates the gold trade. Customs, which is part of the Ministry of Budget, has a pivotal role, not only through tax collection but also because it has the monopole of data collection. Streamlining import and export processes will also result in more reliable data that will inform the trade strategy of the Government.

29. **Export promotion** is also currently in the hands of many agencies reporting to different ministries or entities (CAFEX, APIP, CENA, CIEPEX, AGOA national committee and the Chamber of commerce, etc.). This crowded landscape bears the risk of overlap, lack of coordination and complexity for the private sector. The consolidated entity should focus on informing about norms abroad, upgrading producers' managerial capacity and logistics services.

30. Transparent information on trade regimes and regulations must be given to the private sector and will help the Government of Guinea assessing progress on trade issues. Guinea's WTO membership requires the provision of timely information on trade-related regulations.

Trade facilitation

31. **Customs in Guinea suffers from the absence of strategic human resources management**, excessive hiring and poor general skill levels. There is no reliable database of staff, hiring decisions are made by the Ministry of Civil service without coordination with the Customs Directorate. Over 75 percent of the 2,500 staff is located in Conakry, half of whom have no specific position. In the absence of a dedicated customs school, staff is often illiterate and is not provided sufficient training.

32. **A recent audit of customs pointed to a lack of compliance and transparency in clearance procedures**. This gives way to informal settlements and abuses. Guinea’s customs have also made little progress with the establishment of a risk management and selective controls in order to increase efficiency.

33. **The transit regime** still relies on paperwork and is not functioning properly; the Chamber of Commerce, despite levying a fee, is unable to act as a national guarantor in case of goods diversion during transit.

34. **Duties and tax exemptions are numerous** and their use in ASYCUDA is not secured and monitored centrally. Many anomalies were reported in the treatment of preferential regimes.

35. Three main and complementary pillars are suggested to ensure customs modernization efforts reinforce Guinea’s trade integration:

(i) ***Strengthen the customs administration***: This concerns several aspects, such as the rationalization of human resource management, the review of procedures and their decentralization and the development of information systems. Specific objectives should include the reduction of arbitrariness and opacity in customs processes; the review of the PSI scheme with a view to reduce the burden for shippers and strengthen customs’ capacity for valuation and classification; the better use of risk management and strengthening of the unit in charge of selectivity and risk; the simplification and improved control of exemptions; the strengthening of external and internal controls; the development of HR management and training; the progress with automation and interface of all customs offices; etc.[6]

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[6] The recent audit of customs supported by the EU includes a number of short term activities to address weaknesses identified at some of these levels and to create solid basis for longer term modernization in the context of the PARFIP.

(ii) ***Promote trade facilitation***: It is important to ensure that the revenue collection function of customs, which is currently dominant, be balanced with the objectives to facilitate trade and integration, as well as to strengthen controls and fight against fraud. This supposes an evolution of the mindset of the administration and its agents to support and partner with the private sector, in parallel to the modernization of procedures. It will also require the gradual improvement of the skills level and professionalism of customs staff, as well as an adequate mix of positive and negative incentives to improve governance and ethics. Provided these conditions are met, trade facilitation measures could include the progressive development of risk management capacity to improve the efficiency of controls; the introduction of schemes to reward compliance (e.g. pilot Authorized Economic Operators scheme, which was included in the 2010-2012 strategic plan adopted by customs); the introduction of import declaration prior to arrival (at least of some goods such as dangerous, perishable and frozen products); the provision of clear, comprehensive and up-to-date information on trade regulations and procedures through a Trade Information Web-portal; the streamlining of procedures by different agencies and payment through a Single Window.

(iii) ***Develop regional linkages***: Customs modernization at the national level should be accompanied by a renewed commitment to promote regional trade integration and transit, which is an explicit objective of both the PRSP and 2010-2012 strategic plan of customs. In this regard, reforms are needed to better implement the customs-related aspects of regional integration processes in which Guinea is participating, including to facilitate the use of the ECOWAS Trade liberalization Scheme (ETLS) and Inter-State Road Transit (ISRT) convention. Efforts should also be undertaken to achieve effective interconnection of customs systems with neighboring countries and to harmonize procedures, as a prerequisite to the operationalization of Joint Border Posts. Measures to facilitate and better monitor the informal small-scale cross-border trade flows, notably of food products, between Guinea and its neighbors, which constitute a large part of regional trade flows (FEWS Net 2013), would also be useful. Roadblocks must be suppressed.

36. The recommendations included in the Action Matrix of this DTIS update do not cover all dimensions for which reforms are needed, as several issues are addressed by existing or planned programs. They rather put the emphasis selected measures needed to enhance customs' contribution to Guinea's trade integration and competitiveness. Strengthening the management of human resources and general skills level of customs staff is included as a high priority, as this conditions success for other reforms.

Transport and logistics

37. **Guinea represents the natural gate to the Atlantic Ocean for the landlocked Mali**, with the shortest distance between the port of Conakry and Bamako (about 1,000 km) compared to other routes (e.g. Dakar-Bamako is about 1,400 km).

38. **However, the transport infrastructure is in poor conditions**, with a road density of 2.90 km / 100 km^2, lower than the continent's average (6.84 km/ 100 km^2). Only one quarter of the asphalted roads were seen as in good conditions in 2012 (and only 1% of the non-asphalted roads). Hence, the transport infrastructure needs a huge maintenance effort. The three railways that are currently operating are mainly devoted to mineral transports. Another one is planned as part of the Simandou project to Forecariah and a new mineral port, over 670 km, without passenger features. A last one, which has been suspended long ago, could be revived, at least its first 36 km, between Conakry and a dry port at Kagbelen.

39. **Road transport services are suffering from the pervasiveness of informal operators and lack of professionalism**. Roadblocks and illegal payments are still pervasive.[7] It is unclear whether the "tour de rôle" system (operators effectively organizing in cartel, leaving the client no choice of the transport company) has been truly abolished. These result in high transport prices, poor efficiency and bad record of road safety performance. These also result in low competitiveness: at Conakry, every day about 500 vehicles run around the port and take goods only to 30-35 km distance. This does not only prove inefficiency but is also blocking access to the port and results in congestion of the city and its suburbs. The major part of the vehicle fleet is obsolete. The few formal operators (mainly SME) are affected by financial and operational degradation. Despite Guinea being a member of OHADA, no transport contract is enforced in the national legislation. Except in peak period (during harvest) the operators struggle in finding cargo, because no initiative was taken yet to establish a "bourse de fret routier". As a result of bad infrastructure and services, about 20% of Guinea's agricultural products are lost.

40. **Conakry port is vital for the country** as it accounts for approximately 10,000 jobs (direct and indirect) and 45% of the country's fiscal revenue are originating there. Its infrastructure is globally in good conditions except for the access channel depth (10.5 meters, instead of 11.3 meters average in West African ports and even 13.5 meters maximum in Cotonou, Lagos and San Pedro). This could become a handicap in the future, as the demand will go to ports as deep as 14.5 meters. The container terminal is run under a concession by Bolloré and has been extended. However, the mineral and bulk piers are congested.

41. **Conakry port is handicapped by the large number of players** that intervene in the process and levy taxes. The various levies amounts to 1,330 USD for a 20 feet container and 2,080 USD for a 40 feet putting Conakry port high above other ports in the region such as Dakar, Abidjan and Nouakchott.

42. The DTISU recommends to improve both hard and soft transport infrastructure:

(i) **providing for maintenance of the existing infrastructure (notably roads)** and building new ones according to the demand.

(ii) **eliminating roadblock**s and illegal paiements; creating a Corridor Management Structure grouping all stakeholders of the transit to Mali and conclude a MoU for the development of the Guinea-Mali corridor; setting in place the Monitoring Committee for the ISRT.

(iii) **building the capacity of road operators:** good legislation and practices, assistance to the supervising institutions, and training of all road transport stakeholders, creation of a "bourse du fret routier";

(iv) **setting a comprehensive vehicle fleet renewal scheme**. The current interest rates are around 22-23%, which makes it impossible for small truck carriers to contract loans. A positive development is the recent adoption of a Law on leasing; however, the implementation details are not yet defined;

(v) **streamlining procedures at the por**t, with the creation of a single electronic window (allowing for sufficient linkages with Customs); modernizing and reinforcing procedures and security rules within the port and its close vicinity.

[7] According to a survey on the corridor between Mali and Guinea in July 2014, there were 13 checkpoints on the Guinean part of the corridor leading to the payment of illegal fees that amounted to 250 USD for livestock and delaying traffic for more than one hour at each roadblock. 44% of the illegal payments went to customs officers and one quarter respectively to the military police and the municipality (Permanent Interstate committee for drought control in the Sahel/USAID, *Rapport sur les Tracasseries Routières sur les produits agricoles en Afrique de l'Ouest*, July 2014).

(vi) **extending port capacity with concessions to private sector**. These concessions must be awarded on a competitive basis and linked to performance contracts.

Development through the 'servicification' of export sectors

43. **Services represent an economic opportunity,** a source of value-added, and of exports; they also represent inputs into all other forms of economic activity, and are a key determinant of competitiveness; finally, they are a factor of poverty alleviation through universal access to essential services such as water and electricity.

44. **Guinea has a significant services potential** due to its natural resources (water resources to develop hydro-electric capacities and export energy) and geographical location. The development of efficient transports and logistics services would not only increase the connectivity and competitiveness of the Guinean economy, but also create trade opportunities in itself, of exports of transport and logistics services.

45. **However, the services sector is largely under-developed in Guinea and is not catching up.** In 2010, the services value-added represented only 33 percent of the country's GDP, the lowest in the region and grew at half the average rate in Sub-Saharan Africa over the period 2007-2011.

46. **The underperformance of the services sector is due to lack of competition and proper regulation, rather than to lack of openness**. Services are rather open in Guinea and with competition in a few sectors (such as telecommunications). Yet, openness and competition without the adequate sequencing of reforms and a proper regulatory framework are not enough. Legal certainty and efficiency of services must be increased with due regard to increased competition and universal access. Hence there is a need for technical assistance and capacity building in Guinea to reform the regulatory framework of the services sectors.

47. **Guinea's participation to global value chains in mining or agri-food could become a stepping-stone for the development of services**. Mining requires input services (transport, finance, hotel, housing, legal services, accounting). The objective of the government and its partners (mining companies and donors) should be to identify those services that could be sourced locally and to develop local capacity. Logistic, transport and packaging services are also much needed in agriculture. Guinea could adopt a two-step strategy for services: first develop capacities, including through foreign establishment or intra-chain transfers, to encourage local sourcing of input services and, in a second phase, promote Guinean services exports to ECOWAS countries through other modes of supply. The IFC Business Edge program could offer a framework for nurturing local services and helping them export to neighbor countries, in short, developing a Business Edge for trade.

Integrating agriculture to markets

48. **Agriculture is at risk of receding towards domestic markets.** In 2013, only 5 products (coffee, cocoa, rubber, cashew nuts and mango) are exported out of region. Except cashew nuts, these products are exported in smaller quantities than in the past and with low profitability. Other products such as pineapple, potato and palm oil that used to reach out-of-region markets are now sent informally to neighbor countries or sold locally.

49. **Agriculture is entangled in a low profitability trap.** Producers are facing high costs of factors and inputs as well as high costs of transformation and commercialization. Unable to invest in quality, their products are sold at low prices without being able to export.

50. **The Government of Guinea has made clear its willingness to put agriculture back to its feet** with the Plan National d'Investissement Agricole et de la Sécurité Alimentaire (PNIASA) for the years 2013-2017.

51. **Agriculture needs a holistic approach that puts market opportunities at its core**. Many projects in the past have successfully focused on one crop or one type of infrastructure (logistic platform, refrigerated warehouses). However, with hindsight, the project approach has often lacked a proper assessment of viability under market conditions and has not sufficiently addressed the issue of commercialization services: in short, **how to bring the products to whom.**

52. **Public intervention in agriculture should be transparent and across the board**. Agriculture needs stability and certainty. Export or import temporary bans, discretionary imports of rice (decided by the Ministry of Commerce) should be reviewed, distribution of inadequate (because not crop-specific) fertilizers and pesticides by the Regional Chambers of Agriculture should be reformed. Price subsidies that distort incentives and profitability without being able to target those who need it most could be replaced by meal distribution in schools or facilitated access to credit to inputs.

53. **The institutional framework in agriculture must be stabilized and clarified.** Investment in agriculture, especially in perennial cash crops, requires many years, hence a secured legal system and access to land. Institutional landscape must be clarified: many agencies, new and old, are operating in the sector and report to different authorities with likely overlap, such as ANASA, ANDASA, CAFEX, ANPROCA, AGIC, SNPV-DS. Regarding agricultural export promotion, CAFEX overlaps with APIP. In a tight budget constraint, the creation of new agencies is not a priority. The role of existing entities should be reviewed and clarified, according to the national strategy set in PNIASA and PNDA, in order for the remaining ones to receive efficient technical assistance and funding.

54. **In particular, reliable statistics are necessary in order to monitor progress in the implementation of the national strategy**: this target calls for reinforcing ANASA, with a better coordination between ministries and agencies.

55. **Another domain which needs institutional clarification is quality control**: Quality control is vital for food security at home. A careful progressive strategy should be taking place: (i) a national strategy for quality should be devised, in line with ECOWAS initiative; (ii) according to this guideline, the institutional landscape will be clarified and simplified, seeking coherence between the ministries of agriculture, health, industry, commerce, livestock and fishery before (iii) considering an investment program in a laboratory for quality control.

56. **Services to agriculture must be professionalized.** Agriculture is not only about producers, but relies on upward and downward services, involving traders, transformation industries, logistics, finance and commercialization services. Capacity building in these activities is needed in order to raise the quality of final products and find profitable market opportunities.

57. **Winning back export markets requires in particular a public-private partnership with foreign investors.** The holistic approach to agriculture, with markets at its core, needs huge investment and deep knowledge of markets in destination countries. Both can be achieved by attracting foreign investors in public-private partnerships. The Government of Guinea would bring a secure legal framework that protects foreign investors and farmers' organizations, roads and viable land (with energy

and water). The private sector would bring physical capital and expertise, credit for inputs, agricultural advice and training, logistics and commercialization services, up to sales on the markets.

Box 1. The Ebola Crisis and Trade in Guinea

Since the DTIS Update analysis took place before the brunt of the Ebola crisis hit Guinea. However, the report sheds light on structural factors of Guinean competitiveness that will still be accurate once the crisis will be over. This box summarizes a World Bank report (2015) on the impact of the crisis on the economy and trade that was published after the drafting of the DTIS Update report.

The Ebola health and humanitarian crisis has directly impacted trade flows through the economic toll of the disease, as well through the blockage of air and road trade routes. Further impact on trade, as on the economy as a whole, has also been driven by "aversion behavior", consisting of both the actions taken by individuals to avoid exposure to the illness and actions taken by investors in anticipation of those individual choices. According to recent World Bank (2015) report the trade sector has been affected nearly everywhere. Agriculture has been hard hit because the epidemic started in agricultural regions: rice production is estimated to have fallen by 20%, while coffee and cocoa production have declined by one half and one third respectively, all this bearing on levels of rice imports and coffee and cocoa exports.

With the closure of land borders, trade with neighboring countries, including Ebola stricken Sierra Leone have been severely affected. Exports of fish for instance are estimated to have dropped by 40%. Access to manufacturing inputs due to logistical challenges has become a problem, affecting the manufacturing sector. Trade in the manufacturing sector has also seen cement imports have fallen by 50% reflecting most likely the slowing down of construction projects.

Services trade has suffered heavily from the crisis. Restrictions on air travel and decisions by foreigners not to travel to Guinea have also impacted the economy as projects involving expatriates have slowed down. In particular in the mining sector as foreign expatriates have been evacuated services to the mining sector have been severely impacted. Hotel occupancy rates in Conakry fell to about 20%.

Finally, capital flows have also reacted negatively to the crisis, starting with the postponement of planned investments. Also the departure of wealthy residents (among which expatriates) has contributed to capital flight.

Preparation of Guinea's economic recovery from the crisis must start now. First, post-Ebola recovery might require further prioritization of actions by the government as it will be faced to numerous challenges. Attention will need to turn to sectors badly affected by the crisis, in particular where trade relations might have been broken or suspended because for instance of shortfall in financing and displacement of individuals.

The financing of trade in periods of crisis is a challenge and in November 2014 the International Finance Corporation launched an initiative to support trade and private sector led recovery. The initiative includes a $75 million Ebola Emergency Liquidity Facility to fund critical imports for Ebola-affected countries. The facility will initially be made available to fund six existing IFC client banks and will support the import of basic goods, including energy, food and agricultural commodities, and other manufacturing goods.

Creating further opportunities for trade, involving in particular the informal sector, will be central to economic recovery in the medium term, as well as creating the conditions for the return of foreign private sector actors. As a program of investment may be necessary to re-start the economy, trade-related infrastructure might be a good candidate for such investments.

Another priority will be to build trust: trust of foreign investors and tourists; and trust between cross-border population, by facilitating movements of people and goods, a structural theme which is put forward throughout the report.

Revised and Updated DTIS Action Matrix

H: high - M: medium or medium-term - L: low or long-term - S: short term

I.Trade policy

objective	constraint	action	payoff priority	horizon	size	difficulty	agency in charge	monitoring indicator
Enforce regional trade integration	ECOWAS trade integration is not effective	I.1.1. Implement preferences on the ground (monitor and train customs officers) I.1.2. At the ECOWAS level, advocate simpler ETLS approval scheme and rules of origin, provide online access and sensibilisation campaigns I.1.3. monitor progress in trade flows I.1.4 Accelerate the implementation of the WTO Trade Facilitation Agreement	H	S	H	H	Ministry of Trade together will all the relevant structures	Share of Ecowas imports entering with 0 tariff rate Operators survey Number of firms and products approved under the ETLS scheme
Simplifiy trade policy	More than 200 trade regimes	I.2.1.Reduce the number of trade regimes and tax incentives	H	M	H	H	Ministry of Budget, Customs, Ministries of Trade, Industry, Mining, Agriculture, Transport, APIP and CENI	Number of trade regimes in Customs code
	A complex tax and levies system on imports and exports	I.3.1. Audit of taxes and levies and simplification I.3.2. Examine border declaration procedures and simplify them I.3.3. Customs and Ministry of Trade to collaborate on management of the DDI and DDE and suppress parallel procedures I.3.4. Suppression of the temporary identifier for subcontractors in Customs procedures	H	M	H	H	Ministries of Budget, Commerce, Transport, Energy, Chamber of Commerce	Number of taxes and levies supported by an importer or an exporter

I.Trade policy (continued)

objective	constraint	action	payoff priority	payoff horizon	payoff size	payoff difficulty	agency in charge	monitoring indicator
Reduce behind the border barriers to trade	Costly transport services and food distribution	I.4.1. Detailed inventory of non tariff measures at the product level I.4.2. Implementation of a database on prices in transport and food distribution industries	H	M	H	H	Commerce, Transport	NTM database Price of transport services Price of food Report
Reduce institutional complexity	Trade policy is devised by many entities	I.5.1. Reduce overlapping responsibilities I.5.2. Provide adequate training once missions have been defined I.5.3. Implementation of Single Window for external trade procedures	M	M	M	H	relevant ministries and agencies	Organigram and letters of mission of ministries and agencies Website is online with up-to-date information Notifications to the WTO
	Export promotion is in the hands of many entities reporting to different ministries	I.6.1. Suppress overlapping responsibilities and consolidate promotion bodies I.6.2. Single platform for information on export promotion I.6.3. Provide adequate training after consolidation	M	M	H	M	CAFEX,CIEPEX, Chamber of Commerce, Agoa national committee, APIP	Organigram and letters of mission of agencies Website is online with up-to-date information

II. Customs

objective	constraint	action	priority	payoff horizon	payoff size	difficulty	agency in charge	monitoring indicator
Build capacity of Customs	Excessive hiring and poor general skills level	II.1.1. Ensure better coordination between Customs and Public Service Ministry with specific criteria for the recruitment of officers II.1.2. Creation of a training school for auxiliary customs agents	H	M	M	H	Customs Directorate and Public Service Ministry	Proportion of staff without a clearly defined position Proportion of staff with formal training on customs
Streamline processes	Cumbersome inspection process and absence of preferential treatment for trusted operators	II.2.1. Review PSI program to reduce cost/delays involved II.2.2. Develop risk management and customer segmentation	H	M	H	H	Customs Directorate	Delays in obtaining inspection certificate (AV) Proportion of customs staff trained on classification/valuation Proportion of containers in green channel Proportion of physical inspections leading to discovery of fraud
	Poorly working transit regime	II.3.1. Abandon customs escort once ISRT is operational II.3.2. Improve electronic interface with customs offices at land borders II.3.3. Chamber of Commerce to effectively act as a national garantor for the ISRT II.3.4. Put in place the ISRT monitoring committee II.3.5. Prepare documents necessary for the ISRT (logbooks) and their mutual recognition	M	M	H	M	Customs Directorate, Chamber of Commerce	Average transit time from Conakry to Bamako

II. Customs (continued)

objective	constraint	action	payoff priority	payoff horizon	payoff size	payoff difficulty	agency in charge	monitoring indicator
Streamline processes	Complex ETLS approval system	II.4.1 Streamline and decentralize the procedure to import under the ETLS II.4.2. Ensure better implementation of the ETLS at land borders, notably for food staples	M	M	M	L	DGD	Time for customs clearance under the ETLS compared to regular imports Value of imports under the ETLS
	Limited cross-border cooperation in customs	II.5.1. Initiate operations at the Pamelap JBP and support establishment of JBP with Mali II.5.2. Establish interconnection of customs with neighboring countries and harmonize “soft” aspects (procedures, working hours, etc.), beginning with Mali II.5.3. Rekindle and monitor the redeployment of staff outside of Conakry	H	M	H	H	DGD	Number of functional JBP Average border crossing time at land borders Time at land borders
Improve data	Incomplete and unreliable data on trade flows and taxes	II.6.1. Streamline data collection on trade flows and tax payments	M	M	M	L	DGD	Exhaustive coverage of customs data (including all offices in the hinterland) Ex-post data reconciliation procedure with Bivac/veritas.

III. Transport

objective	constraint	action	payoff priority	payoff horizon	payoff size	difficulty	agency in charge	monitoring indicator
Improve basic hard infrastructure for trade	Transit to Mali is small and on a downward trend	III.1.1. Road construction and maintenance with a joint Guinean-Malian committee on shared corridor III.1.2. Feasibility study of Conakry-Bamako railway III.1.3. Feasibility study of rehabilitating part of river transport on Niger and Milo	H	M	H	M	Ministry of Transport, transport operators associations	MoU between Guinea and Mali ISRT Steering committee in place Kilometers upgraded Percentage of agricultural shipments wasted Feasability reports
	Port is congested	III.2.1. Revise the Master Plan for Port Development III.2.2. Extend port capacity with concessions to private operators awarded on a competitive basis and linked to performance contracts III.2.3. Improve access to port : establish an appointment system for trucks III.2.4. Improve access to the port: establish an appointment system for trucks III.2.5. Build the railway to the dry port of Kagbelen.	H	S	M	M	Port authority, Ministry of Transport, Customs, Private sector	Identify under-utilized capacities or sub-efficient activities in the port and in the vicinity Number of containers and vessels; costs of port services nb of trucks and their waiting time within the port
	Scarce resources	III.3. Assess if there is a real demand for a second international airport	M	M	M	L	Ministry of Transport, SOGEAC, ANAC	Audit report

III. Transport (continued)

objective	constraint	action	priority	payoff horizon	payoff size	difficulty	agency in charge	monitoring indicator
Improve soft infrastructure for trade	Road transport carriers are informal and inefficient	III.4.1. Train and professionalize road transport operators (training center in Conakry first, then in Kankan, Labé, N'Zérékoré) III.4.2. Creation of a freight exchange creating a transparent market for freight prices	H	M	H	M	Ministry of Transport, transport operators association	Training centers, number of trainees and instructors, number of professional certificates, price of transport services
	roadblocks and illegal payments	III.5.1. Eradicate illegal roadblocks. Responsibilities of security and control agencies (customs, gendarmerie, police) should be clearly defined in a coordinated way and monitored.	H	S	H	M	Customs, Military, Police, Municipalities	Number of roadblocks and amount of illegal fees
	Trucks are dangerous and old	III.6.1. Set up a comprehensive fleet renewal scheme III.6.2. Audit report on technical inspection of trucks	H	M	H	M	Ministry of Transport, transport operators, private sector, Ministry of Finance	Audit on financial and technical dimensions Regulatory reform Number of new trucks
	Port services are expensive compared to the region because of too many intervening operators	III.7.1. Creation of a single window for external trade that integrates port, airport and border posts III.7.2. Modernize and reinforce procedure and security rules for port services	H	M	M	H	Port authority, Ministry of Transport, Customs, Private sector	Price of port services, Number of procedures at the port, Number of operators in the port, Dwell time, Single window.

IV. Agriculture

objective	constraint	action	payoff: priority	horizon	size	difficulty	agency in charge	monitoring indicator
Expand trade of agricultural goods	Trade policy is interventionist and complex, and Regional scheme is not implemented	IV.1.1. Regulate temporary bans on exports and imports	H	S	H	H	Ministries of Economy, Commerce	Review of Trade instruments
		IV.1.2. Assess trade policy on rice	H	S	H	H		Audit report
		IV.1.3. A transparent and fair tax-and- duty exemptions scheme for necessity products (rice, maize), compatible with ECOWAS						
		IV.1.4. Effective implementation of tax exemptions of agricultural inputs	H	M	H	H		Tax code reform
	Agriculture lacks upward and downward services	IV.2.1. Support to the development of value chains IV.2.2. Support to the creation of packaging units for agricultural products IV.2.3. Capacity building for producers and support to agro-processing units IV.2.4. Facilitation of trade of agricultural products within ECOWAS space	H	M	H	M	Industry and relevant ministries	Packing manufacturing unit Development of agriultural value chains
Streamline institutions	Too many agencies with overlapping responsabilities	IV.3.1. Consolidate institutions working on agriculture : clarify their missions and enhance coordination	M	M	H	H	Ministries of Agriculture, Commerce, Agencies, Public entities	Audit of institutions in agriculture Letter of missions, organigram and budget
		IV.3.2. Reinforce data collection and treatment. Enhance coordination between entities in charge of statistics.	H	M	M	M	Ministries of Agriculture, Commerce, and Economy, ANASA, CAFEX, Customs, Central Bank	Permanent agricultural surveys, harmonized statistics published regularly

IV. Agriculture (continued)

objective	constraint	action	payoff priority	horizon	size	difficulty	agency in charge	monitoring indicator
Streamline institutions	... especially on quality control	IV.4.1. Build a national strategy of quality in line	H	M	H	L	IGNM, ONCQ, SNPV-DS	National plan for quality
		IV.4.2. Consolidate quality control	H	M	H	M		
	…and export promotion	IV.5.1. Consolidate export promotion	H	M	H	M	CAFEX, APIP	Audit of institutions for export promotion, Letter of missions, organigram and budget
	Under-funded public operators faging high investment needs	IV.6.1. Define an institutional framework for PPP in agriexports: entity in charge, inter-ministry coordination	M	L	M	L	Agriculture, Andasa, Economy	Action plan Sample of PPP Convention
Build capacity	agriculture is entangled in a low profitability trap	IV.7.1. Strengthen professional and inter-professional organizations IV.7.2. Adapt and enforce existing regulation on traders and processors; favor their long-term commitments with agricultural producers	H	M	H	M	Agriculture, NGO, Chamber of Commerce, Chamber of Agriculture, Donors	Projects presented by professionnal organization that are implemented interlinked contracts between agricultural producers and reliable traders or processors
		IV.7.3. Building capacity of cooperatives and traders	H	M	H	L	CAFEX, APIP, CIEPEX, Chamber of Commerce, Chamber of agriculture	Nb of weeks/person trained and program curricula
		IV.7.4. Information on tax and trade policies	M	S	M	L		
		IV.7.5. Enhancing market information and product promotion	M	M	M	L		Market studies,product promotion

V. Services

objective	constraint	action	priority	payoff horizon	payoff size	difficulty	agency in charge	monitoring indicator
Increase Guinea's trade integration	Trade in services is a new domain for Guinea's trade policy makers	V.1.1. Complete regulatory diagnostics in strategic services sectors to assess the level of openness of the sectors	H	S	M	L	Ministries of Commerce, Plan and Cooperation	Audit report along international guidelines set in DTISU. See e.g. Saez (2010). The guide provides guidance on conducting consultations with stakeholders, performing a trade-related regulatory audit, and formulating requests and offers. It also provides examples of best practice capacity building exercises in services.
		V.1.2. On the basis of the diagnostics (supplemented by an analysis of the offensive interests of the country, e.g. with an analysis of the strengths, weaknesses, opportunities and threats in key sectors), and in consultation with the relevant actors, define a strategy for trade negotiations, and development of the services sector and trade in services. Ministry of Plan centralizes the services sectors sectoral strategies.	H	S	M	M	Ministries of Commerce, Plan and Cooperation	
		V.1.3. Contribute actively to the ECOWAS services integration efforts, and implement agreements of relevance to services trade, such as the Protocol on the free movement of workers and the right of establishment, or in priority sectors such as telecommunications, transports, energy and tourism	H	S	M	M	Ministry of Commerce and relevant ministries	Domestic regulation in accordance to ECOWAS Private sector survey
		V.1.4. Coordinate with other ECOWAS members and write requests/offers on the basis of the results of the domestic consultation process for both the multilateral and regional negotiations	M	S	H	M	Ministry of Commerce and relevant ministries	Joint requests/offers at ECOWAS level

V. Services (continued)

objective	constraint	action	payoff: priority	horizon	size	difficulty	agency in charge	monitoring indicator
Maximize the benefits and minimize the risks of participation in regional and global value chains	Insufficience of development strategies for services sectors and trade in services	V.2.1. Supplement the regulatory diagnostics by analyses of the level of competition and access achieved on markets, and strategies to improve both levels	H	S	H	L	Trade	Audit on competition in services sector Public consultation based on the audit, define monitoring indicators
		V.2.2. Reform the laws and regulations that have been identified as creating obstacles to the good functioning of the markets and the objectives of increased competition and universal access	M	M	H	M	Trade	Regulations reform Monitoring indicators based on the audit
		V.2.1. Identify ancillary services to traditional economic activities (agriculture, mining) that can be locally provided and support domestic labor V.2.2. Strengthen capacity in the services sector alongthe lines of the Business Edge program approach	H	S	H	L	Mining industry, Ministry of Commerce and Agriculture	List of ancillary services Indicators on training (number of trainees, content, employment outcome)
		V.2.3. Strenghten statistical and analytical capacity in the Ministry of Mining in order to better assess the impact of local content efforts, including formalization of firms and use of higher standards	H	S	M	H	Ministry of Mining	Reports and data from Soguipami
		V.2.4. Link local content programs with efforts to promote regional exports	H	S	M	H	Mining industry, Business Edge program, Ministries of Commerce,	Export promotion of ancillary services : audit based on international good practices
		V.2.5. Identify and implement policies supporting services competitiveness and promotion of local content provision	H	M	M	H		
		V.2.6. Explore in partnership with the Business Edge program and others opportunities for technical assistance in view of attracting investments	H	M	M	H	Business Edge program	Training indicators
		V.2.7 Clarify institutional responsibilities and develop capacities for trade promotion	M	M	M	M	SOGUIPAMI and Government agencies	Number of institutions Organigrams, letter of mission and budget

Chapter 1. A low-income country in need of structural reform

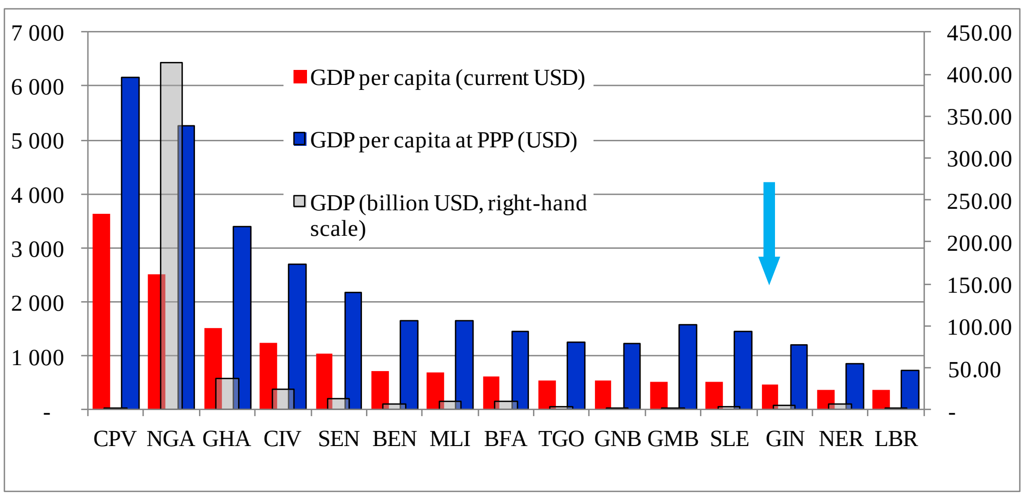
1.1 Guinea, a country in West Africa, one of the poorest economy in the world with a per capita income of 490 USD in 2012. Guinea is recovering from decades of authoritarian regime and military rule: a pluralist presidential election was held in Novwember 2010 and parliamentary election took place in September 2013. The Government of Guinea also achieved a successful macroeconomic stabilization. With its past woes behind, Guinea was heading to economic recovery based on two potential game changers, the country's massive natural resources and integration in a vibrant sub-region, until being hit by Ebola disease in the first half of 2014.

1.1 Background: A low-income economy with abundant natural resources making a transition to stability and economic recovery

1.1.1 A low income country

1.2 Relative to its ECOWAS partners, Guinea ranks 8th in population with 11 million inhabitants (and an annual population growth at 3.1 percent), 9th in GDP level (5,632 billion USD in 2012) and 13th in GDP per capita (Figure 1).

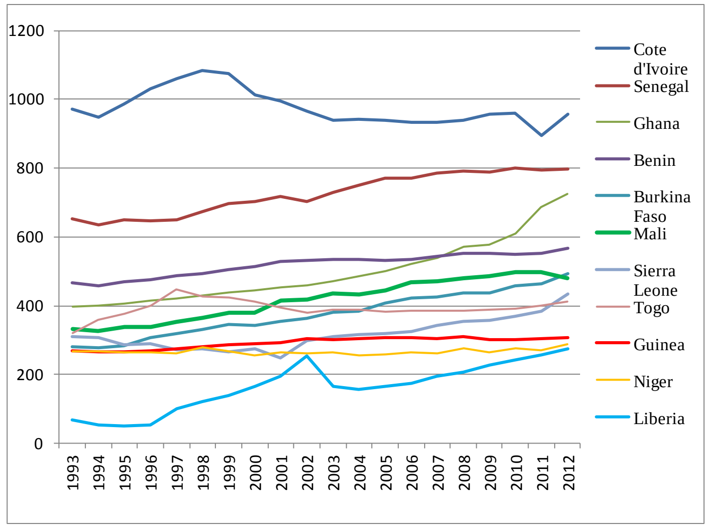
Figure 1. GDP and GDP per capita in the ECOWAS (average 2010-12)



Note: NGA: Nigeria; GHA: Ghana; CIV: Cote d'Ivoire; SEN: Senegal; MLI: Mali; BFA: Burkina Faso; BEN: Benin; NER: Niger; GIN: Guinea; TGO: Togo; SLE: Sierra Leone; CPV: Cabo Verde; LBR: Liberia; GMB: Gambia, The; GNB: Guinea-Bissau.
Source: World Bank, World Development Indicators

1.3 Over the long run, Guinea has been and remains a slow grower (Figure 2). In 2010, the level of the real GDP per capita was below that of 2000, reflecting the high toll taken by political turmoil. Meanwhile, other countries in the region started to grow at a high pace in the 2000s, at least until the 2009 financial crisis. In particular, Guinea was outperformed by Burkina Faso, Mali, Togo and Sierra Leone, four countries that were close to Guinea in terms of per capita GDP twenty years ago. Guinea is even caught up by Liberia, which used to be well below back in the 90s.

Figure 2. real GDP per capita in USD, 1993-2012

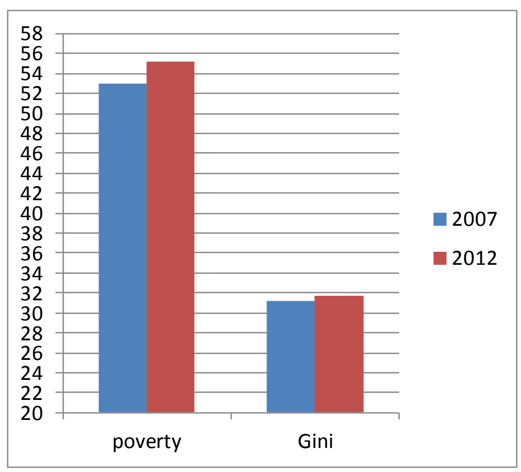


Source: World Bank, World Development Indicators. Note: constant 2005 USD

1.1.2 Poverty and inequality

1.4 **Not only is Guinea one of the poorest countries in the world but poverty and inequality has even worsened** since the last household survey in 2007 (Figure 3). Poverty rate is 55.2% on average; it is higher in rural areas (64.7%), where most of the population (68%) lives. Poverty rate is lower in cities (35.4% and 27.4% in Conakry) but it has increased there more since 2007; inequality has also increased. Therefore and contrary to many countries in Sub-Saharan Africa, Guinea will not be able to reach the Millennium Development Goals in 2015, except for HIV.

Figure 3. Guinea's poverty headcount, 2007-2012



Note: Poverty headcount is defined the percentage of population below the national poverty line (approx. 1.30 USD a day). Source: Guinée (2013) http://www.srp-guinee.org/bibliotheque.htm

1.5 **Poverty rate also differ across regions**: from 27.4% in Conakry to 66.9% in N'Zérékoré, with Faranah (64.8%), Mamou (60.8%), Labé (65%) and Boké (58.9%), Kindia (62.5%), Kankan (48.7%) lagging between.

1.6 Because of the regional inequality and in accordance with the on-going decentralization process, the Government might prefer to balance investments evenly across regions. However, spreading the scarce investments too much might be inefficient. Guinea's lack of skilled labor is more acute than other Sub-Saharan African countries. The literacy rate, among population older than 15, was only

34% in 2012 (compared to 62% on average in Sub-Saharan Africa). The few graduates from secondary schools, vocational training and universities have difficulties in finding a job.

1.7 **In addition to the lack of human capital, physical capital is missing as well**. Only 12% of the population had access to electricity and 67.8% to drinkable water in 2012. Where electricity is available (mostly in some parts of Conakry) this is only for 6-8 hours a day with frequent disruptions that can last for days. No competitive industrial fabric can emerge in these conditions. The start of the Kaleta hydroelectric project on 30 June 2015 should bring significant improvements on the electricity front.

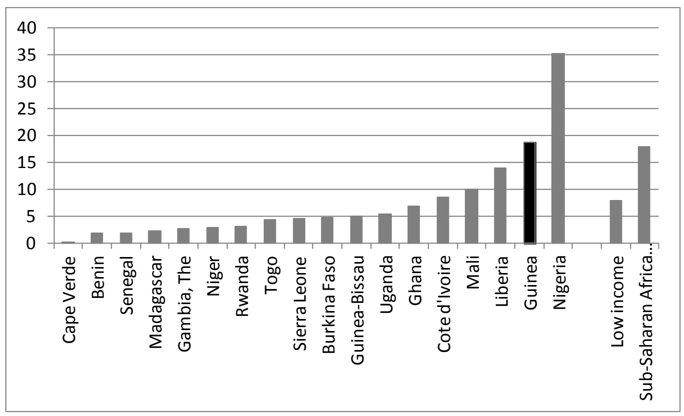
1.1.3 Mining: a game changer ?

1.8 **Guinea is among the world's leading producers of bauxite**, 19.3 Mt/year, with more than half of the world's reserves. Other mineral commodities are gold, rough diamond, iron, uranium, chrome, cobalt, zinc, lead ores, and granite, syenite, dolerite and sand. Undeveloped mineral resources include graphite, limestone, manganese, nickel and uranium.

1.9 **Guinea ranks among the countries most dependent on natural resources** in the region, only second to Nigeria (Figure 4).

1.10 **However, in the past two decades, Guinea has been unable to take advantage of its rich mineral resources**. While mining output increased dramatically around the world, no new mines became operational in Guinea. Despite a dramatic surge in mineral prices since 2002, growth remained sluggish. This is partly due to long-term mining contracts, which on the other hand, insulate fiscal revenues from short-term commodity price fluctuations.

Figure 4. Natural resource rents, share in GDP



Source: WDI. Average computed over 2005-2010

1.11 **But Guinea was still dependent on long term swings of mineral prices and volatility in investor's interest.** For instance, when bauxite export prices declined in the early 1990s, fiscal revenue from the bauxite sector was divided by three from 300 million USD in 1990 to 100 million USD in 1994 and even bottomed at 53 million USD in 2003. In addition, other ores such as gold or iron are less subject to long term contracts and are hence, subject to short-term price fluctuations.

1.12 **Guinea's dependence on mining will continue** for the years to come with the exploitation of iron ore, where it has the potential to become a leading producer, and other mineral reserves (Table 1 and Figure 5). The Simandou iron ore mining project is projected to start in 2019. At full capacity, the project is expected to generate revenues of 7.6 billion USD per year, more than the entire GDP of Guinea in 2012, making it one of the world's largest mining projects. The Simandou project encompasses the ore mine, with anticipated peak production of 95 million tons per year, a 670 km railway line, a new deep water port and associated infrastructure (among them, service roads for the railway construction that could be used later by the population).

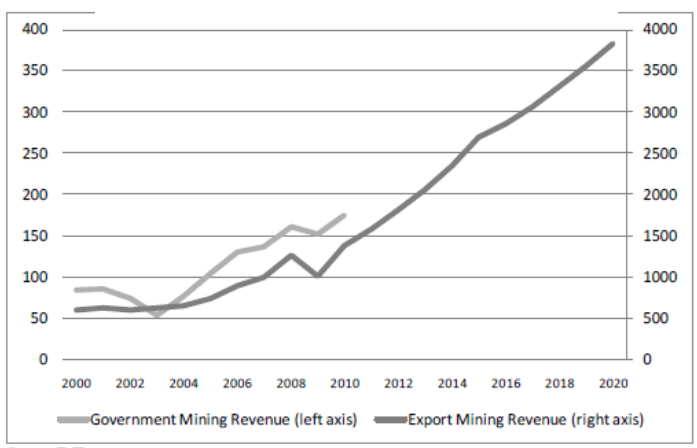
Table 1. Major mining projects

		output capacity m'on ton/yr	jobs	investment billion USD
Kalia	iron ore	50	9000 construction 3500 operation	4.5
Dian-Dian	bauxite	9		4
CBG/Mubadala	bauxite	22.5	2500 direct	1.2
Guinea alumina corp/Mubadala	alumina			5
China Power investment	bauxite	4	8000 construction 3500 operation	6
Simandou	iron ore	95	7000 construction 3000 operation	19

Source: IMF (2014)

1.13 **The real game changer is the willingness of the Government of Guinea to use mining as the basis of a strategy of poverty reduction and inclusive economic growth**. Mining assets, if carefully managed and invested into productive physical and human assets have the potential to lift Guinea out of poverty. After the democratic transition, the new government has made the modernization of mining management a top priority, with the revision in 2013 of the Mining Code, application to the Kimberley Process and the Extractive Industries Transparency Initiative (EITI) in 2012.

Figure 5. Export and Government Mining Revenue, 2000-2020



Source: IMF.

1.2. Competitiveness

1.2.1 A successful macroeconomic stabilization

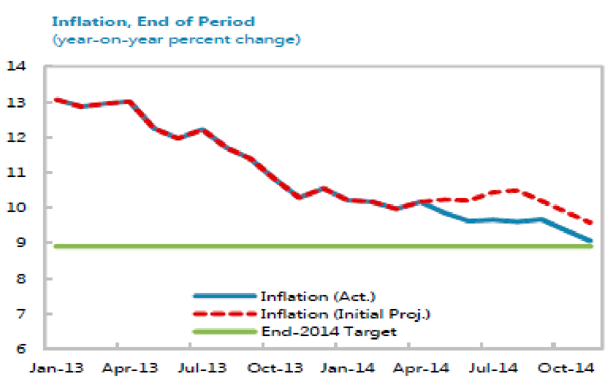
1.14 **When the new democratic government took office in 2010, Guinea was in a deep crisis**. Per capita GDP declined by 4.6 percent between 2008 and 2010. The military regime in power since 2008 had increased fiscal expenditures while revenues dropped amid cancelled contracts in mining and telecom; foreign aid was suspended. In face of the growing fiscal deficit, money supply more than doubled in two years, leading to a black-market premium on the exchange rate and rising inflation.

1.15 **The new government achieved macro stabilization**: per capital GDP growth returned positive fiscal balance was restored, the monetary financing of the budget was stopped and inflation declined gradually to 10.5 percent on a year-to-year basis by end year 2013. The exchange rate stabilized during the first half of 2011 before appreciating somewhat at the beginning of 2013. (Figure 6). However, the Ebola epidemic upheaval impacted growth prospects. The country's authorities adopted prudent macroeconomic policies during the crisis.

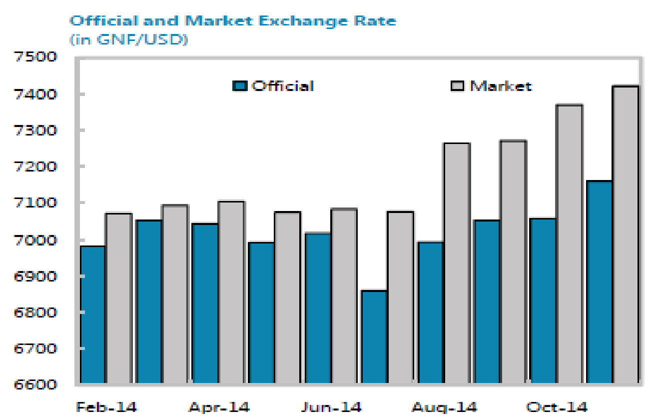
1.16 **Guinea has re-engaged with development partners and obtained a HIPC/MDRI debt relief** in September 2012. Guinea's debt burden is now at a sustainable level: the debt to GDP ratio fell from 67.5 percent in 2011 to 21.8 percent in 2013 and debt-service-to-exports ratio stands at 2.8 percent in 2013.

Figure 6. Guinea's macro performance

(a) inflation



(b) exchange rates



Source: IMF (2015)

1.17 **However, these achievements are still fragile**. Growth in 2013 was negatively affected by the halt of most investments in the mining sector and political unrest related to the parliamentary election. Despite this situation, the Governement of Guinea has contained fiscal spendings and increased revenue collection. For 2014, the Governement was planning an increase in fuel prices, with price-adjustment in order to alleviate its impact on the population, and a switch from current spending to investment, with a reform plan of the electricity company. It is also committed to structural reforms, of the civil service and on the business climate (Investment code and a Law on tax incentives in the 2014 Finance Bill).

1.18 **The outbreak of Ebola disease has drastically changed the prospects, curtailing trade and movements of population**. Agriculture and services have been most affected, with an exodus from areas hit by Ebola. Agriculture collapsed and nearly 9% of the population was in severe food insecurity in December 2014. Transport challenges are weighing on key imports. Mining activities have continued for the moment as they are not located in the south border (iron excepted). Overall, real GDP for 2014 grew at a rate of 0.4 percent instead of a pre-Ebola estimate of 4.5 percent (IMF, February, 2015).

1.2.2 Unfinished structural competitiveness

1.19 While the conditions of monetary macro competitiveness are almost achieved, structural competitiveness is still far from sight.

1.20 **The roots of the lack of structural competitiveness lie partly in history**. Since independence, when France cut the ties with its former colony abruptly, leading to severe economic disruption, Guinea has been an authoritarian socialist country, discouraging entrepreneurship. The military coup in 2008 and repression against civilians has also isolated Guinea from international community.

1.21 **Moreover, Guinea's opening was hindered by the troubled state of its close neighbors**: civil wars (Liberia until 2005, Sierra Leone until 2002; Côte d'Ivoire between 2002 and 2010, Mali since 2012) or military coup (Guinea-Bissau).

1.22 **Guinea ranks poorly in most business surveys**, including the Global Competitiveness Indicator (GCI), the Doing Business (DB), the Global Enabling Trade (ETI) index, and Transparency International’s Corruption Perceptions Index (CPI). The GCI, which has a wide respondent base, ranks Guinea #144 out of 144 countries, with a score of 2.79 out of 7.[8] Poor governance and troubled history also explains the extent of illegal trade in Guinea.[9]

1.23 Binding constraints on business reported by GCI respondents include corruption (#1), followed by low access to financing, the inadequate supply of infrastructure and policy instability (Figure 7).

1.24 The Enabling trade index ranks Guinea 135th/138 in 2014 (Figure 8). This outcome is explained by the poor quality of transport services and infrastructure and the low use of ICTs. Operators are also handicapped by the limited financial development (lack of trade finance compounded by irregular payments in exports and imports, affordability and availability of financial services). Investors’ protection is also inefficient regarding property rights and intellectual property.

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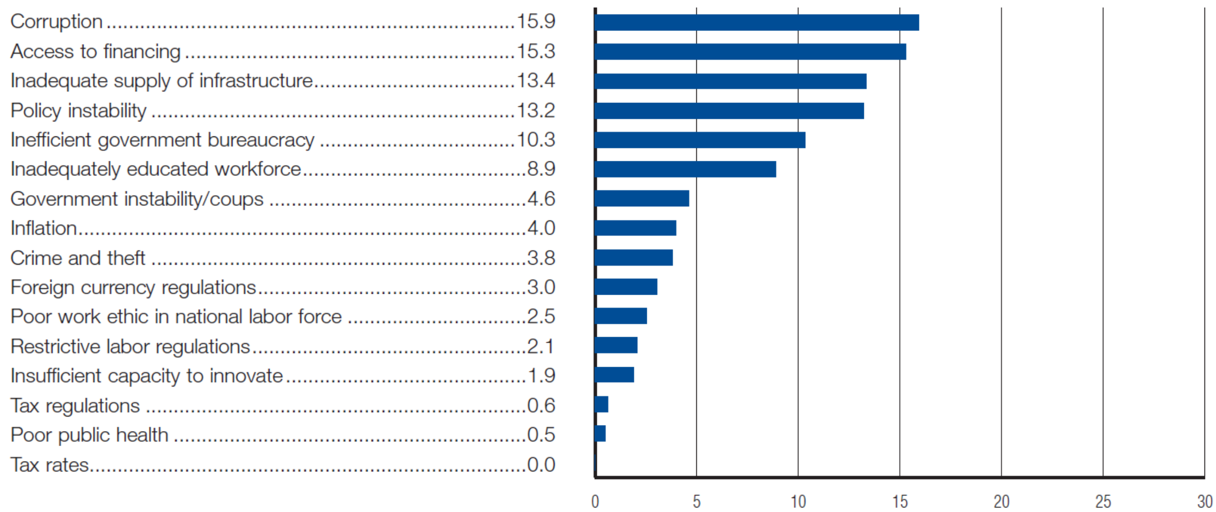
[8] Guinea ranks in 169/189 in Doing Business (2015), 135/138 for the Enabling Trade index and 145/175 in the Corruption Perceptions index of Transparency International (2014).

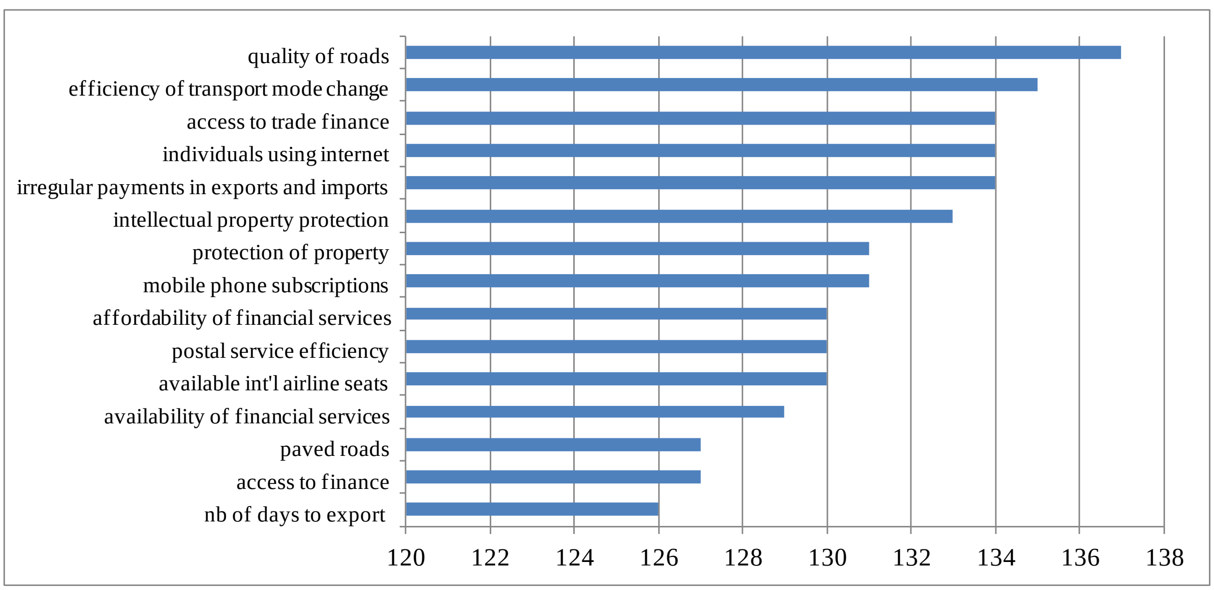
[9] The committee of the Convention in International Trade in Endangered Species of wild Fauna and Flora (CITES) has recommended a suspension of commercial trade with Guinea in May 2013, following in particular exports of baby chimpanzees to China. The EU has also continuously banned fish from Guinea, first for political reasons after the 2009 military repression; then in 2010 and 2013 because of the inability of Guinea to curb illegal fishing. The US State department 2013 International Narcotics Control Strategy Report points to the extent of narcotic trade in Guinea. (http://www.reuters.com/article/2014/01/31/us-guinea-drugs-insight-idUSBREA0U0EG20140131).

Figure 7. Obstacles to business in Guinea identified in the Global Competitiveness Indicator, 2013-14



Source: World Economic Forum (2013), Global Competitiveness Report 2013-14

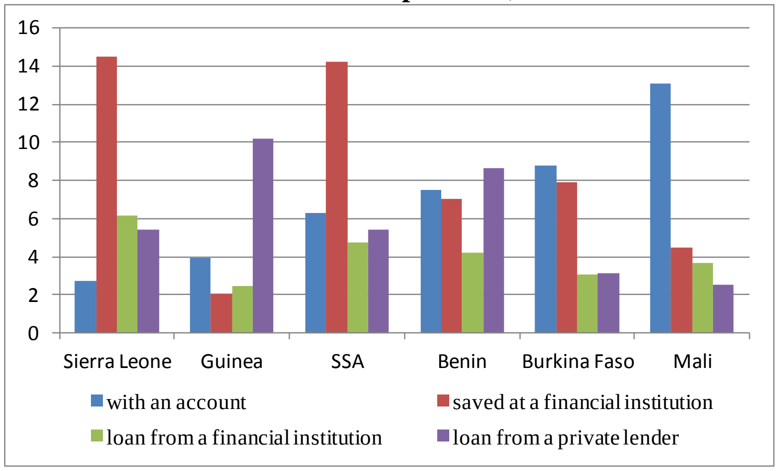
Figure 8. the Enabling Trade Index 2014 (country rank out of 138)



Source: World Economic Forum, The Global Enabling trade report 2014

1.25 **Limited financial development in Guinea translates into a rlack of financial inclusiveness**. According to the World Bank's Findex database, 96% of Guinea's adult population does not have access to a bank account (Figure 9).

Figure 9. Bank account penetration, Guinea and comparators, 2011



Source: World Bank, Findex database.
Note: Percentage of population aged 15 years or more

1.26 Moreover, 84% of bank credit is short-term (mostly for oil or food imports), hence, not targeted towards investments in production activities (BCRG 2013). Because banks lack past information on borrowers, they tend to exclude a large proportion of small entrepreneurs. Lack of access to bank accounts can hamper the ability of small-scale traders to access funds. They often rely on private informal channels, including for international transactions. Microfinance institutions are less developed than in other countries in the region: they covered 6.7% of the population in 2011, three times less than the average in WAEMU countries (BCRG 2013)

1.27 **Weak financial inclusiveness and widespread informality are inter-related syndromes**. Lack of access to a bank account hampers formalization, but informality (and the lack of accounting transparency that goes with it) also hampers access to bank credit. In this sense, the prevalence of informality, weak public-sector governance, and lack of financial inclusiveness are inter-related syndromes—self-protection of small private actors against a State that they perceive as predatory.

1.3 DTIS implementation: limited progress on an ambitious agenda

1.28 **Against this background, the DTIS process (DTIS and DTIS update) proposes a strategy of export-led growth based on the strengthening of existing productive sectors and diversification** into new sources of job creation, leveraging the country's comparative advantage. We now turn to an assessment of the state of implementation of the original plan, its integration into the country's development strategy, and new leads to re-energize the process and better align it with national priorities.

1.3.1 Mainstreaming trade in Guinea's development strategy

1.29 **The objective of the 2003 DTIS was to reduce Guinea's dependence to commodities** (bauxite, coffee, cocoa, cotton) whose prices were depressed at the time. Regional integration seemed also to reach a stalemate, because of civil wars in Liberia, Sierra-Leone and Côte d'Ivoire. Opportunities in the long-term were rather seen out-of-region, building on Everything but Arms initiative of free duty access to the EU and the African Growth Opportunity Act. However, because of the unreliable quality of its products, Guinea was unable to use these preferences. Hence, the DTIS' priorities were:

i. to deepen horizontal reforms. These reforms encompass trade facilitation, export promotion and legal framework. The report dealt with customs reform, the ECOWAS Common External Tariff (CET) implementation, effective trade liberalization within-Ecowas, competition issues (and monopole regulation), consolidating the institutions in charge of export and investment promotion, improving infrastructure.

ii. to diversify exports. The DTIS explored the following sectors that could be candidate for diversification: agriculture, fisheries, tourism and handicraft. In agriculture, the DTIS recommended to reduce the cost of connecting to regional markets for inputs and for the distribution of Guinean products. The Action matrix named 3 exports crops: cotton, rubber and potentially coffee (provided that its quality could be upgraded). For fisheries, the DTIS asked that operators be professionalized. For tourism, it suggested a feasibility report on a first development area at Bel-Air. For artisanal mining, the DTIS suggested that BCRG should opt out from the mining sector and capacity building of the sector.

1.3.2 Assessing the impact of the 2003 DTIS

1.30 This section presents a "prima-facie" assessment of the 2003 DTIS' impact by looking for evidence of improvement in broad performance measures, keeping in mind that the causal chain between actions on the ground and broad aggregate indicators is sometimes long and tenuous.

1.31 For each priority area (horizontal measures and export diversification), one can select one or a few proxy indicators that can be expected to correlate with the success of reform.

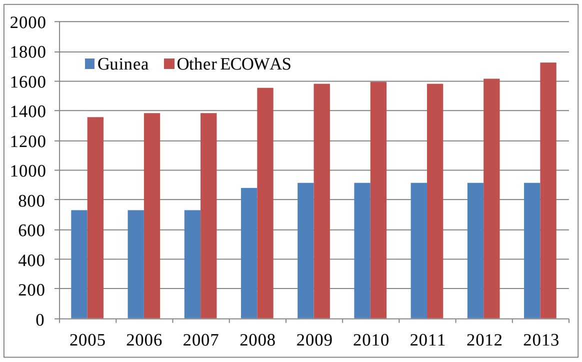
1.32 For horizontal measures, these indicators include, for trade facilitation, Doing Business "trading across borders" scores and Logistics Performance Index (LPI) scores. For the legal and regulatory framework, appropriate indicators include standard governance and business-climate indices.

1.33 As a measure of export diversification, one can compute the ratio of non mining export to GDP and a Herfindahl index of export products concentration as broad indicators. Chapter 2 of this report will provide a detailed examination of the export trend.

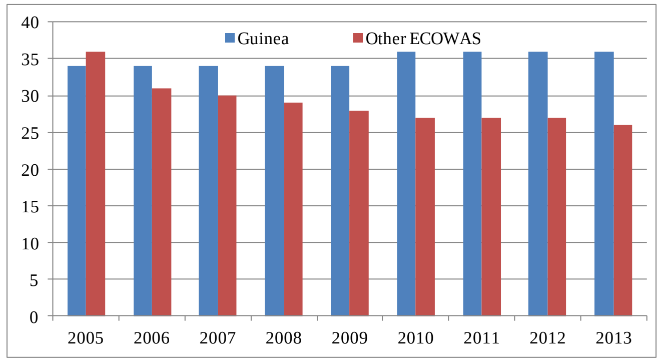
1.34 **Trade facilitation.** In terms of trade facilitation, the picture is mixed. Figure 10 shows the evolution of standard trade facilitation indicators for Guinea against the average of its ECOWAS partners/competitors over years. Time to export, a proxy for the efficiency of port operations (measured in "Doing Business" surveys), was shorter in Guinea than in the rest of ECOWAS back in 2005. However, other countries have streamlined their ports operations since then: their time to export have been keeping decreasing, while that of Guinea has been stable and even increased in 2013. As a result, Guinea's handicap vis-à-vis its competitors in the region has increased.

Figure 10. Evolution of selected trade-facilitation indicators
Guinea and comparators, 2005-2013

(a) Cost to export



(b) Time to export



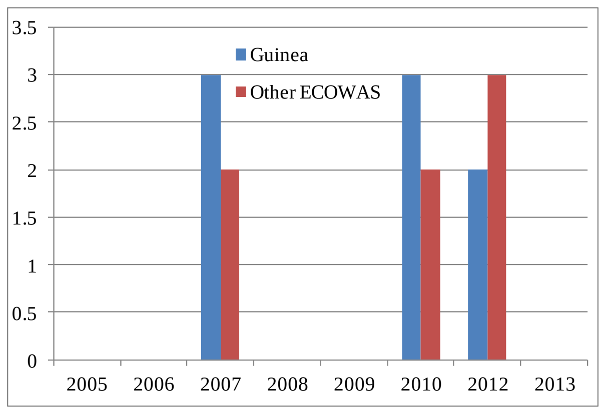
Source: Mission calculations using WDI

1.35 However, in terms of cost to export, Guinea is steadily largely below other ECOWAS countries' average. Guinea's LPI score, based on a larger sample of respondents than the Doing Business, shows a competitive edge in favor of Guinea before 2010, that has reversed since then.

1.36 **Legal and regulatory framework.** The time to resolve insolvency (reported in Doing Business) has been steadily in favor of Guinea. Meanwhile, Guinea lags behind other ECOWAS countries average for the quality of its legal and regulatory framework. The gap has even widened, with Guinea's quality decreasing after 2010 while that of neighbouring countries were improving (Figure 11*)*.

Figure 10 (continued)

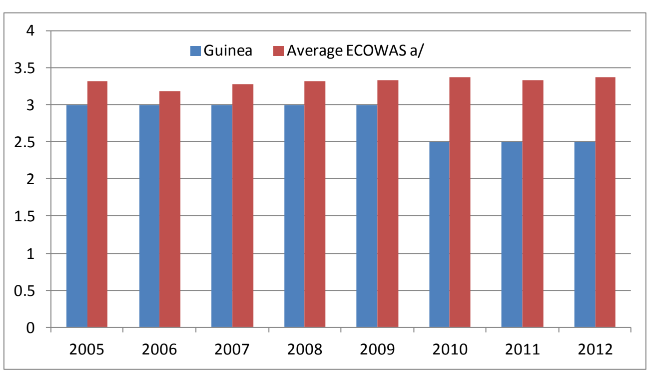
(c) LPI overall



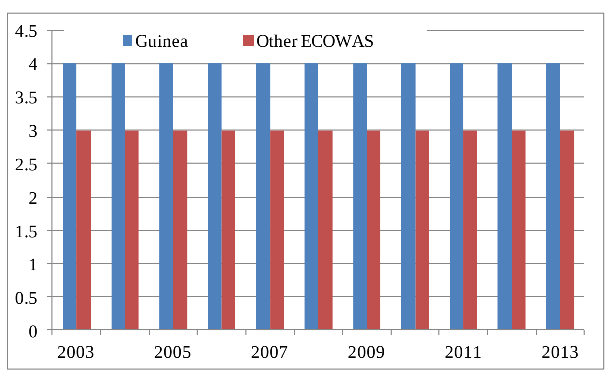
Source: Mission calculations using WDI

Figure 11. Indicators of legal & regulatory quality

(a) CPIA regulatory quality score



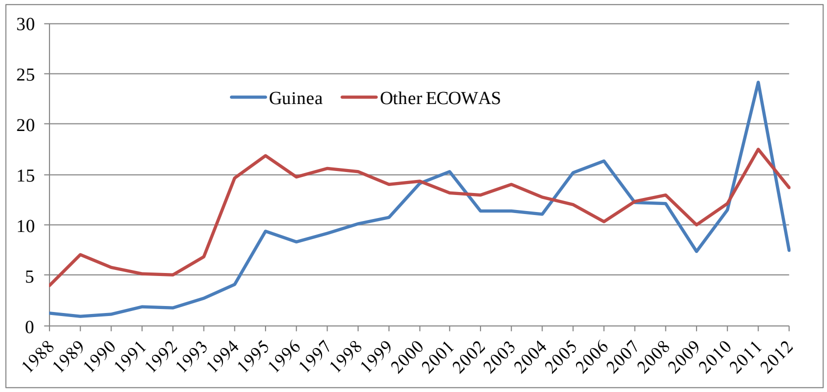
(b) DB time to resolve insolvency



Source: Mission calculations using WDI

1.37 **Export diversification.** Diversification has not made much headway either. Given the potential of non-traditional agricultural exports such as cotton, rubber, coffee, palm oil and fruits in Guinea, one would expect some export diversification as a result of the DTIS. However, the evolution of broad outcome indicators since 2005 is not particularly favorable, although broad indicators are distinctly difficult to interpret. Figure 12 shows that the ratio of non-commodity exports to GDP fluctuates widely (and counter-cyclically until 2010) around ECOWAS average. The ratio reflects more the fluctuations of GDP itself (which dropped in 2005-2006) or of the mining sector (2011-2022), rather than a genuine rise of non mining exports.

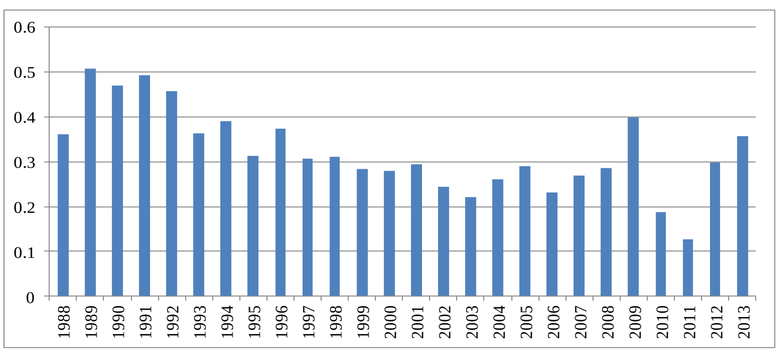
Figure 12. Ratio of non-commodity exports to GDP



Note: Non-commodity exports exclude all minerals and oil products (HS chapters 25-27). Source: Mission calculations using comtrade and WDI

1.38 Figure 13 shows the evolution of Guinea's Herfindahl index of product concentration over time. The concentration index first rises over 2004-2005 and again in 2008-2009 then it drops in 2010-2011 before resuming in 2012-2013. As we will see in Chapters 2 and 5 of this report, this largely reflects the fluctuations of the mining sector rather than the growth in non-traditional exports.

Figure 13. Herfindahl export concentration index



Note: Herfindahl index calculated on SITC rev4, 4-digit classification.
Source: Mission calculations using comtrade

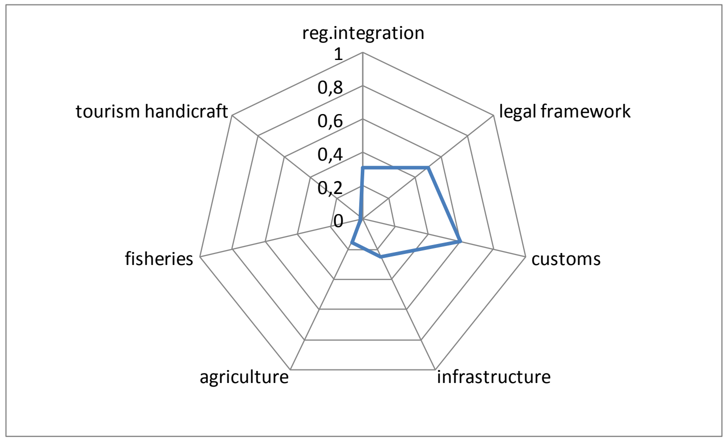
1.3.3 The 2003-2006 action matrix implementation

1.39 The 2003 DTIS recommended an action matrix. The latter was revised in 2006 in partnership with the UNDP. The revised matrix is an extremely ambitious and comprehensive document on the reforms ahead. It lists 36 objectives in 7 domains representing 154 actions and 24 measures regarding technical assistance. Given Guinea's history and the ambition of the matrix, implementation has been highly challenging and the overall rate of enforcement is a mere 32%.[10]

[10] By comparison, in Uganda and Sao Tomé & Principe, two countries where similar assessment exercises were recently carried out in the course of DTIS updates, take-up rates calculated similarly were above 50%.

1.40 High implementation rates of the Action matrix have been observed in customs reform (60% on average) embodied in the Customs Action Plan, the migration to Asycuda++ and the diffusion of the Customs code. However, recommendations such as risk-based ex-post assessment, transactional valuation, VAT refund for exporters were not implemented by Customs (Figure 14)

Figure 14. 2003-2006 Action matrix scorecard



Source: Mission calculations based on input from local consultants and EIF implementation unit

1.41 Next in line comes improvement of legal framework (50% implementation), with the Single Window for enterprise creation. Other areas lag behind, such as regional integration (31%), infrastructure (25%) and agriculture (16%). Regarding regional integration, the DTIS action matrix recommended the suppression of all discretionary exemptions and an effective enforcement of the transit agreement within ECOWAS. Neither is effective today. Regarding transport and infrastructure, the DTIS asked for the elimination of all roadblocks and arbitrary or superfluous controls in the country.

1.42 **In agriculture, the DTIS put the emphasis on searching foreign markets, information and labelling.** Some actions were also devoted to upgrading quality. Agriculture taxation was to be simplified: lower taxes on exports, effective exemption on inputs. Market allocation procedures were recommended for fertilizer distribution. Some projects in the Action Matrix were realized with donors' contribution, such as cold warehouses and transformation platforms. However, these projects were often decided top-bottom; some infrastructures were put in sub-optimal locations (far from producers or far from markets), or without proper functioning budget (see for instance in chapter 5 the example of the calibration and packaging plateform for potatoes). Actions in Tourism, handicraft, artisanal mining and fisheries were hardly adressed (2% implementation rate). In particular, the fishery sector in Guinea is under a EU import ban since 2009. The EU decided to extend the ban, first in 2010, and again in October 2013, this time because of the prevalence of illegal fishing in Guinea.

1.43 **Several factors besides political events have contributed to low implementation of the action matrix.** One is the sheer number and extent of the recommendations contained in the Action Matrix, and the difficulty of prioritizing them into short-, medium-, and long-term actions and depending on the time horizon and size of their payoffs. A second reason is the need for capacity building in the area of governance: political will is an important driver of reform, and in its absence, it is difficult for individual actors to make significant changes. Third, and related to the second reason, is the pervasiveness of rent-seeking in Guinea, which makes the political economy of reform extremely difficult. Individual actors have no incentive to move from a low-welfare equilibrium to a welfare-superior one in a national sense. High level political impetus is necessary to overcome this problem and it must be shared by middle rank staff, those that decide on practical rules. At the same time, it is necessary to design actions with political economy difficulties in mind, and to focus on areas that are likely to prove welfare-enhancing in the short- to medium-term, and which are relatively feasible given the many constraints in place on the ground. This last observation suggests that the DTIS Update should look for step-wise strategies, where the intermediate step will on its own, bear tangible results. The DTIS Update will also make use of programs already under active consideration by the government or private actors, and provide additional momentum towards their realization, rather than designing “ideal” interventions that are unlikely to draw sufficient support to ensure implementation.

1.3.4 A new approach aligned with government's priorities

1.44 **The DTIS update is more focused and set clear priorities**. It advocates realistic measures that, if taken, could have large payoff in the short term. It also calls for actions that will have significant payoff in the future and will shift Guinea's comparative advantage, such as investing in people and key backbone services.

1.45 **Actions with short run payoffs are not always the easiest**. They often entail an institutional overhaul that requires a strong political will.

1.46 **As mandated by the Paris declaration (2005), the approach of the DTIS update’s (DTISU) is strongly aligned with the Government of Guinea's strategic objectives**, as set in the third Poverty Reduction Strategy Paper (2013-2015). Trade-related objectives of the PRSP are detailed in the Ministry of Commerce's Action programme for Trade (PAPCG).

1.47 **The strategic vision of the PRSP-III is to use Guinea’s large mining rents toward poverty alleviation and the development of a competitive and diversified, job-creating private sector**. Moreover, the DTISU's approach is centered on the coordinating role of the EIF implementation unit in the Trade ministry. Because the DTISU’s action matrix spans areas that go beyond the strict competences of a trade ministry, the EIF implementation unit is viewed as having a triple role in the process: (i) Action on a core of measures falling directly under the competence of the Trade ministry; (ii) Coordination with other ministries in charge of trade issues ,in particular Industry, Agriculture, and Regional Cooperation; (iii) Advocacy and Proposal for a wider set of actions falling under the competence of other line ministries or belonging to higher-level strategic choices.

1.48 **Based on these objectives and approaches, the DTISU emphasizes three broad priorities:**

1. **a market-approach based on regional integration for agriculture**
2. **development of ancillary services at home before exporting in the region**
3. **improving business environment in Guinea**

1.49 **Priority 1 of the DTISU is aligned with the Governement of Guinea's National Plan for Agricultural Investment and Food Security, the PNIASA 2013-2017**. The PNIASA is an ambitious plan aiming at the revival of agriculture, for poverty alleviation, food security and inclusiveness. It is planning to develop rice for food security and regain the place Guinea used to enjoy on export markets. The PNIASA will develop plantations of export crops, such as palm oil and rubber, and revive crops that used to be at the core of Guinean exports, such as banana, cotton, coffee and cocoa, as well as mango, pineapple, potato and onion. Palm oil production will mostly rely on family plantations around a nucleus of industrial plantations covering 6’500 ha in Guinée forestière.

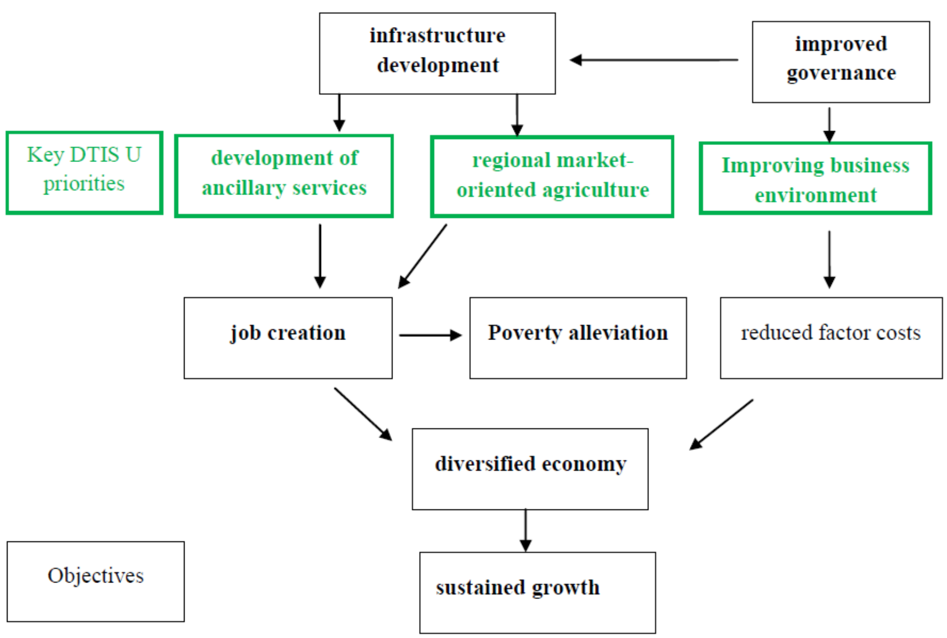
1.50 **Chapter 5 of the DTISU details the strategy regarding imports and exports of agricultural goods and inputs.** The report advocates taking stock of the opportunities of regional integration and put markets at the core of the strategy. For cotton, which requires an integrated value chain, from inputs to grinning, the report recommends a PPP with an established foreign partner with broad financial shoulders and strong credentials of a experience of markets abroad. Other export crops such as palm oil and rubber also need the entry of a strong partner with access to finance and knowledge of the markets. The DTISU recommends that other agricultural goods which are important for the livelihood of small farmers and food security, aim at the re-conquest of domestic market and expansion in the regional market. The Ministry of Commerce has an important role to play on this front, by seeing to the correct implementation of ECOWAS rules on transit and trucking, as well as preferential tariffs, and designing a national strategy for quality control in line with ECOWAS. The Ministry of Commerce is also responsible of controls on rice imports that disrupt domestic rice production and whose true impact on food security as a whole should be further examined.

1.51 **The development of agriculture will create jobs well beyond the sector itself, in ancillary services of logistics, trade and transport**. This will in turn, alleviate poverty and improve the diversification of the economy out of pure mining activities, achieving sustainable growth (Figure 15 15).

1.52 **Mining itself can be used, as a basis for the development of ancillary services**. The report advocates a two step strategy: first create ancillary services at home, before diversifying out of the mining sector, in other ECOWAS countries.

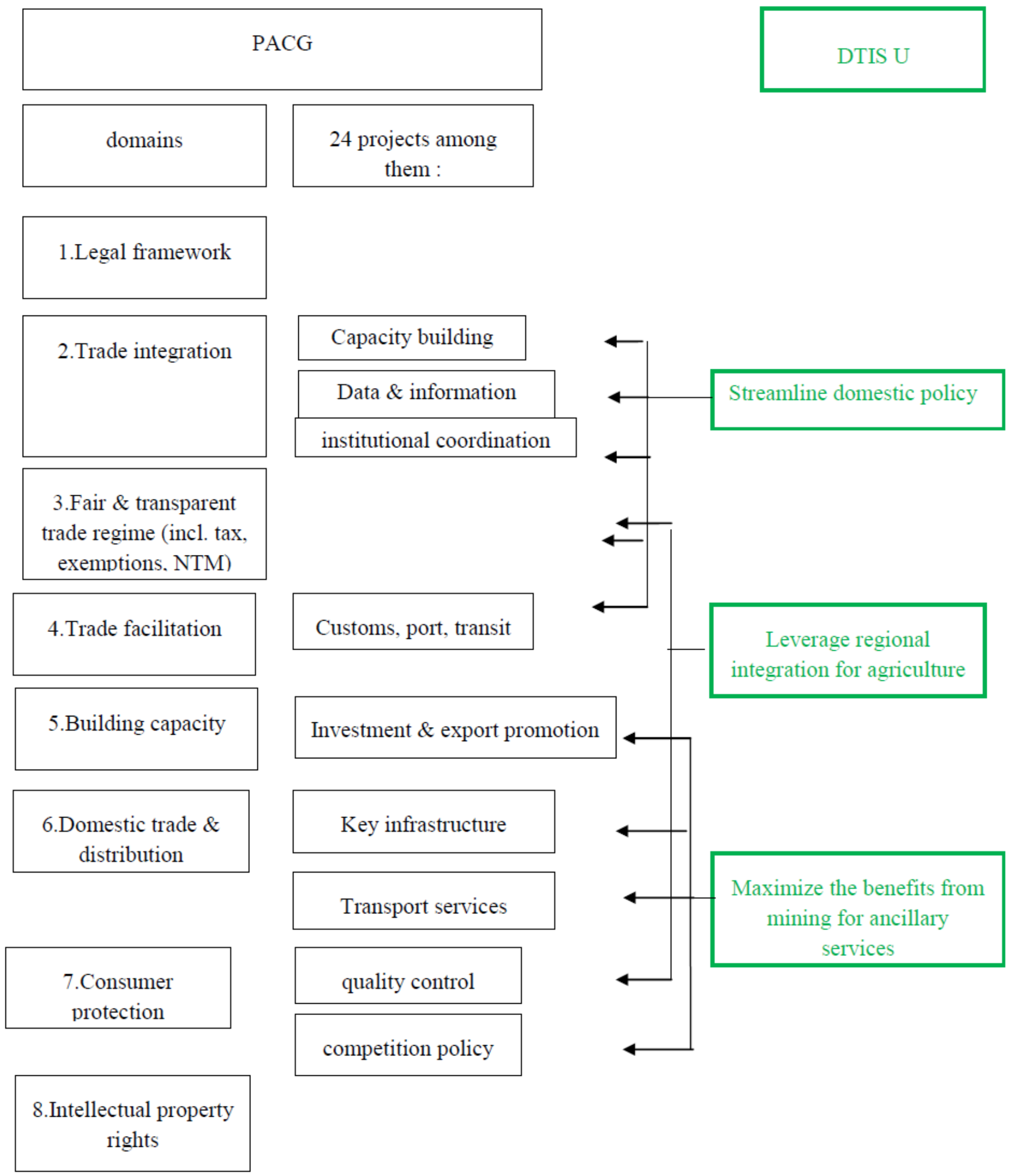
1.53 **The improvement of business environment goes beyond the reach of the Ministry of Commerce alone.** However, the Ministry of Commerce can advocate and coordinate a simplification of the 200 trade regimes in Guinea, streamline export and import regulations and consolidate export promotion institutions. These actions will push the diversification of the economy out from mining.

Figure 15. Synergy between DTIS and PRSP objectives



1.54 **The DTISU is also aligned with the Ministry of Commerce Action program on Trade policies** (Plan d'Action des Politiques commerciales de la Guinée PAPCG), prepared in 2011, for the period 2012-2017. The PAPCG details the objectives of the PRSP and the Millenium Development Goals in the domain of trade. It includes 24 projects in 8 thematic domains. It involves various ministries under the coordination of the Ministry of Commerce. As Figure 16 shows, the DTISU can beseen as a way to implement the Action program, with a clear sequencing and monitoring indicators. It is also an opportunity to put concrete actions behind broad objectives, such as objective 2 "implementing a fair and transparent trade regime". The DTISU complements the vision of the PAPCG: on the objective of "trade integration", the DTISU pushes forward domestic measures that tackle behind-the -border barriers to trade. On the PAPCG objectives of "domestic trade and distribution", as well as "consumer protection", the DTISU advocates to link domestic reforms to regional integration's dynamics.

Figure 16. Synergy between the DTISU and the PAPCG



Appendix 1. 2003-2006 Action matrix implementation scorecard

	nb items	% short run	av.score
Trade policies and regional integration			
define an incitative trade policy within regional integration	6	0.50	0.25
building capacity on multilateral agreements	10	0.40	0.35
		% total items	
		average score	
Legal framework			
business and export-friendly institutions and governance	2	0.50	0.50
strengthen dialogue with private sector	1	1.00	0.00
strengthen investment promotion institution with financing and personne	1	0.00	0.50
national strategy for quality of exports with budget & personnel	1	0.00	0.50
single window for enterprise creation and foreign investment	1	0.00	1.00
export and investment promotion	4	0.00	0.38
formalize the traders	5	0.20	0.60
		% total items	
		average score	
Customs			
Reform aiming at trade facilitation	3	0.33	0.67
dialogue with private operator	2	0.50	0.50
fiscal efficiency	30	0.23	0.60
		% total items	
		average score	
Infrastructure			
Transport facilitation for goods and people at low cost	5	0.40	0.30
Improve human capital	3	0.33	0.17
		% total items	
		average score	

Source: local consultants report and EIF implementation unit.

Note: each item of the matrix was scored 0 (not implemented) - 0.50 (on going) - 1 (achieved). The table presents the average score by objectives. Recommendations pertaining to technical assistance (training) are not included because of lack of references documenting the existence of the training.

2003-2006 Matrix scorecard (continued)

	nb items	% short run	av.score	
Agriculture				
analyse sales potential	3	0.33	0.17	
export competitiveness	3	0.33	0.33	
secure contracts and land	3	0.33	0.17	
investment promotion	3	0.33	0.00	
support threatened value chains	3	0.33	0.17	
export promotion	2	0.50	0.25	
support small farmers selling in the sub-region	5	0.60	0.00	
develop Guinea origin	2	1.00	0.00	
promote geographical labels	5	0.60	0.30	
		% total items		0.19
		average score		0.16
Fisheries				
building institutional capacity	2	0.50	0.00	
liberalize inputs market	2	0.50	0.00	
export promotion	2	0.50	0.00	
assess fish stock	2	0.50	0.25	
efficient resource allocation	13	0.92	0.15	
		% total items		0.14
		average score		0.02
Tourism, handicraft, artisanal mining				
Tourism	3	0.00	0.00	
handicraft	14	0.57	0.32	
artisanal mining	13	0.38	0.19	
		% total items		0.19
		average score		0.02

Chapter 2. Leveraging trade for growth and poverty alleviation

2.1. Introduction

2.1 **The analysis of trade data shows the rising dependence to the mining sector of Guinea's trade as well as the hollowing out of firms operating on foreign markets**: these are more traders close to informality, than firms that produce the goods before selling them abroad or are integrated in an international value chain.

2.2 **In order to attract foreign investors, the Government of Guinea should think of simplifying the current maze of taxes-cum-exemptions and improve the transparency and stability of the regulatory scheme.**

2.3 **Regional integration is a chance for Guinea. However, the new ECOWAS CET with its 5th band at 35 percent is shown to have a negative impact on poor households.** The Government of Guinea could withstand the negative impact by streamlining regional trade in dimensions other than tariffs such as behind-the-border barriers and competition issues in transport, logistics and distribution. The Economic Partnership Agreement with the EU (EPA) renders the issue of effective regional integration even more pressing. Indeed, the EPA will likely result in trade diversion mostly of ECOWAS products, as long as they do not get effective preferential access.

2.2. A trade basis in need of broadening

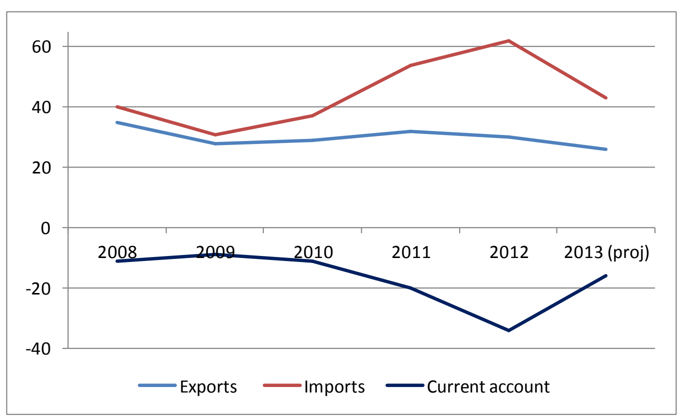
2.2.1 A rising dependence on mining

2.4 **Guinea's external performance remains weak.** The share of exports in GDP decreased from 35 per cent in 2008 to 30 per cent in 2012 while the share of imports in GDP went up from 40 percent in 2008 to 62 percent in 2012 (Figure 17).

Exports are concentrated in mining products, bauxite, gold and diamond. Together, mining products account for 78 percent of the value of Guinean exports, while agriculture account for less than 10 percent and manufacturing products for 12.7 percent (Figure 18).

2.5 **However, this reliance on mining products is a source of potential instability**. Mining products exports represented 1'266.0 million USD in 2012 down from 1'641.4 million USD in 2010, a 23 percent drop, partly due to the closure of Rusal's alumina refinery.

Figure 17. Trade in percentage of GDP (2008-2013)



Source: IMF (2013)

2.6 **Reliance on mining exports dictates the concentration in export destinations** (

Figure 19a). Among the 92 countries which report any trade with Guinea in the UN statistics in 2012, OECD countries account for 55 per cent of total exports, while South Asia, Latin America and East Europe represent roughly 13 per cent of exports. The top 5 destinations in 2012 (India, Spain, Chili, USA and Germany) account for more than half of exports (mostly mining products). Trade with Sub-Saharan African countries represent 2.8 per cent of exports in 2012, an underestimation as many countries in the region do not report trade flows to the UN statistics. Between 2008 and 2012, the EU retains its rank as the top destination; meanwhile, Latin America has increased its share among destination countries (from 1% to 12%), thanks to mining exports.

2.7 **Guinea is entitled to benefit from the African Growth Opportunity Act**. Except for cashew nuts (see chapter 5 on Agriculture), AGOA exports are still at an exploratory stage. Hence, Guinea's exports other than mining products turn to markets that are less demanding in terms of quality and norms, such as Morocco, Tunisia or China, but even they still require Guinean goods to be cost-competitive.

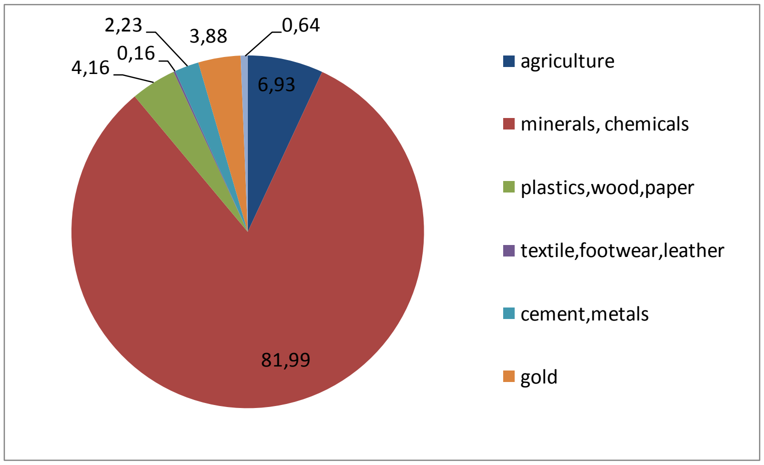
2.8 **Guinea is heavily dependent on imports, of various sorts**, from capital goods and oil to textile and food (Figure 18b). Oil accounts for 18.5 percent of imports in 2012, followed by rice (4.2 percent), motorcycles (2.9) footwear and wheat flour (2.2 percent each). Rice in particular is imported at subsidized rate for food security.

2.9 **The EU is still the leading source of imports in 2012 with 37.1 percent of total imports** (Figure 19b) **but its share has decreased** since 2008 (the last year of statistics in the WTO Trade Policy Review of 2011). For instance, France represents 6 percent of total imports, half the share in 2008. In the meantime, East Asian countries have increased their share, especially China, which represents now 23.3 percent of total imports, up from 14.6 percent in 2008. African countries account for 8.8 percent per cent of imports (7.4 percent for ECOWAS countries, again with a likely underestimation).

Figure 18. Structure of merchandise trade, 2008 and 2012 (per cent)

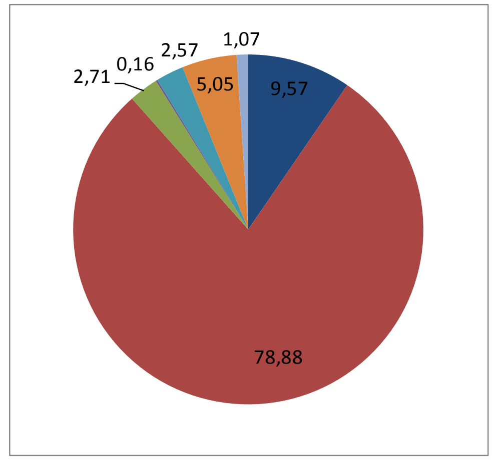
a) exports

2008



1,748 million USD

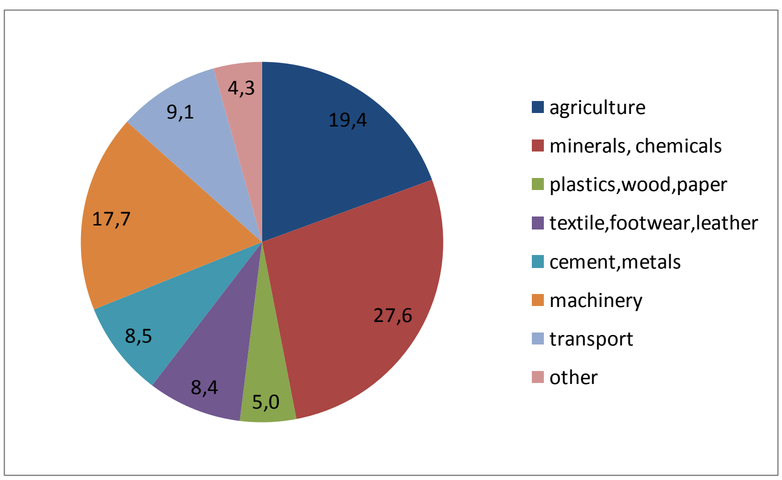
2012



1,630 million USD

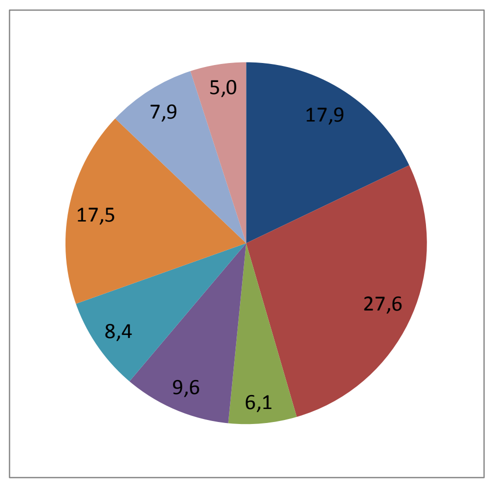
b) imports

2008



2,293.4 million USD

2012



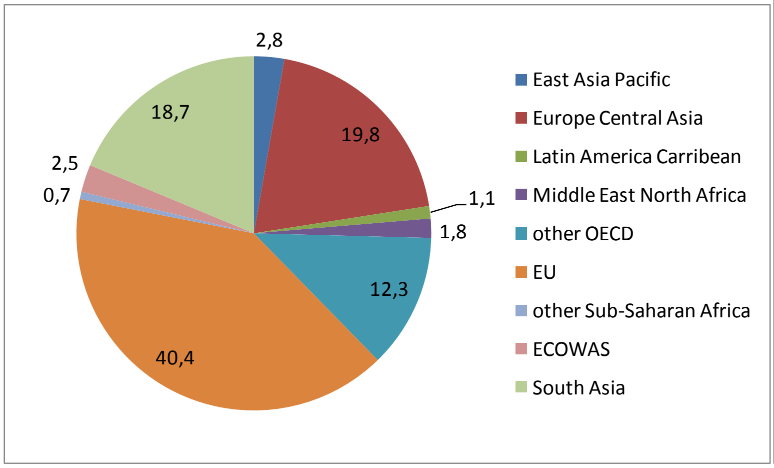
3,240.9 million USD

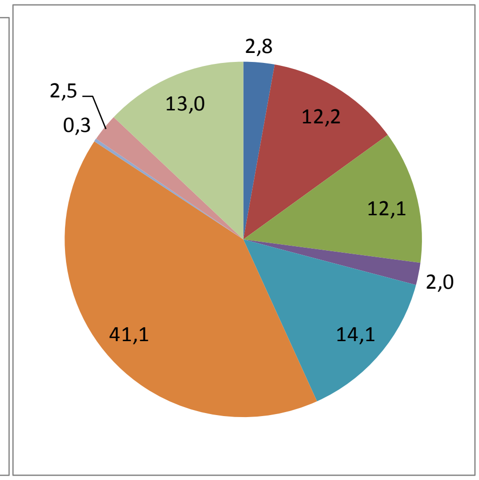
source: mirrored data, UNSD Comtrade database (HS 2002)
Note: exports are cif and imports fob values, as they are mirror flows reported by Guinea's partners.

Figure 19. Direction of merchandise trade 2008 and 2012

a) export

2008 **2012**

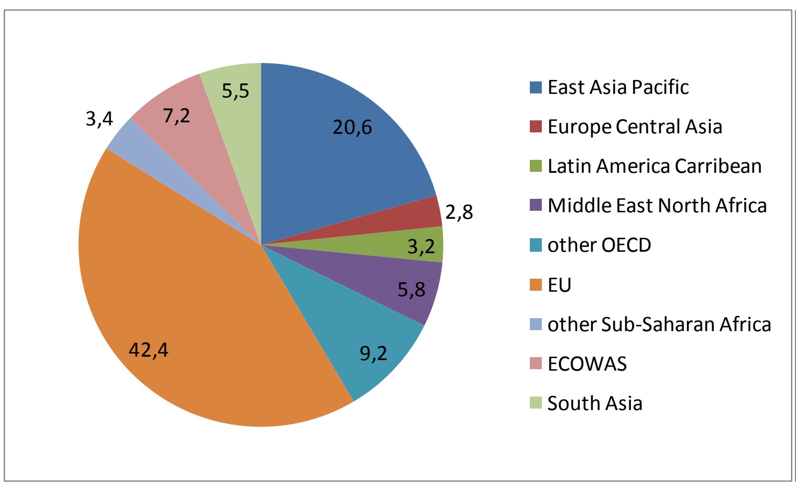


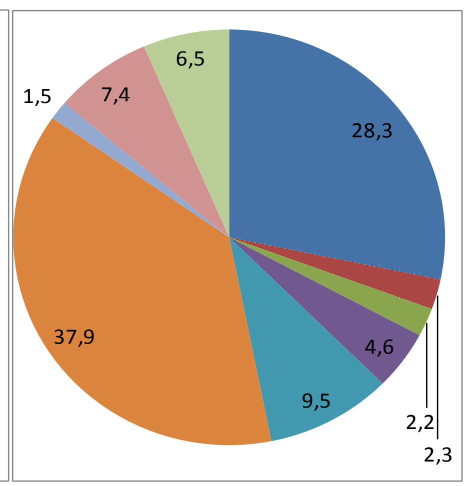


1,748.0 million USD 1,630.0 million USD

b) imports

2008 **2012**





2,293.4 million USD 3,240.9 million USD

source: mirrored data, UNSD Comtrade database (HS 2002). Ecowas trade does not include Sierra-Leone and Liberia, as they are not reporting their trade flows to the WTO.

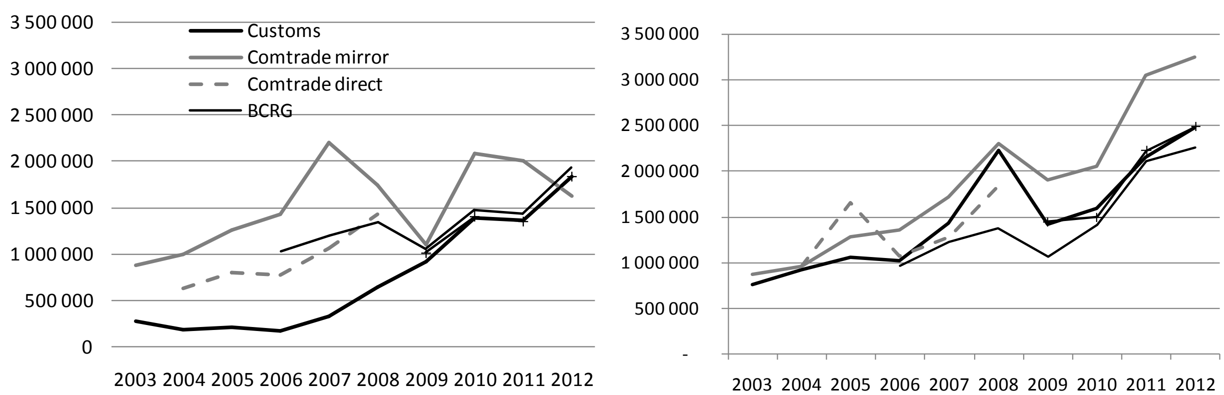
2.10 **The analysis of Guinea's trade performance is difficult due to information gaps** (Figure 20). First, Guinea has not reported to UN Comtrade since 2008. Second, as it is often the case for many developing countries, trade flows declared by Guinea's partners are above the amounts reported in Guinea's customs data, the only exception being exports in 2012.

2.11 **In order to grasp the impediments and potential of trade development, reliable information on actual flows is a mandatory first step**. At the heart of data collection is Customs. Customs has adopted Asycuda++ and is currently in the process of switching to Asycuda World.

2.12 **However, it appears that not all customs offices are yet linked to Asycuda** and able to upload their transactions in an electronic format. Hence, on the export side, only transactions located in Conakry (port and airport), Kamsar (on the coast) and Kouremale (at the border with Mali) are reported electronically.[11] On the import side, are also reported transactions from the transit bureau and trade in bulk in Conakry. In the electronic customs data, there are no transactions coming from offices in Benty, Boke, Kindia, Labe, N'Zerekore and Pamelap, thus missing a large chunk of trade with neighbor countries. ade data analysis cannot rely either on declarations to import or exports (*demande descriptive d'importation* DDI and *d'exportation* DDE) issued for a fee by the Ministry of Commerce. Both are ex-ante declarations reported by would-be exporters or importers. Hence, they do not measure transactions that are actually taking place and their values are not checked by customs. [12]

Figure 20. Exports and Imports, various sources, 2003-2012 (million USD)

(a) exports **(b) imports**



Source: UN Comtrade (direct: reported by Guinea; mirror: reported by Guinea's partners); BCRG Statistiques de la Balance des Paiements, 2013; Customs data

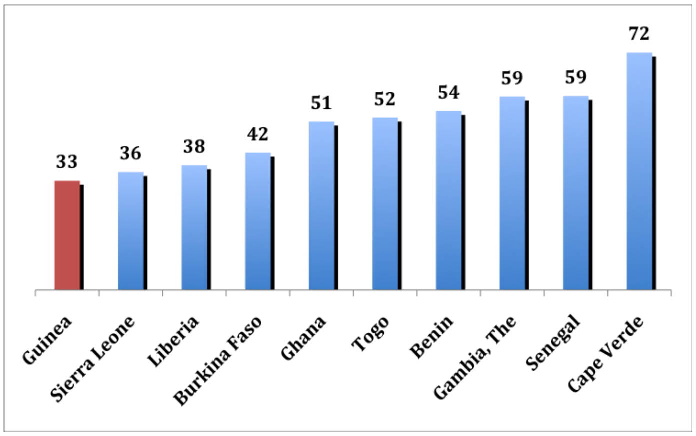
[11] Transactions that are taking place in customs offices that are not wired to the electronic system are still reported on paper forms and could be added to the overall aggregates.
[12] All shipments, except for those explicitly exempted, with an f.o.b. value of US$2,000 or more, require an import or export declaration issued by the Ministry of Trade (DDI or DDE), subject to a payment of GF 15,000 for imports and GF 12,500 for exports.

2.2.2 The role of services and services trade in the Guinean economy

2.13 **The services sector is largely underdeveloped in Guinea.** In 2010, the services value-added represented only 33 percent of the country's GDP, compared to an average 70 percent in the world (49 percent in low income countries and 74 percent in high income countries). Even in the region, Guinea appears as an underperformer (Figure 21).

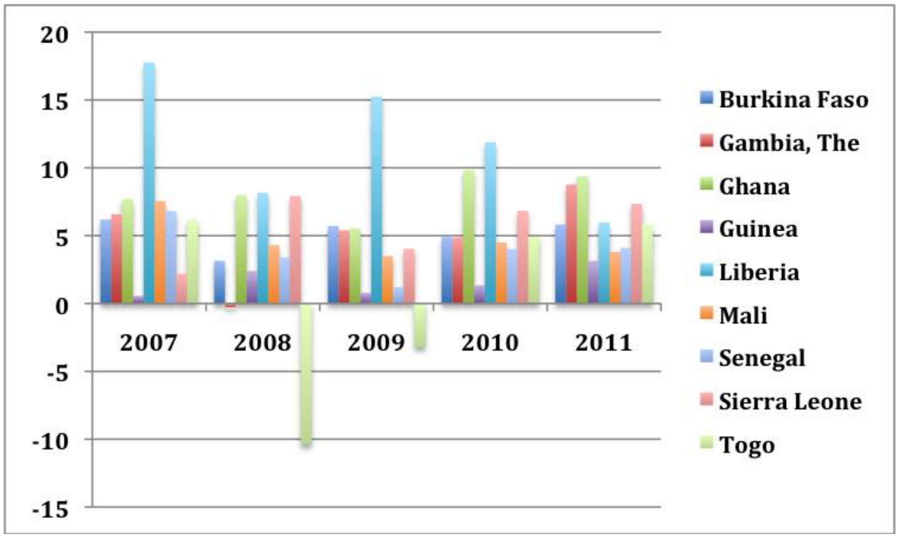
2.14 **Figure 21The gap between comparator countries is increasing.** Over the past five years, growth rates in the services sector remained constantly lower in Guinea than in other countries of the region (Figure 22), half othe Sub-Saharan average in 2011.[13]

Figure 21. Services value-added as a percentage of GDP, 2010



Source: World Bank, World Development Indicators

Figure 22. Services value-added, annual percentage growth, 2007-11



Source: World Bank, World Development Indicators

2.15 The weakness of the services sector is also reflected in the country's trade performance. Services trade represents less than 10 percent of the Guinean GDP (Figure 23).

Figure 23. Trade in services as a percentage of GDP, 2010

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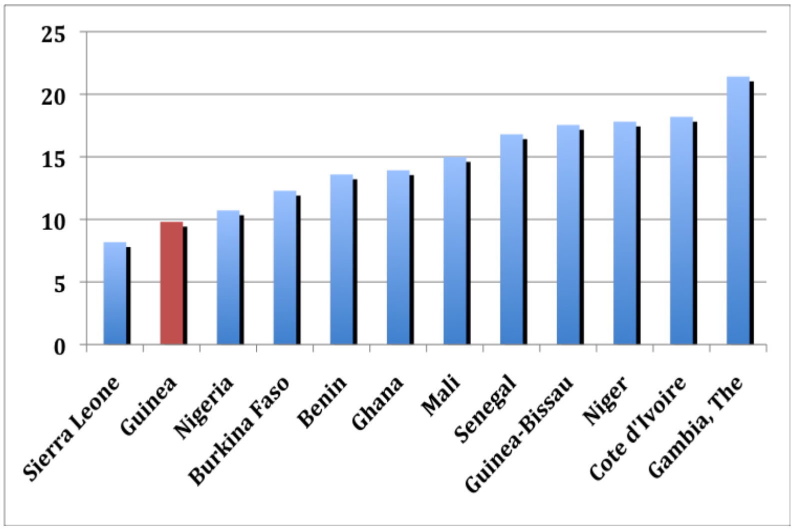
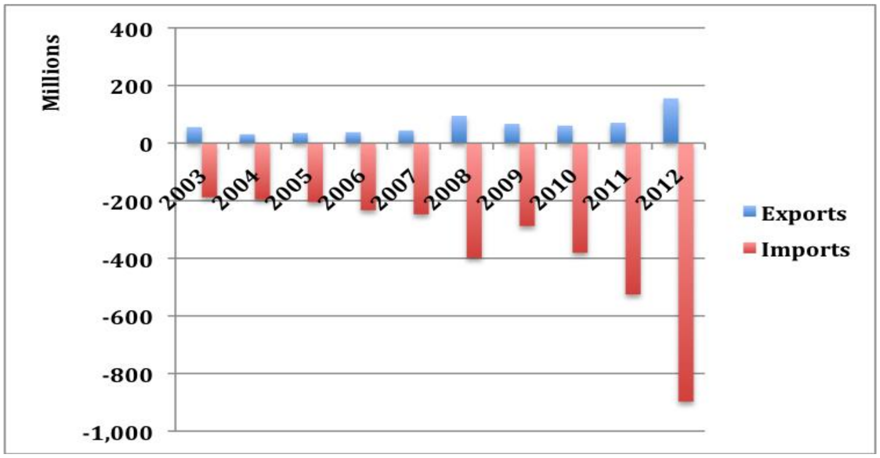
[13] 2011 was actually a record year with a growth rate of 3.1, compared to a 5-year average of 1,6 percent.



Source: World Bank, World Development Indicators

2.16 **The mining sector determines trade in service as well as foreign investment.** Over the past decade, the Guinean deficit in services trade has constantly increased to reach USD 722 million in 2012, three times the level of 2009 (Figure 24). Exports remain modest, despite a rise to 155 million in 2012.

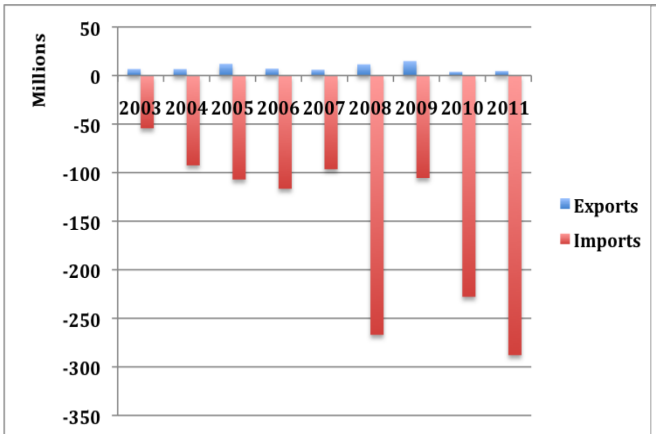
Figure 24. Commercial services trade in million USD, Guinea, 2003-12



Source: WTO, Statistics Database

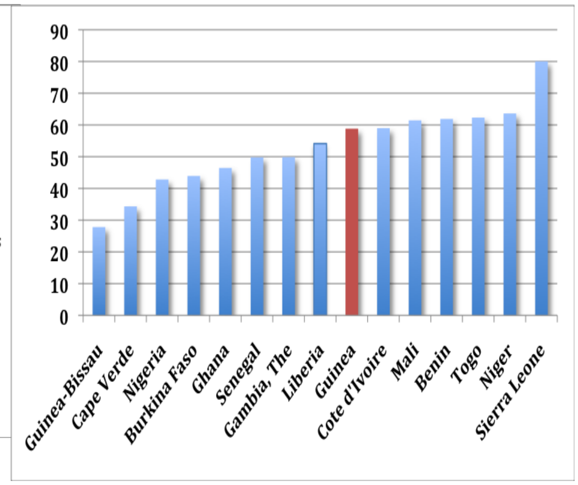
2.17 The Guinean services trade deficit is explained by transportation services imports, which represented 55 percent of the country's services imports in 2011 (and USD 299 million in 2012). This prevalence of transportation in services trade is common among countries with the same level of development as Guinea, since transportation services are linked to the volume and value of trade in goods and often easier to capture in trade statistics (Figure 26). Guinea's transportation services exports remain neglectable (below USD 5 million) (Figure 25).

Figure 25. Trade in transportation services in million USD, Guinea, 2003-11



Source: WTO, Statistics Database

Figure 26. Transport services as percentage of commercial services imports, 2010



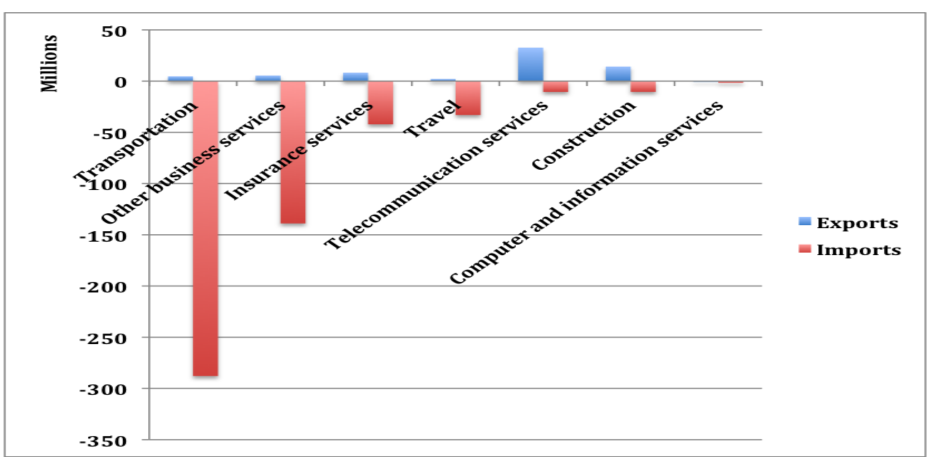
Source: World Bank, World Development Indicators

2.18 The operation of the mining industry also relies on business services that range from engineering, mining processing to accounting or legal services. In recent years, business services imports have increased to reach 26 percent of total services imports in Guinea (Figure 27). In 2012, these imports surged to USD 333 million for a deficit of USD 270 million.

2.19 The communications sector is the main source of services exports in Guinea (i.e. communication services purchased by non-residents), representing. In 2012, the communication services exports reached USD 45.15 million and imports USD 9.85 million.

2.20 In 2010 and 2011, Guinea has also run a trade surplus for construction and related engineering services. In 2012, however, a boost of imports (to reach USD 45.35 million ouf of 10.52 million the previous year) translated into a USD 27.73 million deficit.

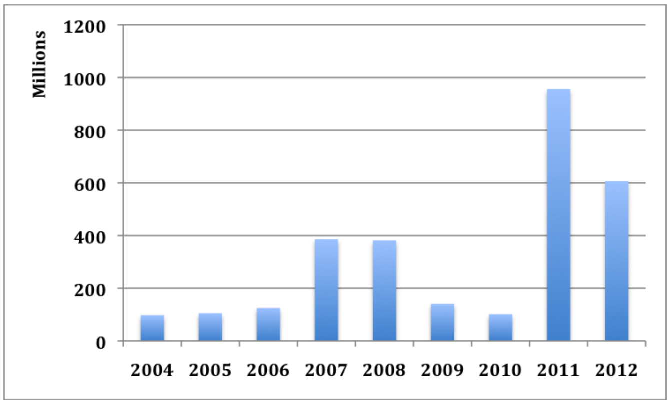
Figure 27. Trade in services by type of products, Guinea, 2011



Source: WTO, Statistics Database

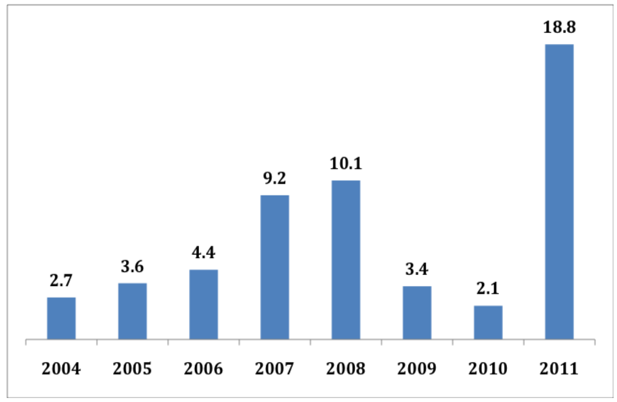
2.21 Turning to FDI, which could help measuring services trade under Mode 3 (establishment abroad), inflows into Guinea represented USD 604 million in 2012, down from a record USD 955 million in 2011 – almost 20 percent of the country's GDP (Figure 28 and Figure 29). These flows represent, however, mainly investments in the mining sector that accounted for 94 percent of total FDI inflows in 2012 (Figure 30). This illustrates the high dependence of the country on mining activities and the lack of diversification of its economy.

Figure 28. FDI net inflows in current USD million, Guinea, 2004-12



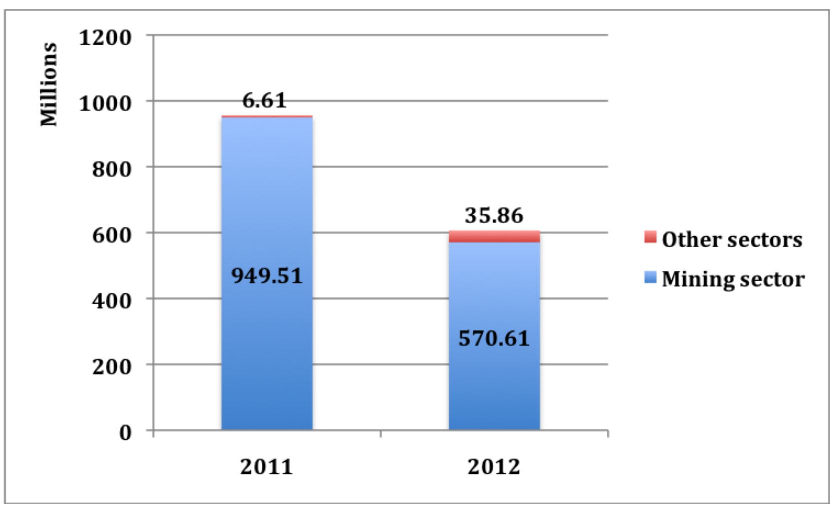
Source: World Bank, World Development Indicators and Central Bank of Guinea, 2013

Figure 29. FDI net inflows as a percentage of GDP, Guinea, 2004-11



Source: World Bank, World Development Indicators

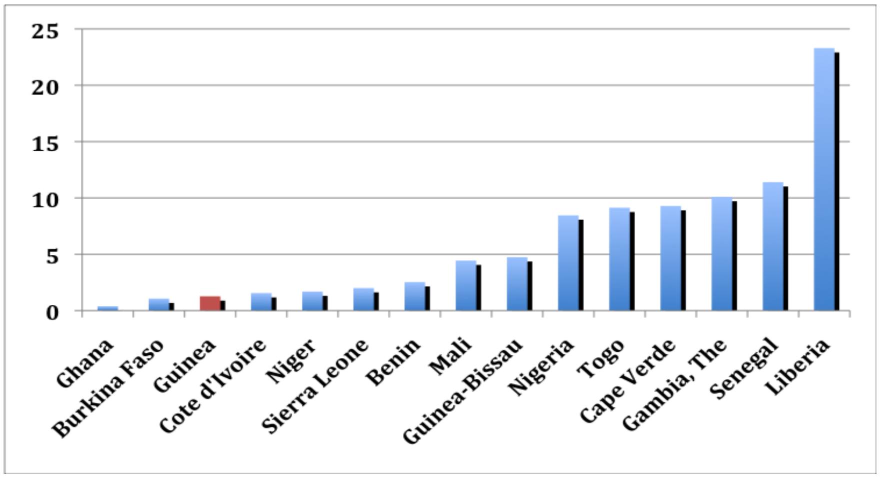
Figure 30. Foreign direct investment by sectors, million current USD, Guinea, 2010-12



Source: Central Bank of Guinea, 2013

2.22 Finally, remittances, which could be considered as a proxy for services trade under Mode 4 of the GATS, represented less than 1.3 percent of the Guinean GDP in 2011 (Figure 31). This is less than in most countries of the region, suggesting a low level of trade through the cross-border movement of Guinean services providers or a limited repatriation of benefits or wages perceived abroad.

Figure 31. Personal remittances received as percentage of GDP, 2011



Source: World Bank, World Development Indicators

2.2.3 Exporters on the brink of informality

2.23 According to data at the transaction level between 2003 and 2012, obtained from Customs for this report, there are less than 400 firms exporting goods each year from Guinea or 3.5 firms per 100,000 inhabitants, less than Uganda (9) or Tanzania (5).

2.24 **The volatility among exporting firms is high**. Out of the 395 firms that were exporting in 2012, more than half (215) were exporting for the first time and represented a mere 9% of total export value. These "one-time" exporters are found in any product (mostly though in agrifood and gold) and to any destination, including OECD countries (Table 2).[14] As a consequence, between 2007 and 2012, an average exporter is active less than three years, not long enough to build an export strategy.

2.25 The one-time exporters could be related to the low rate of survival of would-be exporters, an "infant mortality" that is prevalent in other countries in Sub-Saharan Africa as well (Cadot, Iacovone et al. 2013). But it could also be related to the fact that Customs allow entrepreneurs to get a temporary firm identifier just for one transaction. The temporary identifier is not recouped later with the firms file maintained by the fiscal authority. The mission was told that this possibility could be used in order to benefit as a sub-contractor, from a special economic regime granted to a parent company.

[14] These "one-time exporters" used to be even more before 2012 for a smaller share of total value. In 2010-2011, they represented 60% of exporting firms and 2.5% of total value.

Table 2. Firms' distribution per product and destination: turnover and number, 2012

	number of firms	nb of one-time exporters	firm turnover ('000 usd)
mixed product	22	10	194
agrifood	124	68	217
mining	23	11	9 011
industry	22	10	18 439
gold metal cement	85	51	13 122
machinery, transport, other	119	65	648
mixed destinations	58	23	4 933
Ecowas	101	54	1 303
Oecd	127	76	10 206
Row	109	62	1 125

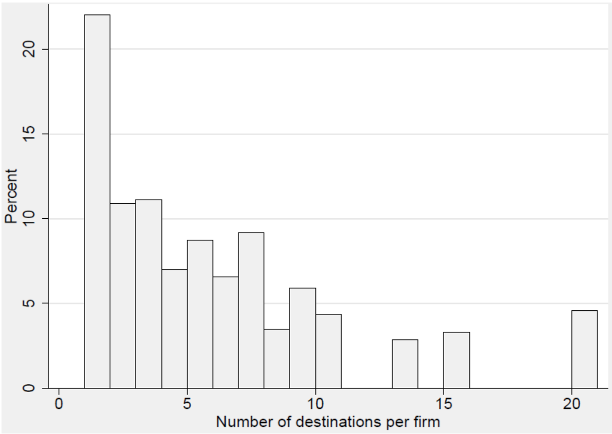
Source: Missions calculations based on Customs data.
Note: A firm is classified as "agrifood" (resp. "Ecowas") if more than 90 percent of its turnover comes from that sector (resp. destination). It is classified as "Mixed" category if no sector (resp. destination) accounts for 90 percent of total turnover. The average turnover is computed on all firms (including one-time exporters).

2.26 Ignoring the one-time exporters, the average annual turnover is 9.303 million USD in 2012, with an even lower median, at 114,000 USD. Firms serve on average 5 destination countries with 7 products. This relatively high diversification is a hint that they might be more traders than producers (Figure 32).[15] 20% of firms are single-product exporters and serve one destination.

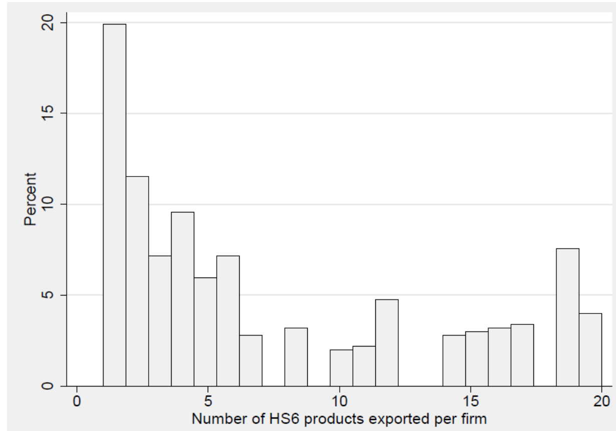
[15] From now on, the "one-time exporters" will be omitted as well as shipments smaller than 1'000 USD. A "product" is defined as a tariff line at the 6-digit level of the Harmonized System which includes notionally 5'000 products..

Figure 32. Geographical and product spread of Guinea's exporters, 2012

(a) Distribution of firm-level destination portfolios



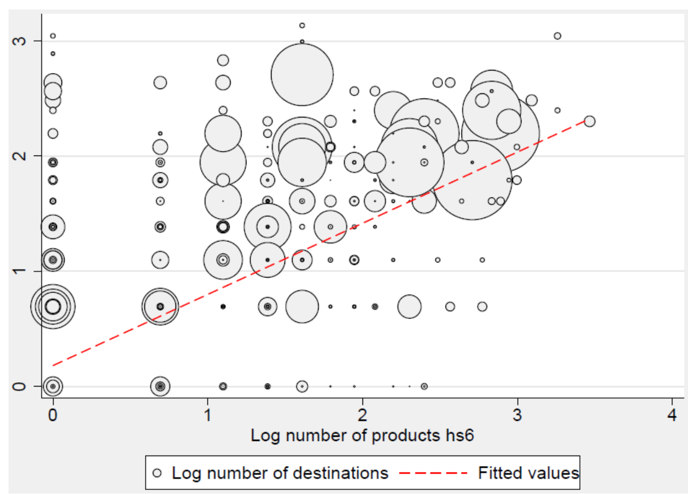
(b) Distribution of firm-level product portfolios



Note: the width of the bar is one destination country (panel a) and one product (panel b).
Source: Mission calculation based on Customs data

2.27 **Firms that are more diversified in terms of products are also more diversified in terms of destinations** (Figure 33), a fact that could again signal that many of those firms are actually just traders. Indeed, firms that are more diversified do not deepen their market share in each individual market. The average turnover per destination is overall flat, increasing only slightly until it reaches a maximum at 10 destinations before decreasing again (Figure 34). This indicates that few Guinean exporters are actually producers, as a typical manufacturer would have benefitted from economies of scale, hence would likely increase the turnover per market with more markets served. The overall scattered pattern of turnover per market is also a sign of the strong heterogeneity within Guinean exporters.

Figure 33. Product and destination diversification across firms, 2003-2012



Note: the vertical axis measures the number of destinations (e^3=20.08)
Source: Mission calculation based on Customs data

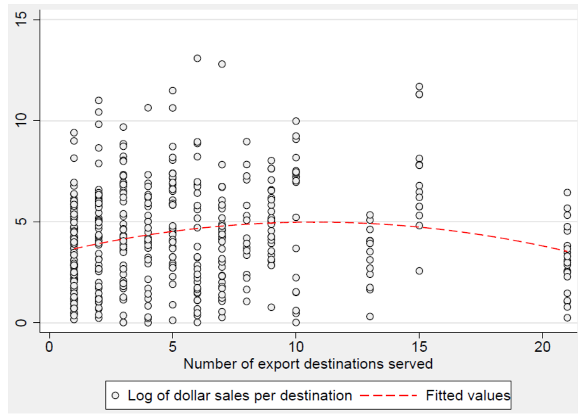
A key dimension of firms' heterogeneity separates firms that are aiming at regional markets and firms that are serving out-of-region markets. Exports to ECOWAS account for 9% of Guinea's exports.[16] They are mostly made by specialized firms on specific products. 60% of products exported by Guinea between 2010 and 2012 are exclusively shipped in ECOWAS (Figure 35b) and

[16] The share of regional trade in customs data is higher than the share based on mirror flows in the Comtrade dataset.

a similar share of firms are exporting exclusively to ECOWAS (Figure 35a). 20% of firms are shipping more than 90% of their total export value out of the region.

2.28 **However, there is some possibility of "upgrading" from regional to out-of-region markets, at least in the long run.** Looking at the limited number of firms (426) that could be tracked for more than one year between 2003 and 2012, one-quarter of them have switched from regional to out-of-region markets during these ten years. [17]

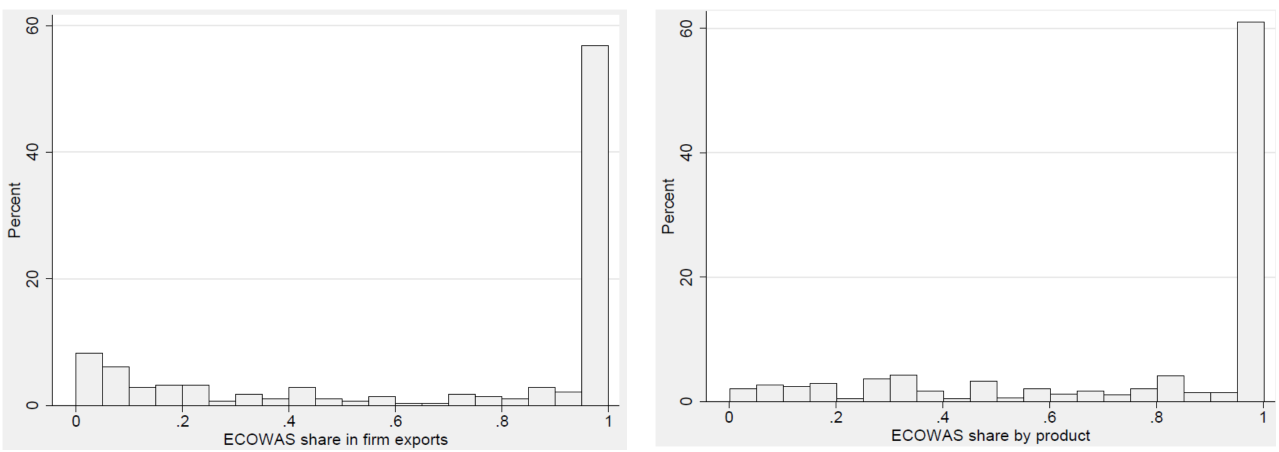
Figure 34. Export value per destination, against number of destinations, 2012



Source: Mission calculation based on Customs data

Figure 35. Distribution of regional shares, average 2010-2012

(a) in firms exports **(b) by products**



Source: Mission calculation based on Customs data
Note: excluding one-time exporters

[17] Out of region could be OECD and non OECD countries as well (other African countries, China or India).

2.3. Challenges of trade policy

2.3.1 Regional integration

ECOWAS: an immense opportunity

2.29 **The Economic Community of West African States** (ECOWAS) groups 16 countries and 210 million inhabitants[18]. One of the overarching aims of ECOWAS is about market access: the ECOWAS Trade Liberalization Scheme (ETLS) calls for the removal of all barriers to trade. This entails eliminating not only tariffs on imports from ECOWAS partners but also all non-tariff barriers.

2.30 **ECOWAS is the leading force behind initiatives aimed at facilitating the movement of goods, services and persons**, such as i) the ECOWAS passport; ii) the Inter-State Road Transit regime, which facilitates transit without load-breaking and with a single customs document for trucks once they get a special sticker [19]; iii) the West African Power Pool (WAPP), which coordinates electricity investment projects and facilitates the interconnection of national grids; iv) ECOWAP, the common agricultural policy.

2.31 **With these initiatives, ECOWAS hopes to boost West Africa's involvement in global value chains by offering a well-functioning large market**, endowed with natural resources, labor force and network infrastructure. Recent works show that this strategy is more efficient in attracting foreign investors than fiscal incentives (see Box 3 below).

2.32 **Beyond market access, ECOWAS also aims at becoming a political force** preventing and settling regional conflicts (Chauffour and Maur, 2011), with a Parliament and a Court of justice. In that capacity, it often overlaps with the WAEMU.

A lagging implementation

2.33 **Progress on integration is slow**. It is also hard to assess: a welcome initiative in that direction is the USAID/West Africa Trade Hub (WATH) which reports on progress in regional integration, mostly on road governance in WAEMU countries.[20]

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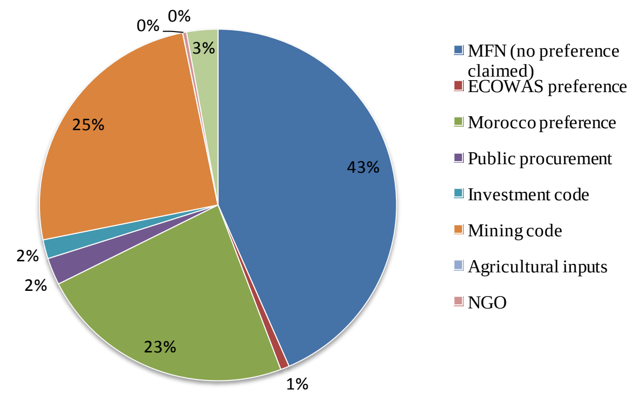
[18] ECOWAS members are Benin, Burkina-Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra-Leone and Togo.

[19] A security mechanism for transit is also in project but has not yet been implemented; it would be based on a single flat-rate payment (0.5 per cent of the c.i.f. value) at the point of departure, which proceeds should be fairly distributed among the countries concerned by the transit.

[20] See http://www.watradehub.com/competitive-environment/transport-infrastructure. Guinea is not yet part of the Borderless Alliance, a USAID/WATH initiative.

2.34 **The ETLS grants entry free of fiscal import duty** and the community levy to products originating in member countries. **However, the provision is not implemented in Guinea**: only a few processed products have been approved so far (Box 2); as for unprocessed local goods, such as agricultural, forestry and livestock products, as well as hand-made articles that are exempt from the certificate of origin requirement, it seems that customs officers are not well aware of the existence of the regional preferential scheme and do not apply it on the ground.

Figure 36. Customs regimes of imports from ECOWAS, 2012



Source: Jammes (2014) using Customs data. Note : share of ECOWAS imports

2.35 **As a result, according to Customs data, 43% of imports from ECOWAS in 2013 were entering under the MFN regime** and pays the CET, although they should have benefitted from the ECOWAS preference regime. The latter actually applies to only one-quarter of ECOWAS imports. Another quarter has entered in Guinea with the reduced rate provided to agricultural and fishery inputs (Figure 36).

2.36 **Only four ECOWAS countries have actually used the preferential ECOWAS regime** in 2013: these are Ghana (for 57.4% of the value of their exports to Guinea), Côte d'Ivoire (50.5%), Senegal (23.7%) and Nigeria (10.4%). Hence, not all ECOWAS member countries are using the preference they are entitled to, and when they use it, it is not for their whole trade within the region.

2.37 **The low utilization rate of ECOWAS preference could come either from difficulties to implement the rules on the ground or simply because the rules themselves are too restrictive**, for instance, those regarding the traceability of the inputs' origin (Box 2).

2.38 **The imperfect implementation of ECOWAS preferential regime is not only a handicap for current trade within the region; it could also entail significant losses in the future**, when the Economic Partnership Agreement with the EU will be put in place (see section 2.3.2. below).

Box 2. The ECOWAS trade liberalization scheme (ETLS) in Guinea

Criteria

- At least 60% of product in local content
- A change in the tariff line at the HS-4 level
- At least 30% of value added (on ex-factory price minus CIF and taxes, with a 20% cap on wages, a 10% cap on external services, a 30% cap on financial charges)

Procedure

Firms must apply to the ETLS by filing an application with the National Approval Committee. The committee is under the responsibility of the Ministry of International Cooperation.

In the application form, firms must list the imported inputs, their HS code, origin (ECOWAS or not) and a description of the final product and packaging. From interviews, it seems that there is no ex-post control of the self-declaration reported by the applicant.

In November 2013, only 14 enterprises were approved under this scheme. On the Ecowas website, 5 products are cited that are exported by 2 Guinean companies (http://www.etls.ecowas.int/fr/produits-agr%C3%A9es/). Every shipment of approved products must still be accompanied by import declarations and certificates of origin.

2.39 Guinea is one of the founding member of the Mano River Union (MRU), created in 1973, before ECOWAS. The MRU was formally reactivated only in 2004. The MRU has ceased activity during the civil wars that have striken Liberia and Sierra Leone. Despite limited means, the MRU has a significant role to play, because it gathers four countries who share the same economic space and the same difficult recent history. In addition to geopolitical regional stability, MRU may be an important asset for Guinea as a coordinating device with neighboring Liberia and Sierra Leone on regional issues (Walkenhorst and Maur 2014). The MRU can also be a transmission route, between WAEMU and ECOWAS. Many regional projects, such as interconnection and cross-border issues, could rely on the MRU.

2.3.2 A shifting and complex trade taxation

The ECOWAS CET

2.40 **Guinea's current applied MFN tariff is aligned on that of WAEMU since 2006**.[21] However, Guinea has maintained rates that are different from the WAEMU rates for a list (exceptions B) of 30 products. The tariff schedule was last updated in 2010 and is entirely ad valorem with rates divided in 4 categories at 0 (essential social goods such as mosquito nets) - 5 (primary necessity inputs, such as rolled steel)-10 (intermediate goods) - 20 per cent (final consumption goods). The simple average is 12.1 per cent.

2.41 **The process of the adoption of the ECOWAS Common External Tariff builds on WAEMU's tariff**. However, Nigeria, who has lowered its trade duties and reduced its tariff bands from 19 to 5 (with ten percent of its tariff lines still in the 5th band) has asked in 2009 for the creation of a 5th band in the ECOWAS CET as well, at a rate of 35 per cent. In December 2012, member countries have agreed to create this 5th band for sensitive products. The new CET will be effectively implemented by 1 January 2015.

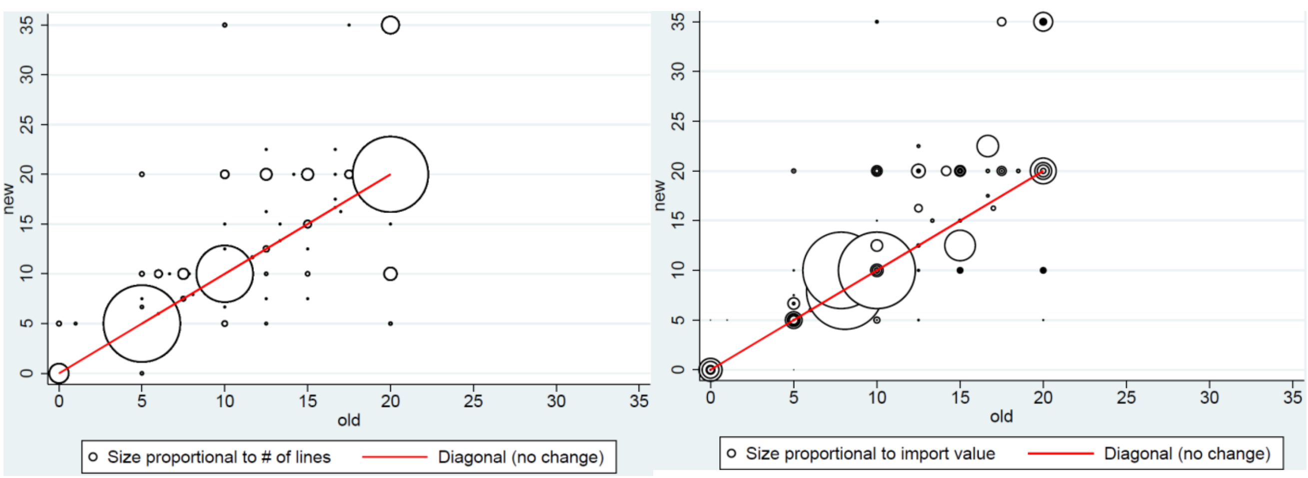
[21] WAEMU members are Benin, Burkina-Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Sénégal and Togo.

2.42 **The 5th band will cover 130 items** (2% of the tariff lines), taken from products which used to be at the 20 percent rate: 39% are animal products (HS section 1), 3% are vegetables (section 2), 4% are edible oils (section 3), 28% are prepared foods and beverages (section 4), 12% are chemicals (section 6), and 14% are textile and apparel products (section 11).[22]

2.43 **The transition to the new CET involves a number of changes for Guinea**: at HS10, the average and standard deviation of the CET will go up from 12.06% and 6.87 respectively to 12.5% and 7.5. However, not all tariff lines of the CET are actually used by Guinea. Figure 37 plots the change in the CET, at the HS6 level, with the size of the bubble being proportional to the number of HS6 lines in panel (a) and to Guinea's import value in panel (b). The red line is the diagonal, so if there was no change in CET rates, all bubbles would be along the red line. Bubbles above the red line represent CET rate increases, while bubbles below represent CET rate decreases. It can be seen that most products that Guinea is actually importing from out-of-the-region are in the 10% range and will be unaffected by the introduction of the 5th band. However, some products will face a higher tariff in the new schedule, even if they are below the 35% rate.

Figure 37. Old and new CET compared at HS6

a) Non import weighted **b) Import weighted**



Note: Bubble size proportional to number of HS6 lines in panel (a), to 2012 mirrored out-of-region import values in panel (b).
Source: Mission calculations using Comtrade mirrored import data.

2.44 Table 3 details the picture: while simple averages do not change much, import-weighted averages will vary more, as some categories of products will be hit by the 35% rate. These products are

[22] Another issue related to the CET dwells around the community levy (*prélèvement communautaire d'intégration* PCI), currently at the rate of 0.5 per cent on the c.i.f. value of imports from third-countries. A common external tariff would entail that the community levy be harmonized. Currently, ECOWAS countries that are not part of WAEMU, such as Guinea, pay a levy of 0.5 per cent on the c.i.f. value of their imports, while countries that are member of both ECOWAS and WAEMU pay 1.5 per cent (an additional 1 per cent being charged by WAEMU). The current differentiated rates are maintained during five years (Ecowas, meeting of Heads of State, 25/10/2013). For the future, various scenarii are still on the table: i) the community levy would be harmonized at 1.5 per cent, of which for the ECOWAS members that are not part of the WAEMU (such as Guinea), 1 per cent would be either paid back or put in a national fund for regional integration ; ii) the community levy will be set to a lower rate of 1 per cent.

important items in households' budgets (animal products, food, cooking oil and clothing) as well as chemicals (medicines), a point we will return to below.

Table 3. Average old and new CET rates, by HS section

	HS section	simple average old	simple average new	import-weighted average old	import-weighted average new
1	animal products	16.15	18.70	13.29	19.69
2	vegetables	13.90	14.08	13.03	13.77
3	fats & oils	12.94	14.46	16.47	21.65
4	food, beverage, tobacc	16.84	19.18	18.73	21.86
5	minerals	5.83	5.81	9.18	9.65
6	chemicals	6.46	6.76	4.00	4.63
7	plastics	10.37	10.57	12.50	13.05
8	leather	12.11	12.11	19.99	19.99
9	wood	11.60	12.50	10.77	14.21
10	pulp & paper	10.52	11.22	8.23	8.94
11	textile & apparel	16.95	16.83	18.85	22.20
12	footwear	17.93	17.93	19.80	19.80
13	cement, stone	17.35	17.45	19.28	19.42
14	gold	10.66	10.66	17.07	17.07
15	base metals	12.44	12.57	14.21	15.62
16	machinery	8.80	9.10	9.33	9.69
17	transport equipment	8.8	8.85	12.45	11.74
18-21	other manuf.	14.13	14.18	15.66	15.68

Source: mission calculations

Economic Partnership Agreement

2.45 **Guinea, through ECOWAS, is part of the West Africa group that has recently struck an agreement with the EU on an Economic partnership agreement** (EPA). 79 ACP countries that were part of the Cotonou agreement (2000) were negotiating an Economic Partnership Agreement with the EU. Negotiation has long stalled, as developing countries were afraid of the reciprocity clause of the EPA, which will grant preferential access to EU products. On the other hand, the EU sees the Economic Partnership Agreements as a development tool, linked with aid for trade, technical assistance and political dialogue.

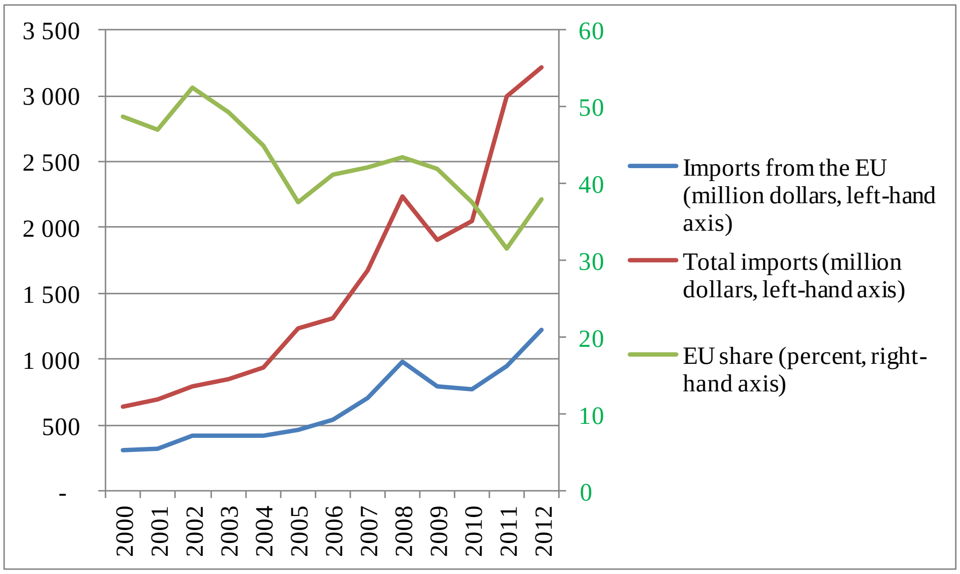
2.46 On February 2014, an agreement was finally reached on a market access offer of 75 per cent liberalization over a 20-year transition period (higher than the 70 per cent initially offered by the West African countries) and an EPA development program of 6.5 billions euros for the 2015-2019 period (lower than the 15 billion euros initially requested by the West African countries).

2.47 West African countries have also agreed to grant the EU any new favorable tariff treatment provided to another trade partner in the future, as long as the latter has a share of international trade higher than 1.5 percent and with a sufficient degree of industrialization (above 10 percent in the year prior to the agreement's entry into force). These criteria would exempt any tariff preference granted to another African or ACP countries, while it would include a preference that would be granted for instance, to China, India or Brazil.

2.48 On the divisive issue of agricultural subsidies, the EU will stop export subsidies on farm goods sent to the West African region. The non-execution clause, which allows parties to suspend their commitments in cases of human rights or democracy violation would have been dropped and EU allows for some asymmetry in rules of origin of West African countries due to their level of development.

2.49 The projected decrease of Guinean tariffs on imports from the EU under the EPA will likely result in a drop of fiscal revenue. Indeed, Guinea is strongly dependent on EU imports (Figure 38). However, over the last ten years, the share of EU in total Guinea's imports is declining, from 50% to 30% in 2011 with a rebound in 2012.

Figure 38. EU share in Guinea's imports, 2000-2012



Source: mission calculations using Comtrade (mirrored)

2.50 **EPA's impact on tariff level and revenue will be mitigated by the actual Customs regimes already granted to EU products**. In 2013, 64% of imports from the EU were entering through the statutory MFN regime. The rest was already enjoying some kind of exemptions due to mining code (13.9% of EU imports), investment code (7.2%) or other types of regimes (12.4%). Hence, about one-third of EU imports are already entering with tariff exemptions of various sorts.

2.51 **Moreover, 1,554 tariff lines (out of a total of 5,612 lines) will be excluded from the EPA**. For Guinea imports, which use 3,193 of these lines with the EU, this translates to 17% of tariff lines still entering with a MFN status even after EPA's completion. The rest of EU imports will have the choice of entering either through their current exemption regime or via the new EPA preferential regime. It is likely that EU firms will optimize and choose the most interesting regime or alternatively, that some of them may bargain for more exemptions.

2.52 The World Bank's Tariff Reform Impact Simulation Tool (TRIST) was used in order to simulate the impact of the new CET and the EPA on Guinea's import and fiscal revenue (Box 2). Figure 39 shows that compared to the CET reform, as the EPA phases in, the impact will be larger, again, not on imports but on foregone tariff revenue (-11.9%).

2.53 **However, the introduction of EPA will entail significant trade diversion at the expense of ECOWAS countries**. Indeed, as shown in the previous section, a large share of ECOWAS imports enters Guinea through a non-preferential regime. These imports will be wiped out by EU imports enjoying preferential access thanks to the EPA (Figure 40). Hence, the EPA will be neutral in terms of overall imports but hides a large trade diversion against ECOWAS countries unless regional integration becomes effective.

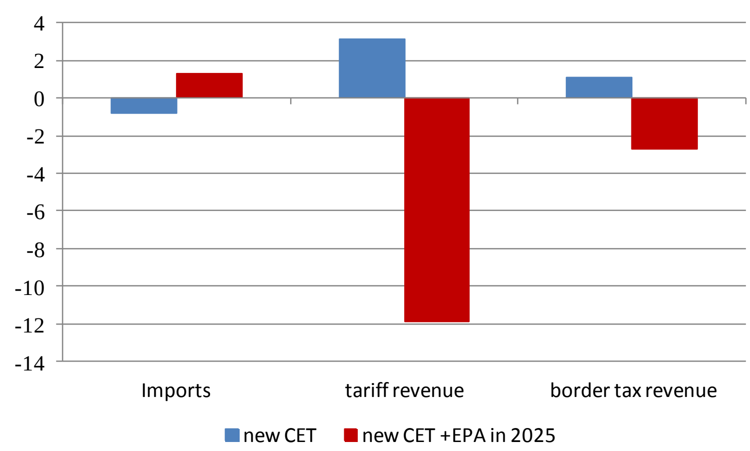
Box 2. The Tariff Reform Impact Simulation Tool

TRIST computes the partial equilibrium impact of a change in tariff based on a detailed dataset on tariffs, excises, VAT and other taxes levied at the border at the HS10 level. The underlying model assumes imperfect substitution between imports from various sources depending on their prices (the Armington assumption with different substitution elasticities) while the overall level of imports responds to the composite price of imports according to a demand elasticity. The demand elasticities are different by products and taken from estimates in Kee, Olarreaga and Nicita.

A change in bilateral tariff affects not only the relative price of the different import varieties but also the overall price level of that good. Hence, it changes the aggregate level of spending on that good as well as the source composition of imports. Tariff revenue is affected directly through the change in their schedule, and indirectly through the resulting import response. Tax revenue are affected because of changes in imports and of their tax base (which is often duty inclusive)

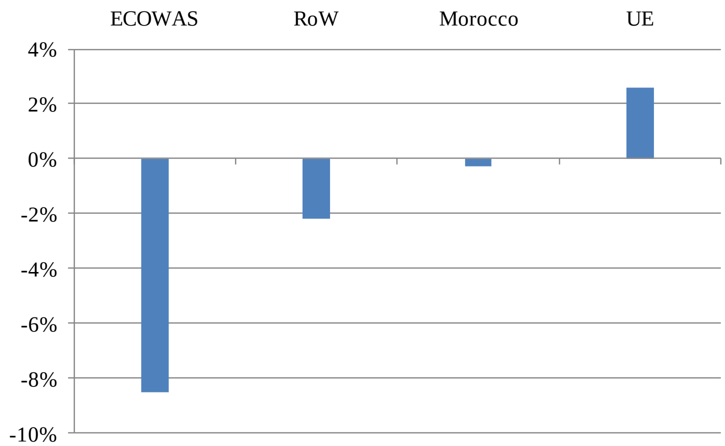
Source: Brenton, Hoppe and von Uexküll (2007)

Figure 39. Simulated impact of the New CET and EPA



Source: Jammes (2014) using TRIST and Customs data. Note: percent change in value in GNF

Figure 40. Gainers and losers from the CET reform and EPA in 2025



Source: Jammes (2014) using TRIST and Customs data. Note: percent change in GNF import value

2.54 **As for exports, Guinea, as a Least Developing country, is entitled since 2008 to market access in the EU under the Everything but Arms initiative,** which provides duty-free admission of all products of LDC origin with the exception of arms and ammunition. However, exports to the EU must comply with SPS norms as well as legal requirements. For instance, the EU has banned fish exports from Guinea in March 2014 as part of the fight against illegal fishing.[23]

Domestic taxes and levies on trade

2.55 Many taxes and levies pertain to trade, in addition to tariffs (Table 4): first, a Degressive Protection Tax (*Taxe dégressive de protection* TDP) is imposed on various items (such as wheat flour, juice, mineral water, soap, plastic bags and candles) at the rates of 10 and 15 per cent. There is also an assessment fee (RTL), an additional duty (CA) of 0.25 per cent paid to the Chamber of Commerce. Moreover, a temporary import tax can be levied (*Taxe conjoncturelle à l'importation* TCI).

2.56 Other duties apply to imports and local goods as well, such as the VAT at 18 per cent (on imports, it is based on the cif value including tariff, RTL and TDP) and excise duties (on alcohol and tobacco). The following agricultural products are exempt from VAT: rice, sugar, wheat flour and additives used to produce it, bread, edible vegetable oils and products subject to zero customs duty (such as seed).

2.57 In addition to taxes paid to customs, would-be traders also have to obtain declarations to import (*demande descriptive d'importation* DDI) issued with a fee by the Ministry of Commerce. The rationale of these documents for controlling operators or following trade flows is not obvious.

2.58 Exports also pay a tax (DFE), must obtain a declaration to exports (DDE) from the Ministry of Commerce and are also subject to the Chamber of commerce duty (CA). VAT refund is not actually implemented.

[23] http://europa.eu/rapid/press-release_IP-14-304_en.htm

Table 4. Trade taxes and levies

	name	acronyms	rates
Exports	droit fiscal d'exportation	DFE	0-2-3-5
Imports	droit fiscal d'importation	DFI	0-5-10-20
	redevance pour traitement des liquidations	RTL	2
	accises (tobacco, alcohol)	AC	0-15-45
	taxe dégressive de protection	TDP	0-10-15
	taxe sur la valeur ajoutée	TVA	0-18
	prélèvement communautaire	PC	0.5
	centime additionnel	CA	0.25
	taxe conjoncturelle à l'importation	TCI	
	remise sur crédit d'enlèvement		
	redevance entretien routier essence		
	redevance entretien routier gasoil		
	taxe d'entreposage (warehouse)	TEN	1
	taxe d'enregistrement (equipment goods)	TE	0.5
	taxe de ré-exportation		1
	droit de transit	DT	0.5
	taxe spéciale produit pétrolier		
	droit de plombage (transit, on trucks)	DP	3'000-5'000 GNF
	droit de magasinage	DM	100 GNF-300 GNF on parcels
	rémunération des prestations administratives (mining cies)	RPA	10'000 GNF-250'000 GNF

source: République de Guinée, Tarif des douanes, édition 2013 ; Deloitte 2014 ; APIP website ; Customs website

2.59 **The complex system of duties takes a high toll on trade flows.** The mean duty supported by imports and paid to Customs is 35.3 percent, while tariff alone has a mean of 12 percent (and 15.4 percent when import-weighted) (Jammes, 2014).

2.60 **Another reason of the complexity of the tax and duty system is the large number of exemptions and special regimes**. Guinea Customs code grants conditional relief from duties and taxes for transit, warehousing and temporary admission. Moreover, the mining code and the investment code provide for various incentive regimes that exempt from paying import taxes and duties. Hence, the number of preferential regimes is tremendously high, at around 200 (of which 54 were actually used in 2013). For the period between 1/1/2013 and 30/9/2013, these exemptions have generated a loss of fiscal revenue of 1,472 billion GNF (Deloitte, 2014), compared to 446 billion GF in 2010 representing one third of annual customs revenue (WTO 2011). Reducing exemptions allows broadening the fiscal base and opens the possibility to reduce taxes across the board.

2.61 **presents a simplified view of the tariff regimes classified in 9 categories**: only 58% of Guinea's imports are paying the statutory MFN tariff rate and this is not because of regional or bilateral preference agreements (ECOWAS and Morocco FTA together accounts for a mere 1.5% of the total).

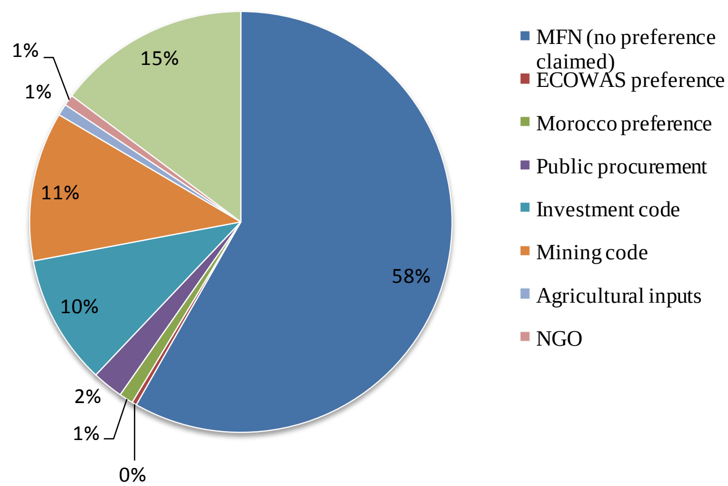
2.62 **As a result of these complex tax-cum-exemptions system, products that benefit from the ECOWAS preference and pay no tariff duty are still taxed at 23.6 percent on average**. These end up paying a higher tax rate than mining products (12.3 percent) or products benefitting from the investment code (11.2 percent).

2.63 A simulation using TRIST shows that suppressing all tariff regimes except the statutory MFN one and the preferential regimes granted to ECOWAS and Morocco will result in a rise of tariff revenue by 38.40 percent (accounting for a drop of imports level by 8%). Border tax does not rise as much, because of the decrease in imports (

2.64 Figure 42).

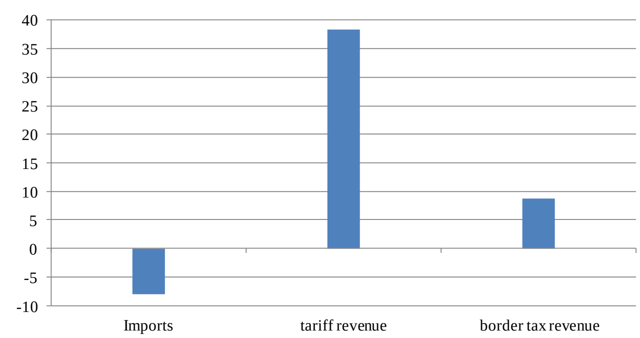
2.65 **The heavy array of exemptions is often justified as a way to attract FDI. However, recent works show that this is not the case**: rather, foreign investors are attracted by a country's endowments in natural resource, political stability and sound economic fundamentals such as infrastructure and education. (Box 3)

Figure 41. Tariff regimes in Guinea, as import shares



Source: Jammes (2014) using Guinea customs data

Figure 42. Simulated impact of a suppression of tariff exemptions



Source: Jammes (2014) using TRIST and Customs data. Note: percent change in GNF import value and tariff and border tax revenue respectively.

Box 3. Tax incentives and FDI

Most governments, in both developed and developing countries try to attract Foreign Direct Investment (FDI) by way of tax incentives, either through low statutory tax rates or through special regimes. As one country's tax cuts reduce the probability of another country being chosen by investors, the result is a worldwide race to the bottom benefitting the shareholders of multinational companies at the expense of public goods in host countries.

In Africa, the corporate tax rate has decreased between 1996 and 2007 to an effective average rate of 15% in 2007 down from 21% in 1996. The race to the bottom is also apparent in the fact that in the majority of cases, decreases in statutory rates have been accompanied by more generous special regimes.

The effects of lower corporate tax rates were, until the onset of the Global Financial Crisis, hidden by higher profits which generated higher corporate tax revenues in spite of the lower rates. Although data since 2008 is not yet available, it is possible that the race to the bottom in terms of rates is now translating into lower tax revenues.

Yet, this race to the bottom does not seem to be based on economic rationality. Mody (2007) showed ample evidence suggesting that U.S. multinationals' outward investment decisions were only weakly affected by tax deals. Abbas et al. (2012) confirm these findings on the basis of a panel of 47 countries around the world: FDI is not significantly responding to variations in either marginal or average tax rates irrespective of the estimation method. James (2009) shows that this is even more the case for low income countries: FDI is not responsive to variation in marginal effective tax rates in the sub-sample of countries with deficient business environments. By contrast, host-country fundamentals such as macroeconomic stability have a significant effect in attracting FDI.

In sum, the race to the bottom in terms of tax incentives seems to hurt developing countries by pitching them against one another while having little effect on investors' decisions. Worse, if corporate income tax profits edge down as a result of slower growth worldwide, reduced tax revenue risks impairing the ability of host countries to improve the fundamentals (infrastructure and education) that do seem to make a difference in investors' decisions.

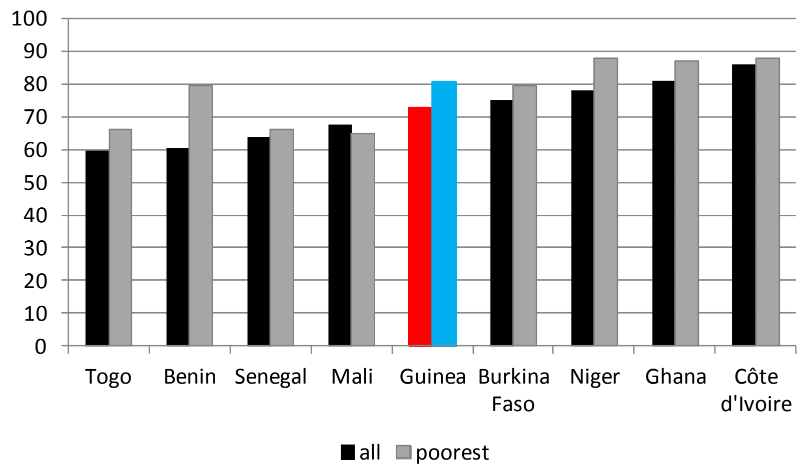
2.3.3 Reconciling trade policy and poverty alleviation

A regressive tax system

2.66 **Households in Guinea are highly dependent on imported good**s (Figure 43): 73% of their expenditures in 2012 were tradable items (such as flour, sugar, cooking oil, gasoline for electricity generator, non alcoholic beverage, tomato paste etc). Poor households spend even a larger share (80.6%) than the richest households (68%). [24]

[24] Reliance on imported good is also higher for urban households than for rural (Marazyan, 2014)

Figure 43. Tradables in household consumption

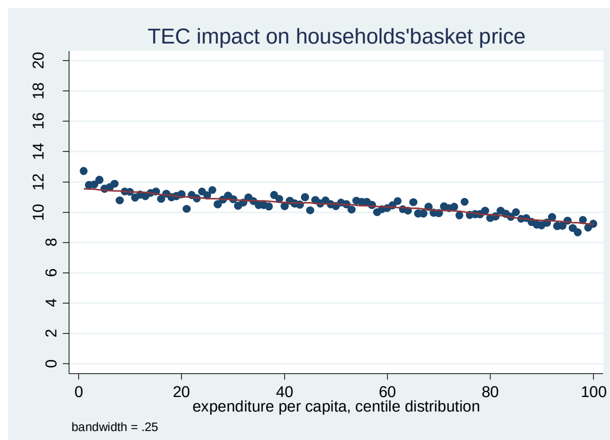


Note: Share of tradable goods in households' expenditures, for all households and for the poorest income quintile.
Source: Gourdon, 2014, based on ELEP 2012

2.67 **As a result, the current CET has a regressive impact** because poor households devote more of their expenditures to food, their cost of living is more impacted by the tariff rate than rich households (Figure 44 taken from Gourdon and Maur, 2014).

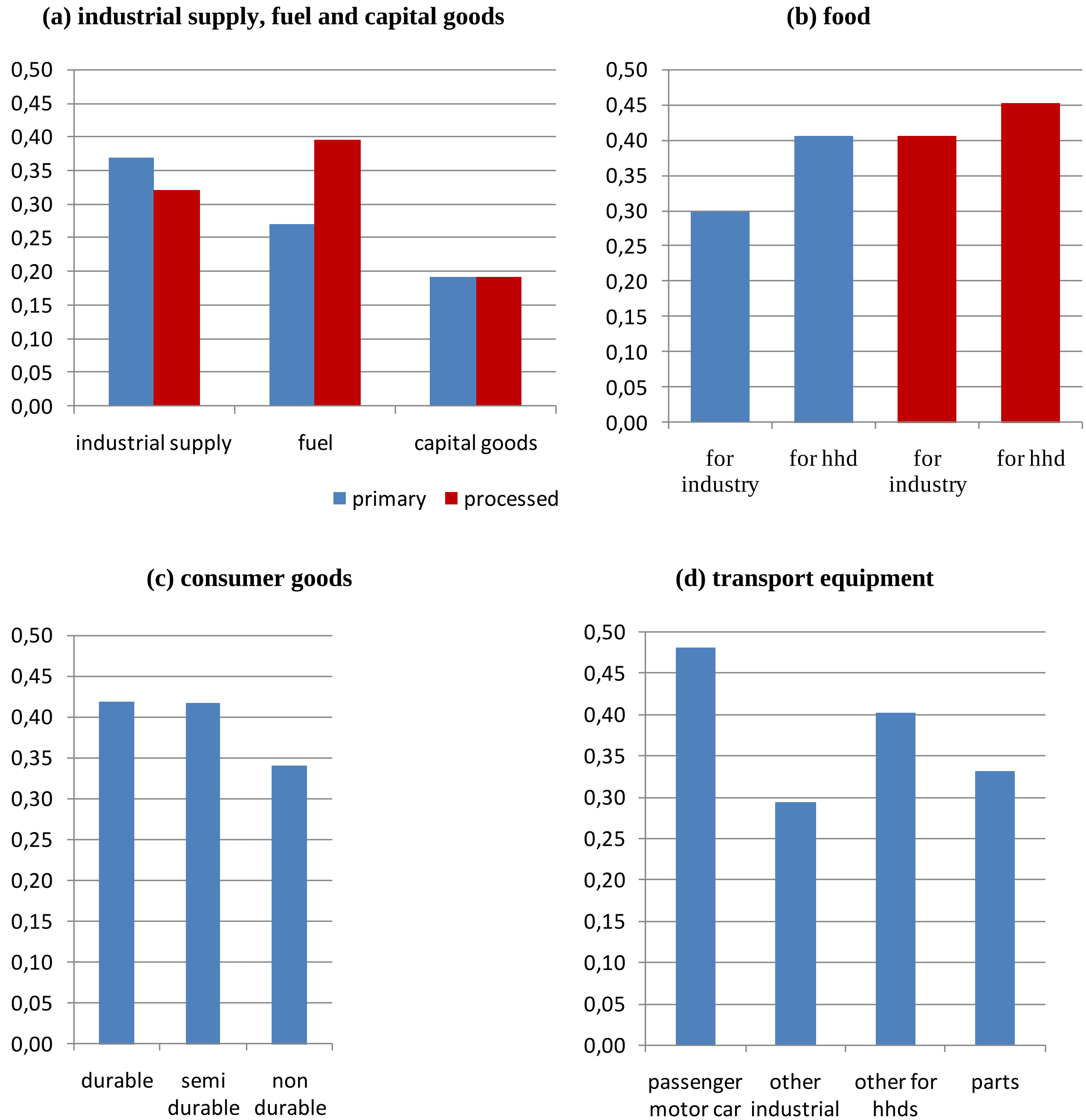
2.68 **When domestic duties on imports are included, the picture is the same**: goods purchased by households are taxed more heavily than products needed by industry; there is sign of escalation, that is, processed goods are taxed at a higher rate than primary goods (Figure 45).

Figure 44. CET impact on households' basket price



Note: tariffs are assumed to translate one-to-one to local prices (complete pass through). Own-consumption of rural households is omitted. Price elasticity of consumer demand is based on import-demand elasticity.
Source: Gourdon and Maur, 2014

Figure 45. Trade taxes and levies by sector and stage of production



Source: Mission calculation on Customs data
Note: The rate is computed on all taxes that apply to imports (including VAT), by BEC classification

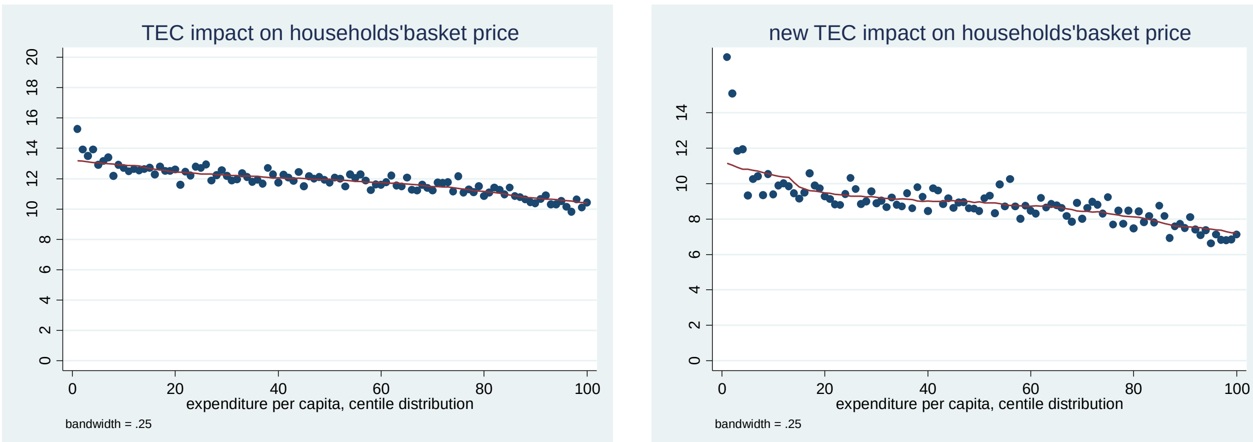
2.69 **The ECOWAS CET will reinforce the regressivity of the tariff schedule on households'income distribution**. Figure 46 shows how the new CET affects households' cost of living in Guinea: the cost of living will be higher for everybody but even more for the poorest (panel (a)). Hence, the shift to the new CET will even reinforce the regressive pattern of trade taxation in Guinea increasing the cost of living by 10 percent for the poorest and 7 percent for the richest (panel (b)).

Household are most affected by the change in the CET rates for bread and flour, soap, tomato paste and ground-nut oil.

Figure 46. CET impact on household import basket price

a) New CET impact on households' basket price

b) Impact of CET variation on households' basket price



Source: Gourdon and Maur 2014

2.70 **Hence, because of the sensitivity of the 5th band products for households' consumption, the shift to the new CET will have a large social impact**. The Government of Guinea will have to think of accompanying measures in order to mitigate the transition's effect on the cost of living for poor households. One possibility would be to decrease the too many domestic taxes of all sorts, streamline transport and distribution services and improve competition in the wholesale and import sector.

2.3.4 A complex institutional framework

2.71 The Ministry of Commerce is in charge of trade policy and as such, is responsible for the multilateral negotiations. However, matters regarding regional integration and ECOWAS are under the umbrella of the Ministry of International cooperation. Other Ministries are also intervening on important dimensions of trade policy, such as Transport (port, road and railways), Planning (overall strategy) and sectors specific ministries (Mining, Agriculture, Livestock, Fisheries, Tourism). Exemptions which pertain to trade and investment policy (including FDI) are decided by the CNI in the Ministry of Industry. The Central Bank (BCRG) regulates the gold trade. Customs, which is part of the Ministry of Budget, has a pivotal role in trade policy, not only through tax collection but also because it has the monopole of data collection.

2.72 ***Export promotion.*** APIP, the agency for investment promotion (Agence pour la Promotion des Investissements) provides information on tax and exemptions under the Investment Code and manages the single window for enterprise creation.[25] APIP has also the responsability of promoting and facilitating the entry of new investors in Guinea. It is also theoretically supervising the approval procedure implemented by the National Commission (Commission nationale des Investissements CNI).

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[25] APIP or API-Guinée was formerly OPIP (office de promotion des investissements privés)

2.73 **CAFEX is in charge of export promotion for agricultural products**. Created in 1997 in the framework of the PCPEA and operational since 1998 as a parastatal agency reporting to the Ministry of Commerce, its initial mission was to open a Single window for all paperwork required in exporting (such as certificates of quality, phytosanitary standards and origin), except customs procedures and export controls. So far, Customs are opposed to joining the Single window. CAFEX also collects export statistics. It also delivers ECOWAS origin certificates for agricultural products, along with the national committee (CENA) which grants the ECOWAS origin to manufactured products. In 2013, the missions of CAFEX were expanded it acquired the status of a national export promotion agency.[26] CAFEX will become a contracting authority for projects, stepping in a role previously attributed to the Ministry of Agriculture and attract investors in Guinea.[27]

2.74 **Current CAFEX activities and its future raise a number of questions.** First, CAFEX Single Window is important but partial as Customs remain out of its scope. Regarding export and investment promotion it is unclear why agro-industry would require a specific treatment. It seems more rational, rather to extend CAFEX, to gather expertise within a single institution, APIP. Moreover, the statistics collected by CAFEX are partial, usually conflicting with those of Customs and other statistical services. Streamlining the national system of statistical information is essential; something which could lead to reconsider the role of CAFEX as a collector of export statistics.

2.75 **Other private initiatives aim at promoting exports**, such as the CIEPEX (Centre international d'échanges et de promotion des exportations), which organize international fairs. The missions of the Chamber of Commerce and the AGOA national committee also include export promotion, although they are not fully active yet.

2.4. Recommendations

2.76 **In face of these challenges, the Government of Guinea can focus on quick wins,** bottlenecks that could be removed in the short term with sufficient political will and could provide a long-lasting impact.

2.77 As this chapter has shown, a quick win for the Government would be to center on its regal prerogatives and duties, away from the fine tuning of the economy. This "quick win" is not an easy turn though: it calls for a cultural revolution in the approach to private initiatives: business should no more be seen as a cash cow, but as a professional partner who has a voice on how things are run.

2.4.1 Enforcing regional trade integration

i. **ECOWAS products must be effectively granted preferential tariffs.** At the ECOWAS level, the government may advocate simpler ETLS approval scheme (reducing the number of required documents) and rules of origin. In any case a precise monitoring on trade flows and effective conditions is needed.

2.4.2 Simplifying trade policy

i. **The number of trade regimes should be reduced and exemptions regimes should be suppressed** as they are not efficient in attracting foreign investors and entail efforts that could be

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[26] The creation of the new agency had not yet been implemented at the end of 2013.

[27] By decree no. 043 of 25 February 2011, "The Agriculture Ministry is no longer authorized to establish infrastructures for the transformation and marketing of agricultural products, now reserved for the private sector" (PNIASA)

best allocated elsewhere; they are to be replaced by an across-the-board lower tax. An audit of taxes and levies must be performed. Import and export declaration procedures (DDI, DFI and DDE) should be reexamined.

ii. **Emphasis should be put on behind-the-borders barriers**: simplify regulations and improve competition at home, in particular, in the wholesale market, transport and logistics. A first step is the survey on NTM that has been undertaken by the ITC. Rice imports policy should be reconsidered. Such policy would help alleviate the negative social impact of the new CET and set Guinea in position to reclaim its place in the global value chain.

2.4.3 Reducing the institutional complexity

i. **Trade policy needs a deeper coordination** between Ministries regarding regional and multilateral integration. Customs should join the Documentary single window for exporting.

ii. **Consolidate entities in charge of export and investment promotion.** The consolidated entity should focus on informing about norms abroad and upgrading producer managerial capacity and logistics services.

2.4.4 Providing easy access to information

2.78 **Provide information on trade policy, taxes and procedures**. This is already partly done on APIP and Customs' website. To go further requires a change of mind from customs officers, from a tax-only approach to business support.

2.79 **Guinea could use its WTO membership as a mean to increase the transparency and predictability of the legal framework for trade**: the agreement on trade facilitation (Bali, December 2013) should be a powerful incentive in that direction. Yet, Guinea does not appear in the WTO Integrated database of notifications; there is no active WTO reference centre in Guinea; and no national website is referred to on the country information page on the WTO website.

2.4.5 Collecting data for building a national strategy

2.80 **Streamline data collection on trade flows**. Monitor improvements in transport logistics. Build capacity on how to analyze them (which in turn, justifies the effort put on gathering the data) .

Chapter 3. Customs reform in Guinea

3.1. Background

3.1 **Guinean customs are in need of considerable reforms to enable them to meet the objectives of a modern customs administration.** Guinea is currently performing below regional standards for most dimensions of customs activities. The priorities of the *Direction Générale des Douanes* (DGD) in Guinea have largely remained focused on revenue generation, and far less on efficient control of trade flows, trade facilitation, dialogue with users and regional integration. This has contributed to weakening Guinea's trade competitiveness, as cumbersome procedures and lengthy delays on both the export and import sides undermine the capacity of traders' in Guinea to trade in time and at reasonable costs. However, the authorities have renewed their commitment to reforms, and benefit from support from development partners in this regard.

3.2 **Realistic reform objectives should be set to gradually improve the situation of customs and make them an asset rather than an obstacle to Guinea's trade and competitiveness**. The missions devoted to customs have significantly evolved over the last two decades, as spelled out in a number of international conventions and standards (e.g. Revised Kyoto Convention, SAFE standards, WTO Trade Facilitation Agreement)[28]. In this context, one of the main challenges for customs administrations has been to find arrangements which facilitate legitimate trade, while securing regulatory compliance. Some West African countries have embarked on customs reform programs over the last decade, which have begun to show results, but adapting to this framework is a considerable challenge for countries like Guinea which start from a low level. As argued below, while modernization will necessarily be a long term process, certain key principles should guide reforms, such as strategic human resources management, streamlining and automation of procedures, development of risk management and of trade facilitation arrangements, and cooperation with the private trade community and neighboring countries. This chapter provides a synthetic overview of the current situation and main issues affecting Guinean customs. It then provides recommendations to accompany the administration's reform plans.

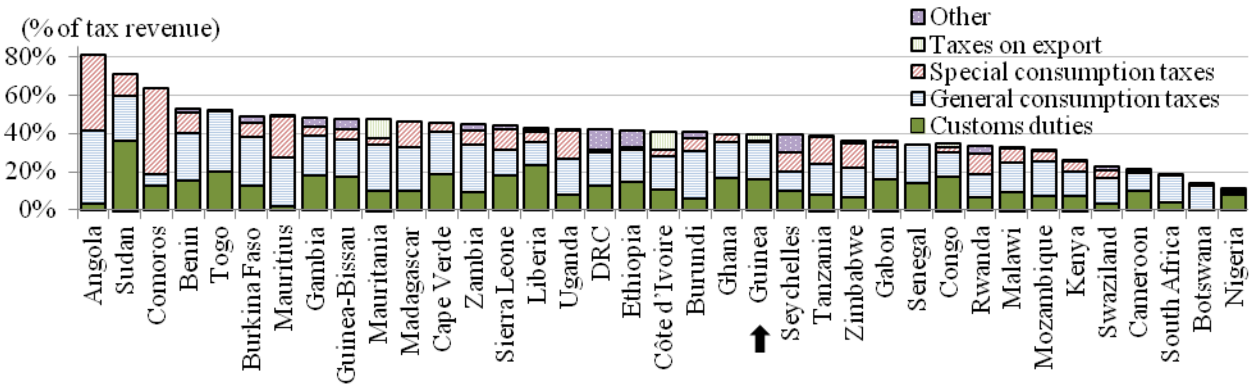
3.2. Current performance of Guinean customs

3.3 **Guinean customs play an important economic role in Guinea but are currently characterized by poor performances.** In 2014, the DGD currently employed around 2,500 agents, a large majority of which are posted in Conakry. The administration manages 29 customs offices, including the largest one at the Port of Conakry (WTO 2011). At 40 percent in 2012, the share of taxes collected by customs in total tax revenue is high but in line with the average for Sub-Saharan African countries, although customs duties represent a slightly larger proportion of this amount in Guinea than in SSA as a whole (16 and 12 percent of total tax revenue, respectively) (

3.4 Figure 47). A vast majority of this revenue is collected at the port of Conakry. As presented in more details below, a number of weaknesses concerning procedures, equipment and internal organization result in poor operational performances, with redundant controls and average clearance times still taking several days.

[28] Guinea has adopted the WCO's SAFE Framework, but is not a contracting party to the Revised Kyoto Convention. See De Wulf and Sokol (2005) and Mc Linden et al. (2011) for a comprehensive review of the contemporary issues facing customs and the border management modernization agenda. See also Ireland and Matsudaira (2011) for a detailed overview of the international instruments supporting the customs modernization agenda.

Figure 47. Weight of revenue collected by customs in tax revenue in SSA (2012)



Source: WCO, Annual Report 2012-2013 (African countries with available data)

3.5 **The available benchmarking indicators confirm that the Guinean customs administration currently lags significantly behind the best regional performers in terms of trade facilitation**. As shown in Table 5 below, Guinea ranks in the second half of West African coastal countries on the trade and customs-related sub-indices of the World Bank's Doing Business and Logistics Performance Indicator (LPI), and of the World Economic Forum's Global Competitiveness Index (GCI):

3.6 ***Doing Business***: The number of documents required and cost to import and export in Guinea as measured by this index appear to be relatively competitive compared to neighboring countries and the sub-Saharan African average, although they remain far higher than for the best international performers (Table 6). However, traders in Guinea are at a large disadvantage regarding the time taken by trade procedures: preparing documents takes a considerable 23 days for both exports and imports (over four times as long as in Senegal), while customs clearance and technical controls add another four days to the process. These two steps are the main source of delays, while costs are more driven by port handling and transportation. The cost and time associated with trade procedures have increased between 2005 and 2010, and have remained largely unchanged since then (only the time to import slightly decreased in 2013), while documentary requirements to trade have not evolved (Figure 48). This suggests that, from a quantitative perspective, there have been limited results in improving customs performances to reduce trade transaction costs.

3.7 ***LPI:*** The score attributed to Guinea by the surveyed logistics operators for the LPI's customs sub-index[29] has declined since the 2007 edition (based on survey realized in 2006), while countries such as Benin and Senegal saw their score improve (Figure 49). As a result, Guinea's ranking has markedly dropped between the 2007 and 2014 editions, both for this sub-index (from 61st to 119th worldwide) and for the overall LPI index (62nd to 122nd).

3.8 ***GCI***: Guinea was given a score of 3.38 out of 7 for the sub-index measuring the "burden of customs procedures" in the 2014 GCI report, based on survey data of business executives. This is in line with the West African average, but significantly below the best regional performer Senegal (4.74).

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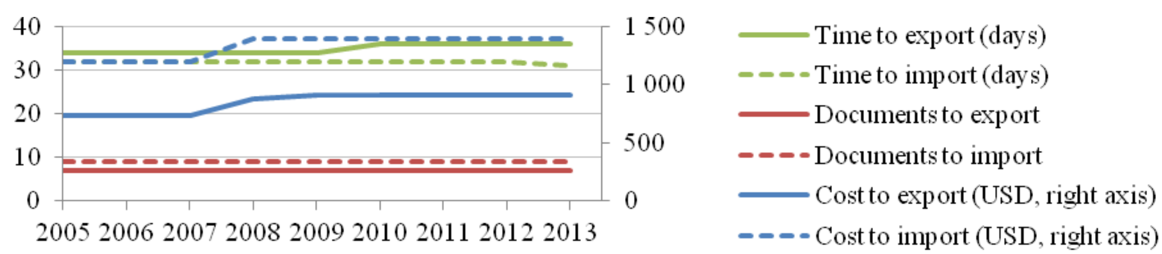
[29] This sub-index assesses the efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including customs.

Table 5. Trade environment and customs performances ranking

	Doing Business: Trading Across Borders (185 countries)	Logistics Performance Index: Customs (160 countries)	Global Competitiveness Index: Burden of customs procedures (148 countries)
Benin	119	73	138
Côte d'Ivoire	165	120	110
Gambia	99	143	40
Ghana	109	130	109
Guinea	136	119	114
Guinea-Bissau	125	101	..
Liberia	142	83	79
Nigeria	158	117	129
Senegal	80	76	38
Sierra Leone	140	..	126
Togo	110	139	..
regional ranking	7/11	6/10	6/9

Sources: World Bank (Doing Business 2014, LPI 2014), World Economic Forum (Global Competitiveness Report 2013-2014).

Figure 48. Time, cost and number of documents required to trade in Guinea



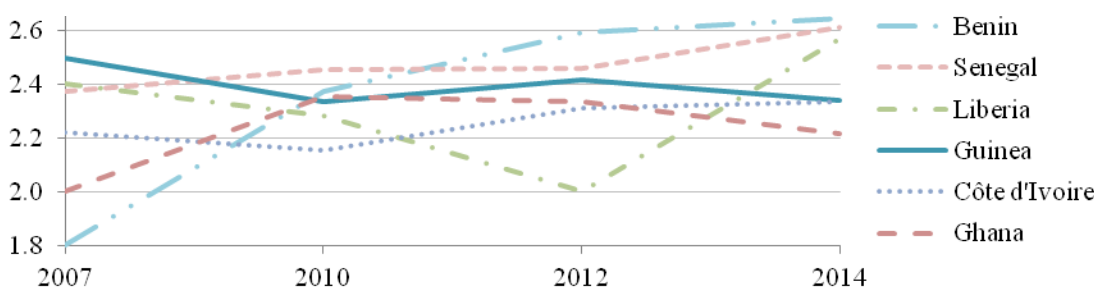
Source: World Bank, Doing Business 2006 to 2014

Table 6. Trading Across Borders in West Africa

	Benin	Cote d'Ivoire	Ghana	Guinea	Liberia	Nigeria	Senegal	Togo
Export								
Number of documents	6	9	6	7	10	9	6	6
Time (days), of which:	26	25	19	36	15	22	12	24
Documents preparation	14	15	10	23	8	12	5	17
Customs clearance and technical control	3	5	4	4	2	3	2	1
Ports and terminal handling	5	3	3	7	2	4	3	4
Inland transportation and handling	4	2	2	2	3	3	2	2
Cost (USD per container)	1,030	1,990	875	915	1,220	1,380	1,225	1,015
Import								
Number of documents	7	10	7	9	12	13	5	7
Time (days), of which:	27	34	42	31	28	33	14	29
Documents preparation	18	19	26	23	22	14	6	19
Customs clearance and technical control	2	7	5	4	1	12	3	3
Ports and terminal handling	4	6	8	2	3	5	3	4
Inland transportation and handling	3	2	3	2	2	2	2	3
Cost (USD per container)	1,520	2,710	1,360	1,390	1,320	1,695	1,740	1,190

Source: World Bank (Doing Business 2014)

Figure 49. Evolution of the LPI score for customs performances in West Africa

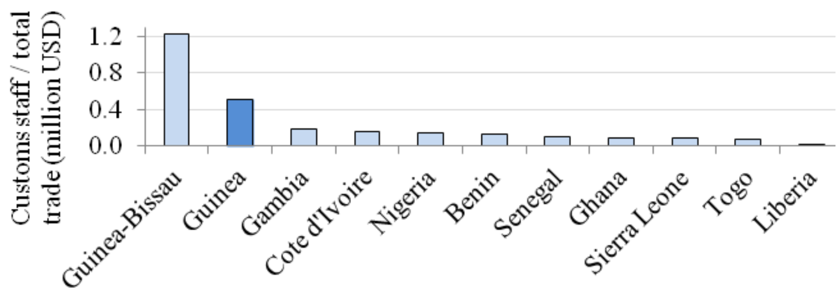


Source: World Bank, LPI

3.3. Main challenges of customs in Guinea

3.9 **The capacity of Guinean customs to achieve their different objectives is undermined by the absence of essential conditions for efficient customs operations**. Several issues severely affect the efficiency of customs operations, which cannot all be reflected in quantities benchmark indicators, such as Doing Business or the LPI. Information collected in the framework of this DTIS update and during previous diagnostics (e.g. WTO 2011, Deloitte 2014) has highlighted shortcomings at several levels, including the management of human resources, customs procedures, valuation, risk management, the application of special customs regimes, the automation of operations, etc. The following section provides an overview of these different issues.

Figure 50. Ratio of customs staff to trade volume (2012)



Source: authors' calculations based on WCO (2013) and Comtrade mirror data

3.10 **The weakness of human resources management and staff capacity is a critical obstacle to improve customs efficiency.** Poor HR management has been identified for several years, but limited progress has been achieved to date[30]. This is a key issue and improvement at this level is a prerequisite for any customs modernization program[31]. Strategic management of human resources and career planning is notably prevented by the absence of a comprehensive and reliable database of staff and of automated systems. Hiring decisions are made by the Ministry of Civil Service without coordination with the DGD to assess its staffing needs. Large numbers of customs agents were hired in the recent period, often without any customs background or training and sometimes illiterate. The available figures suggest that over 75 percent of the around 2,500 staff is located in Conakry, half of whom have no specific position. A comparison of the ratio of customs staff to trade volume shows that Guinea has considerably more customs staff in relative terms than other West African countries, with the exception of Guinea-Bissau (Figure 50). Beside quantity, the quality of human resources is also problematic. In the absence of dedicated customs school or training center in Guinea, the training provided to staff by the DGD is insufficient and there is a serious lack of competencies among customs staff (Deloitte 2014). In addition to customs officers, the regulation of the clearing & forwarding (C&F) industry and training of agents must be strengthened. The informal provision of customs brokerage services is frequent, as unlicensed individuals use the accreditation of established agents, which makes the control of compliance and sanction of fraud more difficult.[32] While the DGD has provided training to some C&F agents, for instance on the transactional value, professionalism remains low for most small providers.

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[30] For instance, two technical assistance missions from the IMF's AFRITAC West on HR were organized in Guinea in 2011-2012 and pointed out major deficiencies, but no progress concerning the recommendations made was observed during a review mission at end-2013.

[31] Interviews make it clear that there is currently only a small number of quality professionals and managers to carry reforms at the DGD, who are over-solicited and cannot dedicate sufficient time to ensure their proper implementation.

[32] As shown in an East African context by Arnold et al. (2011), low quality C&F services can have a negative impact on trade, indicating the relevance of training and certification programs to address the frequent skills shortage and knowledge gaps of small C&F service providers.

3.11 Serious weaknesses in general customs procedures and their daily implementation are currently complicating transactions for traders and open the way to abuses. The main issues concern the following aspects:

a) ***Lack of compliance and transparency in clearance procedures:*** A recent audit of customs stressed that procedures are often not adequately followed, and transactions insufficiently monitored. This can sometimes be explained by technical limitations, for instance to write off cargo manifests in Asycuda when a declaration is transferred to a different customs office than the one where it was initially filed. Unjustified use of the temporary release procedure and frequent anomalies are also reported (e.g. excessive delays of up to several months for final declaration and payment), with no sanction of abuses.[33] Controls and reassessments are infrequent, and only accounted for a 0.04 percent increase of customs revenue in 2012 (Deloitte 2014). Overall, there are very limited sanctions and fines in case of fraud and reassessment by customs of duties and taxes due, reportedly due to heavy procedures. This suggests that informal settlements are often the preferred option, and clearance operations are largely organized through established clientelist relations between customs officers and brokers/shippers. Likewise, there is poor centralization of the outcome of controls at the regional level or record keeping of infractions. There is also widespread traffic of prohibited products (e.g. protected animal and plants, fake pharmaceutical products, drugs, etc.), despite the presence of scanners at the port and airport. Moreover, weaknesses in data security create opportunities for irregularities during import and export processes and the absence of automatic data exchange between the Treasury, Central Bank and customs to ensure payment of duties and taxes due also facilitate fraud. Finally, there are insufficient procedures, planning and execution of internal control of customs. Low salaries do not provide adequate performance incentives for officers and contribute to their frequent focus on rent extraction from clearance procedures, more than on customs functions and public interest. Evidently, a number of officers benefit from current opaque practices and are likely to resist attempts to improve transparency.

b) ***Cumbersome valuation and inspection procedures:*** Guinea signed a contract for pre-shipment inspection (PSI) of imported goods with BIVAC in 2008 (renewed in December 2013), which aims at securing customs revenue by verifying products classification, quality, quantity and price.[34] This system has been the object of criticisms by the trading community and has arguably had a significant cost for the economy. The inspection fee is set at 0.65 percent of the CIF value with a minimum of USD 250. This flat-fee implies that the rate can be much higher than 0.65 percent for goods worth less than USD 16,000 (up to 10 percent) and "conceals excessive inspection charges, in this case due to the frequency of low-value imports by low-income countries such as Guinea" (WTO 2011).Clearing and forwarding agents notably complain about frequent delays to obtain the preshipment inspection certificate (*attestation de vérification* - AV) required to clear goods with customs in Guinea, leading to demurrage charges and forcing them to request temporary release of the goods.[35] There are also reports of large variations of value assessed by BIVAC for identical products, quantity and origin. Questions have also been raised with the equity of treatment and transparency of the PSI program, as some companies appear not to go through this procedure or to obtain customs clearance without an AV (notably through a frequent resort to exceptional clearance

[33] The procedure of temporary release (*enlèvement provisoire*) is normally granted on an exception basis for perishable or dangerous products, and the delay to regularize declarations rarely exceeds eight days.
[34] A first experiment with PSI was introduced in Guinea in 1996 but the system was abolished in 2005. The current program applies to goods worth USD 3,000 or more, except a list of 80 "essential" goods checked on arrival and some exempted categories of products.
[35] Such delays are often explained by inspection companies as being caused by incomplete or doubtful documentation presented in the country of origin of the goods.

procedures), despite sometimes large differences between declared and certified values (Deloitte 2014), creating a risk of non-level playing field. More generally, the DGD appears not to be fully satisfied with the PSI program, due to perceived limitations of the services rendered by BIVAC and failure to strengthen the administration's capacity to perform valuation and classification of goods itself, though this is a stated objective of the new contract.[36] Despite the adoption by Guinea of the WTO's Agreement on Customs Valuation and establishment of a technical committee for its implementation, this capacity has remained weak (WTO 2011). While the empowerment of the DGD seems desirable in the long run, this would have to be accompanied by a strengthening of internal controls in addition to capacity building, as the PSI system arguably limits the possibility of certain abuses by brokers and/or customs officers, such as large under-valuation of goods.

c) ***Absence of risk management:*** Guinean customs have made little progress with the establishment of a risk management and selectivity framework to improve the efficiency of controls and facilitate trade, although efforts are underway to introduce such procedures. While several clearance channels based on the level of risk exist in theory, in practice all imported cargo is currently routed through the red channel with physical inspection (WTO 2011). All containers arriving in Conakry, even those in transit, go through scanners and importers pay a fee of € 65 and € 100 for a 20 and 40-feet container, respectively.[37] Scanning is followed by quasi-systematic physical inspection of cargo, except for homogenous goods for which samples are taken. There are no official preferential treatments for reliable operators, and even large and regular importers, such as the brewery SOBRAGUI, undergo these controls. More generally, this reflects the priority given to revenue generation at the expense of trade facilitation.

d) ***Deficient transit regime:*** The system is cumbersome and in need of modernization. In particular, the lack of interface between customs offices at land borders and in Conakry prevents the automated management of transit through the dedicated module in Asycuda, and there is no interconnection with neighboring countries' customs. The transit regime relies on paperwork, sealing of cargo and physical escort by customs, which creates delays as a minimum number of trucks is required for each convoy. Declarations of goods in transit are only closed when the customs officer who accompanied the convoy returns to Conakry with the hard copies of documents and signatures of the customs offices along the corridor. The DGD plans to replace the escort system with geotracking, although interface of local and central customs remains necessary. The regional ISRT transit regime (TRIE in French) is also not functioning. The Chamber of Commerce perceives a 0.25 percent fee of the CIF value and should act as national guarantor, but has not been playing this role effectively, meaning that customs tap into forwarders' bond at the central bank to recover the value of taxes and duties in case of goods diversion during transit. Although other issues, such as the quality of roads and port capacity/connectivity, explain the small transit flows currently going through Guinea, the inefficient transit regime is arguably a contributing factor[38].

[36] Private contracting for PSI services was introduced in most SSA countries in the 1990s to address revenue and corruption concerns, through assessment of value, classification and origin in the exporting country. This system led to criticisms regarding its limited results, cost for traders and erosion of customs competencies. As a consequence, some countries discontinued these services and inspection companies changed their business model to focus more on managing community-based networks and transferring skills to customs (Zake 2011).

[37] The scanners were installed at the port of Conakry for security purposes in 2006.

[38] Transit to Mali through the port of Conakry had increased during the conflict in Cote d'Ivoire, but has dropped since the situation improved. The road to Mali is in a poor condition and is also made more difficult by the mountainous terrain it goes through in central Guinea. Transit with Sierra Leone was blocked by a bilateral convention between the two countries' customs in 2012, reportedly over concerns of smuggling to Guinea from the port of Freetown as prices increased at the port of Conakry.

3.12 Customs seem to privilege cargo tracking and tracing by GPS instead of establishing a complex guarantee system; also, joint border posts do not seem to be a priority for the Guinean Customs, as most of their staff is based in Conakry and cannot be re-deployed at borders or at inland locations lacking adequate housing and schooling facilities. There is no Single Window and no facilitation of customs procedures for trustworthy operators ("green lane") is in place. Guinean Customs use ASYCUDA ++[39] and plan to migrate very soon to ASYCUDA World but only three Customs offices are connected through ASYCUDA: Conakry, Pamelap (with Sierra Leone) and Kourémalé (with Mali).

3.13 In terms of measures to facilitate trade with the neighboring countries the main priorities of Customs[40] seem to be directed to:

- equipping the border crossing at Sambailo between Guinea, Guinea Bissau and Senegal, where traffic from Gambia and Mauritania is also converging and where the revenues are 6-10 Billion GNF/year (automation, weighing station, scanner);
- interconnecting the computer systems at (sub)regional level;
- building areas for Customs clearance at borders and at inland locations;
- building infrastructure and facilities at (the main) border crossings. Besides Kourémalé (with Mali) other important border posts (for international road transport) are Piné (with Cote d'Ivoire), Diecke (with Liberia) and Nongoa (with Sierra Leone).

e) ***Poor implementation and control of exemptions:*** Previous analyses have highlighted the high losses of customs revenue due to duties and tax exemptions (GNF 1,472 billion between January and September 2013) and the lack of security and centralized monitoring for the use in Asycuda of around 200 additional codes to grant various types of exemptions (Deloitte 2014). Various advantages and exemptions are granted by different ministries to certain products and companies, with an apparent lack of supervision. Anomalies were also reported in the treatment by customs of some large import transactions under preferential regimes, notably the agreement in place with Morocco. Paradoxically, some forwarders complained about heavy procedures and practical difficulties to be granted exemptions for entitled clients, notably in the mining sector. Likewise, obtaining duty free entry under the ETLS scheme for accredited products remains complex, as requests to apply the convention must be sent to the Director General of customs for each transaction. While customs clearance can already take 3 to 4 days on a regular basis, obtaining ETLS status can add another week to the process. For instance, a large company importing products for the Guinean market from its sister company in Ghana explained that the authorization by customs to import under the ETLS cannot be obtained in advance from Tema and that goods have to wait at the port in Conakry after arrival, resulting in delays and demurrage charges that reduce the attractiveness of duty free import. Moreover, basic local staple food should benefit from the ETLS without having to prove their origin, but customs officers at borders are often unaware of this rule or unwilling to apply it.

f) ***Excessive centralization:*** The DGD is very hierarchical and customs procedures remain highly centralized, with a limited number of individuals retaining control over most operations. Several common requests, such as requests for temporary release or duty exemptions, are channeled to the level of the Director General and there are limited delegations of signature, which is problematic given current trade volumes.

3.14 **The efficiency of customs in Guinea has also been undermined by the limited progress made so far with the automation of operations**. The introduction of Asycuda ++ in 2007 has

[39]The Customs office in Conakry processes about 50,000 documents/year in ASYCUDA.
[40]According to interviews in October 2012 with Customs management.

considerably simplified procedures and reduced clearance time to 4 days, from 14 previously (WTO 2011). However, the extent of automation and use of Asycuda's more advanced functionalities has remained limited, and hard copies are still required for all procedures. Beside Conakry, only the main customs offices at land borders are computerized (e.g. Pamelap, Kouremale), although they represent a majority of trade flows. There is no automatic data exchange between them and the central administration in Conakry, meaning that cross-border trade by land with countries such as Guinea-Bissau, Cote d'Ivoire and Senegal is largely excluded from official trade data.[41] The DGD gets some information about revenue collected at non-computerized borders, but no breakdown by product (customs clearance is granted on a weight basis at land borders). In practice, even offices equipped with Asycuda frequently have to process transactions manually due to unreliable power supply and equipment. In Conakry, substandard installations and poor physical security of servers jeopardizes the integrity of customs data.

3.15 **Another important aspect related to Guinea's trade integration is that of regional cooperation in customs.** Solid customs cooperation is essential to enable the benefits from regional integration processes such as the ECOWAS to materialize. The most visible development in this regard is the construction in 2012 of a joint border post (JBP) at Pamélap at the border with Sierra Leone, with EU funding.[42] The infrastructure, which is supposed to house customs and other border management agencies of the two countries, has been built, but it is still only occupied by the Sierra Leonean administration. Moreover, the harmonization of procedures and opening hours for joint controls, as well as interconnection of customs system has not been realized, undermining the capacity of the JBP to facilitate trade. While the DGD has mentioned projects of interconnection with neighboring countries, no concrete steps to this effect seem to have been taken yet.

3.4. Moving forward with customs modernization in Guinea

3.16 **Guinean customs are affected by deep-rooted issues and are in urgent need of reform, a necessity which has been acknowledged by the authorities**. The modernization of customs is explicitly included as an objective of the 2013-2015 Poverty Reduction Strategy Paper adopted by the Government (Republic of Guinea 2013). A first strategic plan was also established by the DGD for the period 2010-2012, which detailed the essential domains for customs reforms, from the reorganization of the administration, modernization of procedures and development of human resources to the facilitation of trade and transit.[43] Unfortunately, the implementation of this plan was hampered by the lack of formal action plan and clear implementation arrangements, but the authorities have renewed their commitment to reform. Achievements to date include a positive amendment of the customs tariff in 2013, a new organizational chart for the DGD and an ongoing revision of the customs code. A Reform Committee is in charge of steering the modernization process, but its members do not meet every week as planned and are often caught in daily operations. Annual Action Plans are prepared by the Committee, but it is unclear what resources are dedicated to its implementation and monitoring. For instance, the Action Plan for 2014 contains 53 measures concerning several important dimensions of reforms (e.g. HR management and training, modernization of clearance and transit procedures, fight against fraud, trade facilitation, etc.) with an ambitious timeline, but implementation seems to have been limited at mid-year. In all cases, and given the large extent of the needed reforms, the modernization program will have to adopt a realistic timeline and an adequate sequencing of measures, initially focusing on essential priority actions. It will also require a sufficient resources and stable implementation arrangements.

[41] A test phase was piloted in early 2014 to connect some offices to the central customs administration, with AfDB support. This project also includes the migration to the World version of Asycuda.
[42] Another JBP at Kourémalé at the border between Guinea and Mali is also planned.
[43] See: http://www.douanesguinee.gov.gn/planstrat.html

Moreover, although serious efforts at modernizing customs would benefit the economy as a whole in Guinea, it would also likely create losers among the actors benefiting from the current arrangement. This reinforces the need for strong political commitment at the highest level.

3.17 **The Guinean authorities' efforts to modernize customs will benefit from support from development partners.** Several organizations, such as the AfDB, AFRITAC West, EU and WCO, have been providing technical assistance and financial resources for customs projects in recent years. For instance, AFRITAC West has conducted five technical assistance missions in Guinea between 2011 and 2013. The AfDB conducted a large training program in 2014, and bilateral programs to train agents in France and Morocco are in place. Furthermore, the EU is preparing a multi-year assistance program on public finance reform (PARFIP, 2015-2017), which will include a customs pillar. Following the audit carried out in early 2014, this pillar will notably provide support to strengthen human resources management, as well as to develop risk management and customer segmentation. In the coming years, resources should also be made available to developing countries to implement the provisions of the WTO's Trade Facilitation Agreement, which Guinea should leverage for its own program of reforms.

3.18 **Beside the strengthening of the customs administration itself, it will be essential to include trade facilitation and the promotion of regional linkages as key objectives of the reform**s. Based on the diagnostic above and in line with the broader message of this report, three main and complementary pillars are suggested to ensure customs modernization efforts reinforce Guinea's trade integration:

(i) ***Strengthen the customs administration:*** This concerns several aspects, such as the rationalization of human resource management, the review of procedures and their decentralization and the development of information systems. Specific objectives should include the reduction of arbitrariness and opacity in customs processes; the review of the PSI scheme with a view to reduce the burden for shippers and strengthen customs' capacity for valuation and classification; the better use of risk management and strengthening of the unit in charge of selectivity and risk; the simplification and improved control of exemptions; the strengthening of external and internal controls; the development of HR management and training; the progress with automation and interface of all customs offices; etc.[44]

(ii) ***Promote trade facilitation:*** It is important to ensure that the revenue collection function of customs, which is currently dominant, be balanced with the objectives to facilitate trade and integration, as well as to strengthen controls and fight against fraud. This supposes an evolution of the mindset of the administration and its agents to support and partner with the private sector, in parallel to the modernization of procedures. It will also require the gradual improvement of the skills level and professionalism of customs staff, as well as an adequate mix of positive and negative incentives to improve governance and ethics. Provided these conditions are met, trade facilitation measures could include the progressive development of risk management capacity to reduce and improve the efficiency of controls; the introduction of schemes to reward compliance (e.g. pilot Authorized Economic Operators scheme, which was included in the 2010-2012 strategic plan adopted by customs); the introduction of import declaration prior to arrival (at least of some goods such as dangerous, perishable and frozen products); the provision of clear, comprehensive and up-to-date information on trade regulations and procedures through a Trade Information Web-portal; the streamlining of procedures by different agencies and payment through a Single Window (Box 4); etc.

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[44] The recent audit of customs supported by the EU includes a number of short term activities to address weaknesses identified at some of these levels and to create solid basis for longer term modernization in the context of the PARFIP.

(iii) Develop regional linkages: Customs modernization at the national level should be accompanied by a renewed commitment to promote regional trade integration and transit, which is an explicit objective of both the PRSP and 2010-2012 strategic plan of customs. In this regard, reforms are needed to better implement the customs-related aspects of regional integration processes in which Guinea is participating, including to facilitate the use of the ECOWAS Trade liberalization Scheme (ETLS) and Inter-State Road Transit (ISRT) convention. Efforts should also be undertaken to achieve effective interconnection of customs systems with neighboring countries and to harmonize procedures, as a prerequisite to the operationalization of Joint Border Posts. Measures to facilitate and better monitor the large informal small-scale cross-border trade flows, notably of food products, between Guinea all its neighbors, which constitute a large part of regional trade flows (FEWS Net 2013), would also be useful.

3.19 The recommendations included in the Action Matrix of this DTIS update do not cover all dimensions for which reforms are needed, as several issues are addressed by existing or planned programs. They rather put the emphasis selected measures needed to enhance customs' contribution to Guinea's trade integration and competitiveness. Strengthening the management of human resources and general skills level of customs staff is included as a high priority, as this conditions success for other reforms.

Box 4. Port Single Windows, the example of Benin

The introduction of a single window at the port can represent an important step forward for trade facilitation. In Benin, the port single window (PSW) was developed by BIVAC in partnership with SOGET, a firm specialized in port community systems, and with strong backing from the Government. It was rolled out in 2011 and is managed by a public-private concession company, with around 20 staffs. The online system is designed to connect on a centralized platform all stakeholders involved in trade operations, private (importers, exporters, customs brokers, freight forwarders, transporters, banks, etc.) and public (customs, port authority, ministries and government agencies, etc.). These actors can use the single window to provide and access the required information and documents, make decisions and pay all duties/fees, expediting, securing and improving the transparency of trade-related processes. Along with other procedural changes, the PSW is deemed to have contributed to a significant decrease of dwell time in the port. In May 2013, the International Association of Ports and Harbors (IAPH) awarded Benin a prize for having facilitated trade through the single window.

Guinea could benefit from the introduction of a PSW. Guinea has manifested its interest for this type of tool, although no specific timeline or financing source has been developed so far.

The adoption of a PSW has implications for customs and it is important to guarantee full compatibility between the two systems. In the case of Benin for instance, the interface for data exchange between the PSW and customs' ASYCUDA is still limited. Audit missions noted that the fact that some features were not supported by the single window or worked differently than in ASYCUDA has had a negative impact on certain customs procedures.

Source: SEGUB (http://www.segub.bj), Bureau Veritas (2013), audit reports

Chapter 4. Streamlining transport for trade

4.1. Introduction

4.1 **Transport is important for Guinea and its neighbors**. The port of Conakry is the natural gate to the Atlantic Ocean for landlocked Mali, compared to other competing routes. **Yet, infrastructure is in poor condition and transport services are far from acceptable quality standards.** Conakry is facing competition from other ports in the region and the actual volume of transit does not live up to its potential.

4.2 **Mining boom will be a game changer** with ports, railways and roads needed to export the ores. **Technical assistance from international donors as well as the prospects for development related to the mineral resources of the country created a momentum for reform in transport area including services**. For example the major mining companies present in Guinea will need transport services at corporate standards, notably in terms of quality of service and safety. There is a stringent need that Guinean public and private stakeholders make efforts in implementing measures that would reform the transport industry and prepare their transport operators for improved access to international markets. Considering the potential benefits, it is highly probable that transport operators (notably road carriers) will make efforts to comply with these requirements.

4.1.1. Institutional organization

4.3 **The transport sector supervision has been recently overhauled:** in January 2014, the Ministry of Transport (MT) has been established formally as an independent ministry after years of having been part of the Ministry of Public Works (MPW). Road infrastructure remained under the responsibility of the MPW after this recent reorganization. All the other aspects of transport are managed by the MT: it is responsible for issuing, implementing and enforcing transport rules and regulations. Such an organization is rather common in Africa and in the world, with success depending on clear definition of roles so as to avoid overlapping competencies and consequent fight for supremacy. For Guinea it is too early to assess the efficiency and effectiveness of this independent functioning.

4.4 **The strategic documents of the sector are the National Transport Plan (NTP) adopted in 2002 and the Road Sector Plan (PSR), adopted in 2005**. The NTP was comprehensive but not implemented; when some actions were taken, they were not chosen according to priority ranking. The PSR left aside a number of aspects that are vital to trucking such as transport documents (*titres de transport*) or the professionalization of the road transport industry and recognition of the role of trade unions.

4.5 In 2012, the EU funded a political and strategic document on transport on a five years horizon, based on an assessment of the existing situation and on resources (public and private) that can be mobilized on short term. The EU has allocated 83 million EUR to the transport sector, shared between the two ministries: 63 million EUR to the MPW for a trunk road to Guinée Forestière, and 23 million EUR to the MT for institutional support, to be provided by two experts who are expected to start in the last trimester 2014.[45]

[45] This chapter is largely based on the findings of the EU final report delivered in November 2012, and on specific information gathered by a World Bank team during a mission in October 2012.

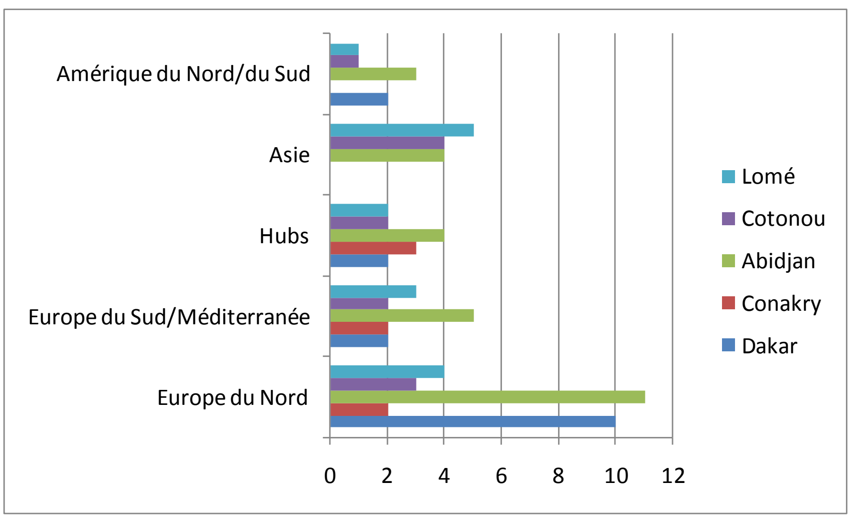
4.2 Conakry port

4.6 **Conakry port is the country's main gateway**, the source of 45 per cent of total fiscal revenues and 98 per cent of Customs revenues. Port-related companies created around 10,000 jobs and pay annually GNF 250 billion in fiscal charges. **However, Conakry port is handicapped by its physical constraints and management flaws**, while competition in the region for maritime traffic and transit is rising.

Regional context

4.7 **West Africa is a booming region** that received 3 millions of containers in 2011. Most big players in the sector are present in its ports with 392 ships belonging to thirty owners; most are container ships (71%) with capacity ranging from 1000 to 6000 twenty foot equivalent unit (TEU) and the rest are Multipurpose and Ro-Ro, with few Reefers. In the region, the ports that are most active are Abidjan and Dakar, that are endowed with the best physical situation in terms of channel depth and quay length (Figure 51). A draught of 12.5 meters is currently seen as a minimum according to ship-owners surveyed in 38 ports of 21 West African countries[46] and the ideal draught would be 14.5 meters in the future.

Figure 51. Number of shipping lines calling at the container terminal at Conakry and competitor ports, by origin



[46] Etude de marché sur les terminaux conteneurs d'Afrique de l'Ouest et du Centre, financée par l'Agence Française de Développement, Rapport final – MLTC/CATRAM – 15/01/13

4.2.1. Infrastructure of Conakry port

4.8 At present, Conakry port has a smaller draught (10.5 meters) than other ports in the region - maintained through frequent dredging - and below the regional average of 11,5 meters (

4.9 Table 7.) The quay length is also shorter. Hence, standard vessels cannot enter in Conakry. Under the convention for the Container terminal, the State must lengthen and deepen the access channel to 13.5 meters, at an estimated cost of 70 to 97 million USD.

4.10 **The port's maritime and land zones are not clearly delimited.** Not all land accesses to the port are closed with a barrier. The commercial port shares space with the navy, a fishing port, some industries and worshipping places. The port lacks adequate lightening which would allow activities 24 hours a day. There is no adequate equipment in case of fire at the oil terminal, nor protection against pollution in the air and in the sea. **The maritime zone is not secured**. The creation of a sea rescue service is planned with the cooperation of the IMO as well as Coastguards[47].

Table 7. Characteristics of container terminal in various West African Ports

Ports	Quay length (m)	Channel depth (m)
Conakry	270	10.5
Lomé	430	11.0
Abidjan	1 000	11.5
Dakar	660	13.0
Cotonou	540	13.5

Source: Etude de marché sur les terminaux conteneurs d'Afrique de l'Ouest et du Centre, financée par l'Agence Française de Développement, Rapport final – MLTC/CATRAM – 15/01/13

Container terminal

4.11 The container terminal was attributed in BOT to Bolloré Africa Logistics in March 2011. The terminal capacity will be increased in three steps between 2011 and 2036. Total investment is projected to reach €500 million at the end of the three phases, out of which €140 million should be spent before 2013 for the railway equipment and cranes of the dry port (see below). The cargo is projected to grow from 115'500 TEU in 2010, to 480'000 in 2013, 720'000 in 2026 and 1 million TEU in 2036. Bolloré is also a consignee, and as such, in competition with other consignees.

4.12 **The port is congested**. Occupancy rate is above 70% for all berths but two (Table 8), resulting in high demurrage charges for ships waiting to dock. **The port is within the city, resulting in huge traffic jams**. The entrance of the Container terminal is close to the offices of the Presidency, ministries and a residential area. There is no traffic master plan, nor priority rules in the access to port. There is no parking areas for trucks outside the port, hence all trucks enter and wait within the port's premises. As there is no dedicated road for the port traffic, trucks may only enter or leave the port between 10-16 and 19-6 am. **Only half of the trucks operating within the port are in proper state of maintenance** and owned by formal operators. Every day about 500 vehicles run around the port and they would take goods only to 30-35 km distance. This does not only prove inefficiency but is also blocking access to the port and results in congestion of the city and its suburbs. Meanwhile, the access to the Container terminal is restricted to specially equipped trucks. This measure could be extended to the rest of the port, in order to professionalize the transport

[47] Security audits of the ISPS code International Ship and Port Security (Code pour la sûreté des navires et des ports) are performed by the US coastguards in the ports of Conakry and Kamsar.

companies. The Port authority could also consider establishing a system of appointment for trucks, following the successful exemple at the port of Cotonou.

Table 8. Occupation rates of berths at the port of Conakry, between 2000 and 2011

Berth	Traffic	Occupancy rate (%)	
		2000	2001
Berth 00	Alumina, sodium	77	73
Berth 01	Clinkers, cements misc.	61	84
Berth 02	Misc./Ro-ro	27	71
Berth 03	Misc./Ro-ro	27	68
Berth 04	Misc.	37	71
Berth 07	Trawlers/misc.	na	79
Berth 08	Bauxite	78	75
Berth 09	Trawlers/misc.	38	65
Berth 10	Containers/Ro-ro	41	83
Berth 11	Fuel	31	36

Source: PNT, 2000 and PAC 2011

4.13 **The port suffers from managerial problems.** Ships on docks are invaded by non authorized persons and services. Ships are not treated under a first come-first served rule because of influential interferences from outside the PAC and the idle time between two ships at quay is long. Goods are too often removed "sous-palan" at quay, and thus go at this stage under the responsibility of the handler, instead of in the port's warehouses. The latter are also congested, as the PAC is renting them as storage facilities. Cargo spend too much time in the port, because of lax rules and low penalty fees. There is no traffic master plan in the port, despite numerous and sometimes overlapping controls; in the bulk terminal, trucks slalom between imported cars that are parked there.

4.14 **The port is costly and procedures are cumbersome.** Excluding tariffs and taxes paid outside the port, an importer must first pay 1,330 USD for a 20 feet container (2'080 USD for a 40 feet container) and 216 USD for a car. The shares going to each stakeholder are given in Table 9. To this must be added a refundable garantee of USD 570 per container and possibly, stay fees if the good does not exit within the 10 days of charge-free period. A VAT rate of 18 percent is still applied on foreign ships despite the General Tax Code setting it at a 0 rate. In addition, there are informal payments, which could reach 85 USD per unit. The total amount is approx. 2’000 USD for a 20 feet container. **As much as 10 operators intervene in the port and ask for payments in 11 different locations** (Table 10). This heavy array of procedures and intervening services result in further delay and informal payments. Custom clearance must be made in the port because of lack of facility outside the port. Within the port, the number of payment windows and the length of the procedures put in place by the Central Bank (BCRG) are sub-optimal. The contractual delay of 48 hours for the delivery of inspection certificate is seldom verified. **Conarky port has yet no Single Window,** a powerful instrument in order to speed up processes (see chapter 3). It seems that the Port Authority and Bolloré are in competition, each willing to house and establish the Single window

Table 9. Exit costs out of Conakry port

Designation	Container 20'	Container 40'	Hiace vehicle
total amount USD	1 330	2 080	216
Share by player (%)			
Carrier	25.18	28.23	0
Bivac (VERITAS)	19.47	12.48	0
Freight forwarder	18.88	20.17	13.13
Handler	14.68	16.29	54.62
Consignee	8.37	9.12	29.7
Port authority	7.99	10.23	2.55
Other	2.9	1.86	0
Bank	2.53	1.62	0
Total	100	100	100

Source: Rapport sur la problématique de la cherté du Port de Conakry, mai 2012

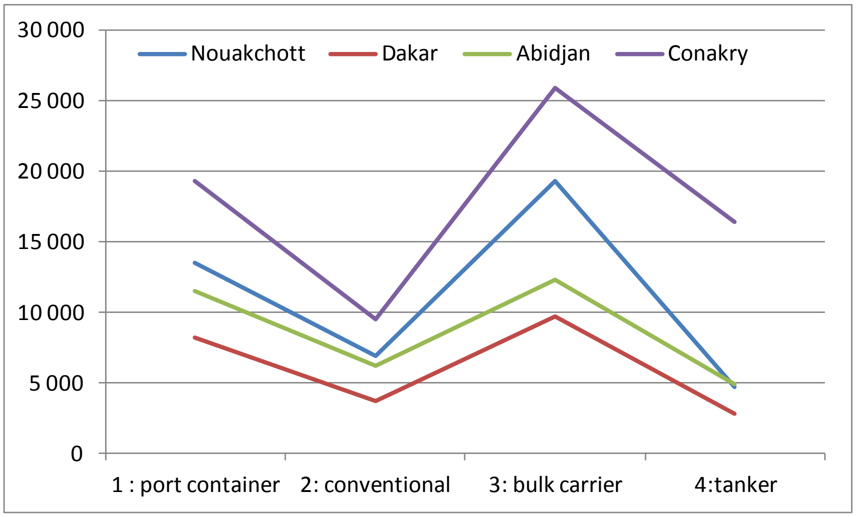
Table 10. Players intervening in the post-transport phase at the port of Conakry

	Ship	Cargo
1	consignee	consignee
2	handling company	handling company
3	port authorities	port authorities
4	shipping agent	Veritas
5		Société navale Guinéenne
6		Office Guinéen des Chargeurs
7		Direction nationale Marine Marchande
8		ATPMS/ Direction Nationale Marine Marchande
9		Banks/Insurance
10		Customs
Payment points		
	Ship*	**Cargo**
	maritime Customs Brigade	Customs (land brigade terrestre, mobile brigade)
	Port Police	Quality control (packaging)
	Maritime & insurance specialist	veterinary control
	Port Pilotes	Phytosanitary control
	Port health services	
	Security	
	Waste	

Source: Rapport sur la problématique de la cherté du Port de Conakry, mai 2012
Note All payments made to these structures are summarized in a single document called Call Cost Summary, which must be signed off by each of the players, and then sent to the shipowner by his agent. The major part in the call cost amountis represented by fees collected on the cargo (34 to 78%) which go to the budgets of the Guinean companies and administrations (SNG, DNMM, OGC etc)

4.15 **As a result, Conakry is the most expensive port in the region.** Port charges in Conakry are higher than other West-African ports, for all types of vessels (Figure 52). However, competition between ports in West Africa also depends on other factors such as road and railways that connect to ports, in which Guinea is not well placed either.[48]

Figure 52. Comparison between call costs in West Africa (USD)



Source: Etude des coûts de passage portuaire à Nouakchott Rapport final – INECOR – Mai 2011
Note: The costs of calls included here correspond to the total amount of services provided to ships (pilotage, towage and mooring) and port fees charged to vessels (excluding cargo handling services onboard ships). These costs of vessels' calls (included by shipowners in the rates for maritime transport of goods) are billed by the port authority, except the towing service provided by a private operator in Dakar and Abidjan.
Vessel 1 (port container): 22,000 DWT deadweight, 19,700 GRT gross tonnage, 42,400 m3 of volume, 184 m long and 24.5 m wide. Call reflects an assumed cargo of 3,400 tons with one day port dwell time and two tugs per operation.
Vessel 3 (conventional): 16,200 DWT deadweight, 10,000 GRT gross tonnage, 24,800 m3 of volume, 137 m long and 23 m wide. Call reflects an assumed cargo of 4,000 tons with one day port dwell time and one tug per operation
Vessel 3 (bulk carrier): 23,500 DWT deadweight, 15,500 GRT gross tonnage, 34,600 m3 of volume, 164 m long and 24 m wide. Call reflects an assumed cargo of 22,000 tons with four days port dwell time and two tugs per operation.
Vessel 4 (tanker): 7,900 DWT deadweight, 5,360 GRT gross tonnage, 13,900 m3 of volume, 109 m long and 18 m wide. Call reflects an assumed cargo of 5,600 tons with two days port dwell time and one tug per operation.

4.2.2. The dry port project at Kagbelen

4.16 **The PAC is planning to build a facility at Kagbelen**, 36 kilometers from Conakry. The facility will include an industrial zone, a logistic zone and a dry port. Bolloré has a container terminal in the dry port. Intermodal connectivity with the port will use the SNCFG railway once rehabilitated. The manager of the container terminal is contractually committed to deliver the containers to the dry port, after having bought the transport equipment. However, under the same contract, the Government is responsible for the 36 kilometers railway, at a cost of USD 139 millions but has not been able to secure funding so far.

4.17 **Dry ports have been put in place in other countries** (Box 5). Indeed, re-loading shipments at the dry port entail additional cost but this will be largely compensated by positive externalities, such as

[48] Etude de marché sur les terminaux conteneurs d'Afrique de l'Ouest et du Centre, financée par l'Agence Française de Développement, Rapport final – MLTC/CATRAM – 15/01/13

closeness to the clients, improved security, reduced dwell time at the port, better conditions in terms of responsibility for exporters and importers or one-stop-shop services.

4.18 **The dry port will decisively contribute in reducing congestion at the Port of Conakry**. It must be accompanied by strict rules on parking near the warehouses in the port and in Kagbelen, as well as in the main markets: Madina (which receives 80% of the container traffic), Matoto and Matam; the development of logistic platforms inland which would transfer shipments from large trucks to lighter utility vehicles before distributing them in the city.

Box 5. The example of Kenya's dry ports

Kenya Ports Authority (KPA) owns and operates two Inland Container Depots (ICDs) in Nairobi and Kisumu of a throughput capacity of respectively 180'000 and 15'000 TEU per annum. These dry ports are linked by rail with Mombasa Port and bring port services closer to shippers in the hinterland through specialized rail-tainer service as well as decongesting the port of Mombasa.

Both facilities have the capacity to handle both containerized and loose cargo and both of them provide a large array of services like stripping, stuffing, weighing, storage and cleaning of containers, cargo documentation or hire of labor and equipment.

The ICDs operate on a 24 hour schedule and Kenyan Government agencies like Revenue Authority, Bureau of Standards, Plant Health Inspectorate Services, Veterinary Department and Port Health are also located within the depots to ensure faster documentation processing.

Over the years, the depots have experienced considerable growth in throughput. However the last 10 years or so have seen the percentage of cargo transported from the port of Mombasa by train drop from 30 per cent to under five per cent due to a dilapidated railway infrastructure thus heavy reliance on road transport. For example only 20 per cent of the Nairobi facility is utilized; it receives an average of 34 containers daily translating to about 13,000 containers annually. Machinery and infrastructure have been under-utilized over the years due to a sharp drop in preference on rail networks as a means of shipping cargo by farmers, manufacturers and logistic firms.

Recently KPA embarked on an ambitious program to refurbish and increase capacity at the two dry ports to cater for the increasing cargo volumes to the region, expected as a consequence of the Government decision to build a new standard gauge railway (SGR) that will increase transit cargo and will drastically cut the cost of doing business in East and Central Africa.

Source: various media information, 2013-2014; Kenya Ports Authority at www.kpa.co.ke

4.3. Roads

4.3.1. Road transport infrastructure

4.19 **There is presently in Guinea no alternative to roads for inland transport of men and non mineral products.** Roads network in Guinea amounts to 43'493 kilometers out of which 7'000 km are national roads, 15'513 km prefectural and 20'980 km village roads.[49] The density of national roads is 2.90 kilometers per 100 km^2 or 1 km per 1'000 inhabitants, below the African average (6.84 km/100 km²) which is already under the average in Latin America (12 km/100 km²) and Asia (18 km/100 km²).

[49]« Impact des réseaux de transports sur le commerce et le tourisme », présentation à la réunion de l'Organisation de la Conférence Islamique, Conakry, septembre 2011

4.20 **The Governement has included 1'600 km of roads projects in the PSR**. Top priorities are the roads crossing Guinea and connecting to neighboring countries, such as (Map 1):

- Mali Kankan – Siguiri - Kourémalé;
- Sierra-Leone: Labé – Sériba - Madina Gounass and Coyah – Farmoriah – Pamélap
- Guinea-Bissau: Boké - Québo;
- Mali and Liberia: Kankan – Kérouané – Beyla - N'Zérékoré – Yomou.

4.21 **Despite initial political commitment and support from international donors, only 35per cent of the length planned in the PSR was materialized by end 2012**. In addition, existing national roads were not properly maintained and this resulted in a dramatic worsening in their status and quality of service (Table 3). According to FTO, an employers' organization in road transport services, about 20% of Guinea's agricultural products are lost because of lack of adequate transport.[50]

Table 11. Condition of national roads, 2004 and 2012

condition	2004	Early 2012
asphalted roads		
good	35%	25%
average	34%	27%
bad	31%	48%
dirt roads		
good	5%	1%
average	28%	15%
bad	67%	84%

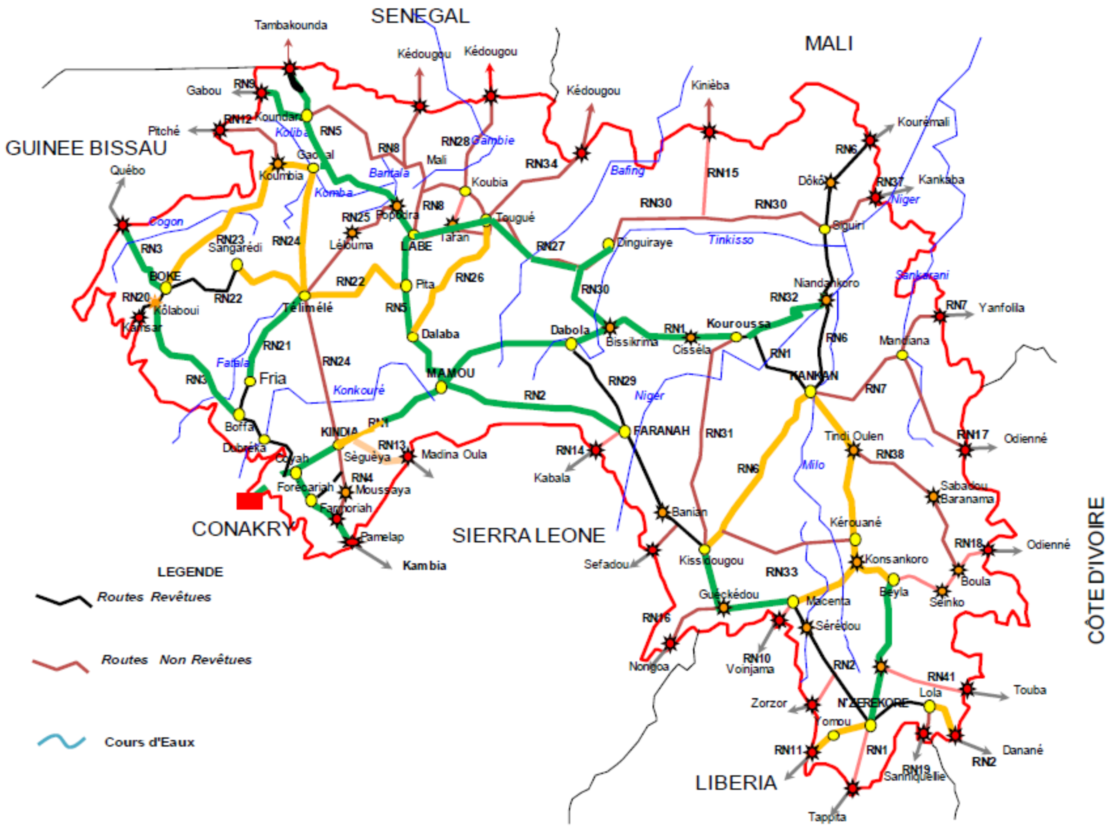
Source: Etude diagnostique des transports en République de Guinée et préparation d'un document de politique et de stratégie sectorielle », November 2012
Note: the status of roads is based on the pavement roughness, generally defined as an expression of irregularities in the pavement surface that adversely affect the ride quality of a vehicle and consequently vehicle delay costs, fuel consumption and maintenance costs.

4.22 **Hence, the government has revised its priorities, with an end-date of 2017 (Map 1), focusing on corridors to the neighboring countries and leading to mining zones**. Taking into account the focus given by the Guinean Government to exchanges with Mali, it is surprising to see that the section between Nandankoro and Kourémalé is not reflected as a priority anymore.

4.23 **The development of the mining sector can be a game changer also concerning roads infrastructure.** For instance, the investment framework with Rio Tinto for the Simandou project includes the rehabilitation of service roads that will be used during the construction of the railway. Rio Tinto plans to rehabilitate about 972 kilometers of existing roads and builds new roads (e.g. a 131 km road between Beyla and N'Zérékoré) to facilitate the movement of building materials and equipment and to link the existing roads to the construction sites. These roads pass along populated areas, on a north-south axis, to the frontier with Liberia and Sierra-Leone.

[50] The reasons are not only roads but also the lack of refrigerated trucks and controlled temperature warehouses.

Map 1. Projects for the period 2013-2017



Source: Etude diagnostique des transports en République de Guinée et préparation d'un document de politique et de stratégie sectorielle », November 2012
Note: undergoing projects (in green) and under study (in yellow)

4.3.2. Road transport services

4.24 **Despite progress in specialized types of transport (hydrocarbon, cyanides and other dangerous products), transport services in Guinea are mostly provided by small informal operators** with low level of skills operating on obsolete vehicles. Entities such as trade unions perform without proper competencies and authorization activities such as freight forwarding, managing and operating terminals (*gares routières*) and even insurance activities. The few formal operators (mainly SMEs) are affected by financial and operational degradation. **Small carriers cannot renew their trucks** because they cannot afford getting loans at the current level of interest rates (as high as 23 percent). Moreover, the lack of mandatory regular technical inspection leads to poor technical performance of vehicles (frequent breakdowns, pollution), lack of reliability of carriers because of unexpected delays and danger on the roads. In addition, Guinean trucks are banned from entering Mali and Senegal because they lack technical inspection certificates. Despite Guinea being a member of OHADA, there is no transport contract in the national legislation.

4.25 By contrast, the transport of "non-conventional" (dangerous) goods such as oil products and "cyano group" substances used for gold processing appears to be reasonably well organized, according to FTO[51] . It is performed according to international laws (ADR, HSE) and practices by vehicles that are monitored through GPS. Operators are trained by an international adviser, by means of mobile equipment coming to Guinea regularly. The two big international companies (Shell and Total) train their staff on the transport of dangerous goods.

4.26 **Regarding transport of conventional goods, however, there is no connection between demand and supply through a platform** where goods' owners would have direct contacts with providers of transport services ("bourse de fret"); hence, operators struggle in finding cargo except in peak period during harvest. Under a recent grant, the EU has included the establishment of such a "bourse de fret routier" as one of the aspects to be studied under the technical assistance offered by the EU to the Ministry of Transport. Ideally at least l'Office Guinéen des Chargeurs (OGC), the Chambre de Commerce as well as the professional association of road transport operators (FTO) should be involved in such an initiative, with special attention to avoiding possible re-instauration of the « tour de rôle » system (an informal queuing system which allocates freight to transporters affiliated in an association; it is not completely clear if this system was abolished in Guinea)[52].

4.27 **The uneven quality of roads** also results in significant unbalances in ensuring transport services: there is over-supply on rehabilitated roads and dramatic lack of transport offer on the bad roads. Alternatively, for the bad roads, carriers increase the transport prices far beyond clients' affordability, in order to compensate the negative effects on their operations and vehicles.

4.28 The PSR wanted to increase the attractiveness of the Guinean corridor to Mali and improve the road transport services, with actions such that: (i) establishing a register of transport operators (for both freight and passengers); (ii) adopting a law on the profession of road transport operators covering the access to the profession and to the market as well as the modalities of enforcement by the public authorities; (iii) preparing a project on road safety including the technical inspections of the vehicles. The access to the profession of road transport operators was reformed by a decree in 2005, requiring the operators to be registered. However the effectiveness of this measure cannot be assessed because there are no reliable data available on the number of operators

4.29 **The Government wants to stimulate the creation of "cooperative de transport"** grouping several carriers of the one-man-one-truck type, in order to formalize the industry and help them evolve into small and medium size enterprises. Other actions planned by the MT are

- the computerization of the transport system, notably the management of documents such as driving licenses, consignment notes, car registration documents, and transport authorizations. This will be part of the TA provided by the EU.
- normalizing and organizing the road transport operators;
- setting a comprehensive vehicle fleet renewal scheme. A positive recent development is the adoption of a Law allowing leasing; however, the implementation details are not yet defined;
- organizing the technical inspection of vehicles with the participation of private car handlers.

[51] The Federation of Transport Operators (FTO) is an association of road transport operators (passenger, freight, oil products) representing the employers, not the trade unions. FTO is a member of the International Road Transport Union (IRU) – Regional Committee for Africa.

[52] In a "tour de role", any truck is guaranteed to transport some freight even though it is not competitive. If there is oversupply, a trucker might be obliged to stop his truck for a long time; hence the system does not give any incentive to invest in a new truck and even foster corruption as the only way to increase volume is to bribe the bureau (Raballand, Gaël and Patricia Macchi, Transport prices and costs: the need to revisit donors' policies in transport in Africa, BREAD working paper 190, 2008)

- the creation of an entity coordinating road safety (know-how and equipments in the area of road signs, signals and markings).
- creating a training centre for transport carriers in Conakry (and if successful, also in Kankan, Labe and N'Zerekore at a later stage). The Government has attributed to the MT a lot of 100 ha at Kouria (about 50 km north of Conakry). The Ministry will establish the training centre there, as well as the structure for technical inspections of vehicles, group all second-hand car sellers, and organize the main passenger terminal of the capital. The MT intends to eventually establish there a mix of industrial park and logistics centre.

Recommandations

- build new roads and ensure proper maintenance of the existing ones.
- build capacity: good legislation and practices, assistance to the institutions that regulate and enforce, and training of all road transport stakeholders.;
- support the formal transport operators most of which are small businesses, with formalization and professionalization of the existing informal operators as an expected achievement. Examples of incentives may be the positive discrimination of formal and complying operators in the attribution of contracts of transport by State entities and dedicated access to the port.

4.4. Transit to Mali

4.30 **Guinea could be the natural gate to the Atlantic Ocean for landlocked Mali** as Conakry is the closest port from Bamako. Indeed, the PNT and the PSR foresaw for 2010 a potential transit of 650'000 tons to Mali using the Guinean corridor. Yet, the actual volume of transit to Mali remains extremely low (Table 12). It was only 57'000 tons in 2011, even lower than the 68'000 tons back in 2003. In 2012, only 200 containers transited from Conakry to Mali, out of a potential market estimated at 30'000 to 35'000 TEU per year[53].

Table 12. Distances between selected ports in West Africa and Bamako, and weight of transit to Mali

From port (country)	To Bamako	Transit to Mali
Dakar (Senegal)	1,340 km	60%
Conakry (Guinea)	900 km	5%
Abidjan (Côte d'Ivoire)	1,110 km	30%
Cotonou (Benin)	1,860 km	2%
Lomé (Togo)	1,780 km	3%
Nouakchott	1,451 km	N/A

Source: S. Camara, SNG, UNCTAD, 22-24/10/2013

4.31 **The PNT foresaw establishing a simplified control system for the vehicles carrying goods in transit to/from Mali** and for their load, facilitation through exemption of controls en route on the corridor and implementation of the Inter-State Road Transit system and its procedures. More specifically, the Government intended to (i) put in place a Monitoring Committee for the implementation and enforcement of the ISRT Convention (Box 6); (ii) prepare the criteria (such as vehicle standards) for authorization, the procedures for admission (and related training) and the documents (transport/guarantee document, consignment note) needed by the Guinean transport operators to participate in the ISRT.

[53] According to interviews in October 2012 with representatives of port operators and shipping companies.

Box 6. The Inter-State Road Transit Convention (ISRT)

The ECOWAS member states signed on 29 May 1982 in Cotonou, the Convention A / P4 / 5/82 on the Inter-State Road Transit of Goods (ISRT) supplemented by the Additional Convention A / SP1 / 5/90 on the establishment within the Community of a guarantee mechanism for the interstate road transit operations of goods), signed on May 30, 1990 in Banjul.

The philosophy of the new Convention on the Inter-State Road Transit (ISRT) is to promote the free flow of goods in transit within the Economic Community of the States of West Africa (ECOWAS). This Convention, which was signed in May 2012 and has been applied since 1 June, should be a legal instrument of sub-regional integration allowing both more fluid traffic conditions and streamline customs procedures.

Truckers holding an ISRT plate are normally not supposed to be stopped by authorities' agents, except in cases of clear infringement. Beyond the difficulties in implementing the Convention, dilapidated trucks provide an easy excuse for unwarranted controls in the name of road safety on the corridor. Besides issues related to governance and fleet management or the quality of personnel training, Guinean carriers also face significant operating expenses as a consequence of the poor state of the road linking Conakry to Bamako.

Instances of WAEMU also adopted the ISRT/ECOWAS mechanism. However, in practice, ISRT Convention has not been implemented satisfactorily because of the numerous constraints. Some of these are:

- the complexity of procedures and documents (transit declaration specific to each state, mandatory and expensive customs escort with a levy from 0.25 to 0.50% perceived by all national sureties, etc.);
- obsolescence of existing vehicle fleets that do not meet the requirements on sealing imposed by Customs for admission to the transit regime;
- a proliferation of administrative and customs controls on interstate road routes;
- lost time over the controls;
- high hidden costs;
- long waiting times at the border

To overcome these constraints, UEMOA and ECOWAS have developed a regional program for interstate transit and transport facilitation. This program focuses on the following priorities:

- simplification and harmonization of procedures and regulations governing road transport and transit;
- the establishment of joint control facilities at border crossings
- setting the Observatory of abnormal practices on interstate road axes

Source Sénégal Diagnostic Trade Integration Study (DTIS), 2013

4.32 At political level, Guinea and Mali has concluded a reasonably liberal bilateral transport agreement. Mali, represented by Entrepôts Maliens en Guinée (EMAGUI), operates for its transit a 2'500 sqm warehouse in the port and a lot of 5 ha at about 40 km from Conakry (Friguiadi in Coyah).[54] Goods in transit to Mali benefit from preferential treatment at the port of Conakry (a reduced VAT rate of

[54] There was also a private initiative led by GETMA, Société des Bauxites de Kindia (SBK), AMA (African Maritime Agencies) and the Port Authority, of an inland container depot for the transit to Mali, at Débélé, near Kindia, 800 kilometers from Bamako. 1.5 million USD has already been invested but the project has been suspended. The new EMAGUI warehouse opened by the Government of Mali still needs a connection to asphalted road (0.8 km) and railway (1.5 km).

0.5% instead of 3%) and faster process (max 48 hours). It was also decided that transport checkpoints (roadblocks) en route on the corridor shall also be eliminated but it seems that this practice is not completely discontinued. The transit to Mali are performed by truck convoys under Customs escort from the port of Conakry to the border post. The price of escort is about 60,000GNF/truck (approx. 9 USD) and is considered by EMAGUI the cheapest in the region.

4.33 **However the success of the Guinean corridor is impeded by the performance of several other factors** as well: the poor quality of infrastructure connecting the two countries, notably between Conakry and Kouroussa, the problems created by the urban accessibility to the port of Conakry, security threats and aspects related to procedures and the functioning of some of the institutions involved in transit. In 2011 Customs of Guinea and Mali met and identified priority measures that would boost trade along the corridor: interconnecting computer systems, electronic monitoring of transit cargo, scanning and a Single Window. **Yet the Monitoring Committee for the implementation and enforcement of the ISRT is still not in place today**; this lack of enforcement has a cascading effect: no maritime company set dedicated services for Mali because the shipping lines cannot monitor and manage their traffic beyond the port. It would be advisable to establish a Corridor Management Structure (Steering Committee, Task Force, Secretariat etc) grouping stakeholders from both countries and conclude a MoU for the development of the Guinea-Mali corridor. The MoU should cover both hard (infrastructure) and soft (services, ancillary equipment) aspects and it should contain concrete objectives to be achieved, important but few in number so that they are feasible

4.5. Railway transport

4.34 **Railway transport is gaining momentum in the region**. In Senegal, it represented 440,000 tons in 2010, out of which 52 percent were containerized.Rail is cheaped than road, by 30 percent in the case of the Dakar-Bamako route, not counting the higher exposure to stops and informal payments on the roads.

4.5.1 Railway infrastructure

4.35 Guinean railway network counts four major lines with a total length of 1,047 km (Map 2):

- the central line Conakry-Kankan, 662 km long, with narrow gauge (1000 mm). The line is obsolete (not even the tracks exist anymore) and its operation has been suspended long ago ;
- the line Conakry-Kindia, 105 km long, with normal gauge (1435 mm); it is rented out to Société de Bauxite de Kindia (SBK);
- the line Conakry-Fria, 144 km long, with narrow gauge (1000 mm); it is rented out to Friguia, for the exportation of alumine ;
- the line Kamsar-Sangarédi, 136 km long, with normal gauge (1435 mm); it is rented out to Compagnie des Bauxites de Guinée (CBG). [55]

[55] The three lines that have been granted in concessions to mining companies until 2011 have become since then, the lines have become the property of the Agence Nationale des Infrastructures Minières (ANAIM) which rent them to the same companies.

Map 2. Railways in Guinea

Source: Author, based on google maps

4.36 **The strategic objectives of railways sector should focus on the central line Conakry-Kankan**, notably on: (i) identifying mining-related opportunities to re-launch the line and (ii) keeping its public interest objective, notably in the first 38 kilometers (development of an urban metro and connection to a dry port). The government has discussed with mining companies about the rehabilitation of the Central line. The Société de Bauxite de Dabola-Tougué (SBDT), with Iranian capital, has agreed to rehabilitate 400 kilometers between Conakry and Dabola; Vale has also agreed to re-build the railway to Kankan. No investment has been made yet. **The government has also launched the preparation of the railway between the port and the dry port at Kagbelen**, 36 kilometers from Conakry, at the junction between routes going North to Guinea-Bissau and Senegal, route going East to Mali, Liberia and Ivory-Coast and route going South to Sierra Leone. Bollore Africa Logistics is in charge of the multimodal transport once the railway will be rehabilitated. The right of way for three tracks is in place (i.e. three parallel tracks corresponding to gauges of 1 m and 1.4 m on the same line) but more studies are needed, especially to be able to connect the railway with the port network.

4.37 **A recent initiative of the governments of Guinea and Mali has renewed interest on a railway between Conakry and Bamako**. This project must be studied carefully, waving all aspects related to security and market potential (reliability and frequency of transport) as the monetary and environmental cost is likely to be huge, because the railway would pass through mountain relief. The investment could take the form of a "negative concession" to a private entity, with an obligation of public service for the poor.

4.38 **Many mining projects entail railways construction**. Among them, the Simandou Fer (Simfer) project by Rio Tinto is the largest and the most advanced, with an investment in infrastructure estimated at a minimum of USD 7.35 billion (4 billion in the railway, 3 billion in the port and USD

350 millions in roads). The planned railway is a 670 km long single track between Simandou and Forecariah with 13 passing loops, at approx every 50 km. It has two tunnels (approx 20 and 5 km respectively) to be built by Rio Tinto without passenger features (ventilation, evacuation path etc); these will have to be financed by other entities. The tunnels will be built at about 120 km distance from Conakry. No alternative was considered at this time (transfer of passengers e.g. train-bus-train again after the tunnels). The conditions proposed by Rio Tinto to the Government are that within their 49% ownership Rio Tinto are guaranteed the transport for export of approx 250,000 tons/day (approx. 13 trains), or up to 100Mtons/year. The capacity of the railway will be developed in two stages, with ultimate rail expandability to 200 M tons/year of iron ore. According to Rio Tinto[56], they will allow on their line the traffic of passengers and "light freight" (to be defined what this means but most likely this means "no other ore"). The vehicles admitted on the line will have to be accepted by Rio Tinto (complying with their technical standards), in order to ensure the security and continuity of the line. Railway stations and other facilities are not yet designed or set in the project but the main hubs to be developed on the railway route are Beyla and Forécariah.

4.6. Other means of transport

4.6.1 Maritime transport

4.39 **There is no Guinean maritime transport services company**. GUINOMAR, a joint venture between the Republic of Guinea and a private Norwegian firm, which was created in the early 1980s for the transport of bauxite, has ceased activity in 2011. The SNG, a public enterprise, whose original purpose was maritime transport has turned instead to operations at the port. However, the SNG still gets the revenue of a tax levied on all international shipments made by maritime companies in Guinea. The levy was initially meant to be transitory and targeted to the purchase of ships by the SNG. The only achievement by SNG is the recent purchase of a ship (with a capacity of 100 places) for the transport of poor inhabitants along the coast. The social dimension of transport operated by the SNG is important. However, the Government might carry-on an analysis and decide what has the most impact on the country's economy: pushing away the traffic at the port of Conakry (by maintaining the high level of taxes/fees/levies including SNG) or continuing to cross-subsidize the transport of populations along the coast.

4.6.2 River transport

4.40 **Transport and artisanal fishing along Niger and Milo rivers are important for rural population in Haute Guinée.** River transport could also be used for exchanges of local agricultural products with Mali. Promoting this way of transport could be part of the strategy of poverty reduction. The PNT had planned a study on the potential of river transport on rivers Niger and Milo (following the rehabilitation of the Kankan-Bamako corridor) and on the rehabilitation of jetties but no concrete action was taken. Without proper maintenance, river beds have silted up and traffic has reduced and the jetties are decaying, even though studies made during the writing of the PNT and recent missions make clear the significance of transport and fishing activities around these fluvial ports. The Agence Nationale de Navigation Maritime (ANAM)[57] has overtaken feasibility studies, at different stages of completion, for the rehabilitation of jetties in Sorro (îles de Loos), Kanfarandé

[56] Presentation in October 2012

[57] ANAM is an autonomous entity reporting to the Ministry of Transport, with budget coming from the State and from duties levied on ship inspection or the management of small ports.

(Boké), Sandervalia (Conakry) and Kaback, Kakossa and Sangbon in Forécariah, as well as on the dredging and marking of the rivers.

4.41 **The PNT projected to enhance the security of coastal and sea-river navigation, a key element of poverty alleviation**. However, there is no lighthouse on the coast, except in Kamsar and Conakry and access channels to regional ports lack proper marking.

4.6.3 Air transport

4.42 Air transport infrastructure in Guinea comprises an international airport at Conakry and a web of inland public airports. In addition, five other inland airports are exploited by mining companies. [58]

4.43 Besides the international airport at Conakry-Gbessia, run by Sogeac, Guinea has 11 public airports inland, 3 regional ones (Labé, Kankan N'Zérékoré) and 8 secondary airports, all supervised by the Agence de Navigation Aérienne (ANA). [59] The latter also manages the navigation equipments of all the country's airports including Conakry. However, ANA lacks resource as most of its revenue come from passenger and flights fees perceived in the inland airports, that have no regular flight services, despite past attempts. Planes chartered by mining companies ground occasionally in only two of them (N'Zérékoré and Siguiri).

4.44 **Shipping goods by air is not a priority for the government at this stage**, but rather improving capacity and security. Six of the 10 programs of the PNT regarding air transport have been launched in the last decade, out of which 3 have been implemented and effectively realized. Additional programs have extended Conakry's air terminal.[60] Until 2009, Guinea has also received US 7.1million under the regional program on air navigation in West and Central Africa (PRSTAAOC); the project has renewed security equipments and built capacity in security control.

4.45 **All these programs have strengthen the institutional capacity of the Direction Nationale de l'Aviation Civile** (DNAC) **and the Agence de Navigation Aérienne**. The DNAC has been recently transformed into an independent entity, the Agence Guinéenne de l'Aviation Civile (AGAC). AGAC will be mostly financed by a fee paid on air tickets sold in Conakry.

4.46 Conakry airport has been built for traffic of 1 million passengers per year; the actual traffic is less than half. Nonetheless, plans for extension of the airport exist, one being a brand new airport at Mafarénya, 80 kilometers south from Conakry. It seems that a foreign investor had expressed interest for a BOT concession. Knowing that SOGEAC is already heavily indebted, a study on the opportunity of this second international airport is needed.

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[58] Kamsar (CBG), Sangarédi (CBG/GAC), Beyla (SIMFER-RIO TINTO), Léro (SMD) and Kiniéro (SEMAFO).

[59] Boké, Faranah, Fria (near the mine's village), Kissidougou, Macenta, Koundara/Sambaïlo, Siguiri and Banankoro/Gbenko (a private airport for the mining sector which was nationalized after the firm has ceased activity). Faranah is used by the airforce but Simfer-Rio Tinto are discussing with the government the possibility to use it during the railway construction.

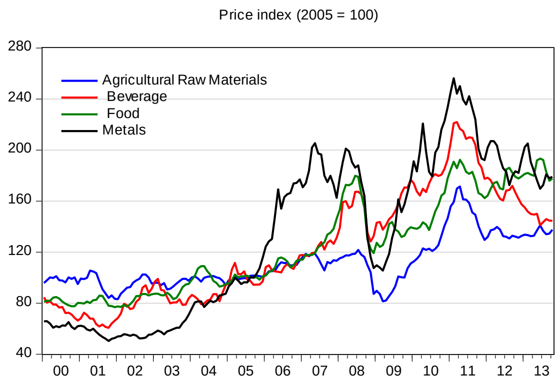
[60] SOGEAC project is planned in two phases: the first has started in 2008, with an investment of GNF 75 billion financed by a 50 euro fee on each passenger; the second one, of US 9 million, will be financed the same way. France, Switzerland and the International Organization for Migration have also financed the computerization of passenger control at the airport.

Chapter 5. Agriculture

5.1 Introduction

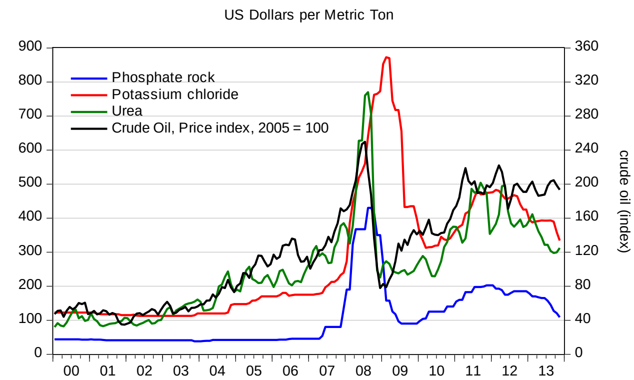
5.1 Agriculture in Guinea represents 20% of GDP, 80% of the labor force, 11% of exports and 17% of imports (PNIASA 2012). **Agricultural exports are declining.** In 2013, only five agricultural products were exported overseas: coffee, cocoa, rubber, cashew and mango. Cotton and banana, once Guinean major exports, have disappeared from overseas market. Guinean fruits and vegetables, as well as palm oil and rice are sold in neighboring countries, that are less demanding in terms of quality. **However, the potential of Guinea is large.** Its climate and the quality and diversity of its soils give it a rich agricultural potential. Its location also gives it a central role in regional trade, and a competitive advantage in international trade due to its proximity to Europe.

Figure 53. World price indices



Source: IFS

Figure 54. Prices of commodities



Source: IFS

5.2 The price spike since 2005 has first be seen on food crops and tropical beverages, prices of other commodities such as cotton and rubber remaining relatively stable. In 2011 by contrast, the price of all commodities soared before stabilizing in 2012–2013 at a level well above that of 2005 (+30% for agricultural commodities, +45% for tropical beverages, +80% for metals and staple crops).

5.3 **Agriculture in Guinea has benefitted little from the rise of world prices.** As Guinea is highly dependent on oil for electricity production (by generators), the rising oil prices has pushed further up the already high cost of energy and penalized the food processing industry. The average price of crude oil was multiplied by 2.5 in 2008 and was still twice as high in 2013 compared to 2005. Rising oil prices transmitted to the price of fertilizers (nitrogen compounds, phosphates and potassium), which reached record levels in 2008–2009 and are still high today (Figure 54)

5.4 **Regional trade until recently could not substitute for declining overseas trade.** Border trade suffered from conflicts in neighboring Sierra Leone, Liberia and Côte d'Ivoire as well as political instability in Guinea-Bissau. Forested Guinea, at the border with Liberia and Sierra Leone, was particularly affected by rebel attacks, looting, population displacement and arms trafficking. Cross-border trade with Côte d'Ivoire and remittances from immigrants were interrupted by the Ivorian civil war. A 2012 study, estimated the additional cost of cross-border trade for 142 agricultural markets in 15 countries of West and Central Africa between 2003-2011.[61] The study measured the

[61] Araujo and Brunelin (2012); see also Brunelin (2014).

cost associated with crossing a border, due to tariffs and non-tarrif barriers. The border between Guinea and Guinea-Bissau was shown to be one of the most costly in the region, followed by the Guinean borders with Senegal and Mali.

5.5 **However, 2013 showed signs of revival of regional trade.** Although there are no reliable statistics, regional trade not generally being recorded, economic stakeholders interviewed during the mission reported an increase in agricultural exports to Liberia, Sierra Leone and Côte d'Ivoire. The growth in trade was promoted by the renewed activities of the Mano River Union (MRU) in 2008, the opening of a new bridge over the Kissi-Kissi river between Guinea and Sierra Leone in 2011 and the renovation of the Conakry-Freetown motorway in 2012.

5.6 **Regional trade policies are harmonized.** Within the ECOWAS-WAEMU space there is free movement of agricultural goods (*produits du cru*). The harmonization of external tariffs should end import and export movements (most of all of rice) that are solely based on the differential protection and exemption schemes between the countries.

5.7 **Agricultural policies in the region have been harmonized as well.** The 2003 Maputo summit of the New Partnership for Africa's Development (NEPAD) adopted a Comprehensive Africa Agriculture Development Program (CAADP). The implementation of the CAADP for West Africa is under the responsibility of ECOWAS, which in January 2005 adopted a common agricultural policy – the ECOWAP.

5.8 **Most of all, the Government of Guinea has clearly set agriculture as a priority.** This major change is embodied in the National Plan for Agricultural Investment and Food Security (PNIASA) for the period 2013–2017. This contrasts with the previous period, where investment in agriculture was low, few reforms were implemented, and technical and financial partners were in a wait and see attitude.

5.9 **In accordance to ECOWAP, Guinea had redefined its national agricultural development policy** in 2007 (PNDA Vision 2015) and set up a National Program for Agricultural Investment (PNIA) with the help of the FAO, IFPRI and ECOWAS, which resulted in 2011 in the publication of the PNIASA. Meanwhile, the Poverty Reduction Strategy Paper (PRSP) II (2011–2012) and PRSP III (2013–2015) have given agriculture a leading role in wealth creation and food security. **PNIASA considers the development of the rice sector as a priority** for food security, in line of the 2009 National Strategy for the Development of Rice Sector (SNDR). In March 2011, Guinea has joined the CILSS and its regional mechanism for preventing food crises. Besides the priority given to rice, the Guinean authorities are promoting food security through the diversification of the food production and the promotion of export crops and agro-industry (programs II and III of the PNIASA.)

5.10 **Mining can be a game changer**, with additional revenue and investment in infrastructure. It can also turn demand towards quality and value-added products, which could pave the way towards agriculture modernization and the development of agro-industry. **However, it may also result in a Dutch disease,** that is a loss in competitiveness in the traded sector outside mining as food imports and the domestic prices of local agricultural goods will rise because of the mining-led demand. There could be also a competition for rural labor between agriculture, agro-industry and mining, the first signs of which are already felt.

5.2. Strengths and weaknesses of the main agricultural sectors in 2013

5.11 **At the outset, the shortcomings of the statistical system in agriculture must be acknowledged**. The latest reliable data on agriculture dates back to the 2000/2001 census.[62] Since then, agricultural statistics produced by ANASA are annual extrapolations. Annual agricultural surveys have not been performed due to lack of resources. Thus, any diagnosis, monitoring or crisis prevention is difficult. According to official sources, production varies with a factor 3, a point illustrated here for coffee and cocoa but which applies to other crops as well. Agricultural trade estimates vary as well, notwithstanding the large share of informal trade, between Customs, the Ministry of Commerce, CAFEX and the Ministry of Agriculture.

5.2.1 Coffee, cocoa and cashews

Coffee and cocoa

5.12 **Coffee and cocoa are small farmers' activities**, in old and low yielding plantations. Professional organizations are not operational.

5.13 Husked coffee is bought at the farm gate by traders on behalf of exporters. The latter are trading houses that derive most of their revenue from import operations and are willing to get foreign currency. No international operator is present in Guinea. Exporters and traders remain largely unregulated, leading to practices such as non compliance with the official season dates or with quality control.

5.14 **Overall, Guinea has failed to take advantage of the higher international prices**, except perhaps in 2011 (Figure 55 and Figure 56). Contrary to the ICO guidelines which authorizes only graded coffee to be exported, Guinea mostly exports ungraded coffee to Morocco, which is not an ICO member (4,000 tons in 2010) under preferential conditions. Exporting ungraded coffee means that the price is lower than the world price (by about 20% in 2002). Guinea also exports coffee to the EU (2,000 tons to France and Germany in 2010) and to Senegal (6,000 tons in 2010), part of the latter being re-exported to Morocco. Any diagnosis is hard to make though, because of conflicting data: depending on the sources, total coffee exports varied by a factor of ten in 2010 (2,300 tons versus 25,000 tons) and cocoa by a factor of two (Table 13).

5.15 **There exists a potential niche market for coffee Ziama-Macenta**. This coffee, produced in the Mont Ziama, in the Macenta region of Forested Guinea, is a candidate for Geographical Indication (GI) with the support of the Project for the Implementation of Geographical Indications (PAMPIG) of the AIPO and based on the "Woko" cooperative, which gathers a small share of the local producers (FAO, 2012). The quality of Ziama coffee, a robusta variety, is clearly tied to a particular territory and has a longstanding reputation (it was already used during the colonial period to raise the quality of other coffee). It is expected that the GI will enable access to foreign niche markets, that are smaller but more profitable.The main beneficiaries will be the inhabitants of this impoverished and landlocked region.

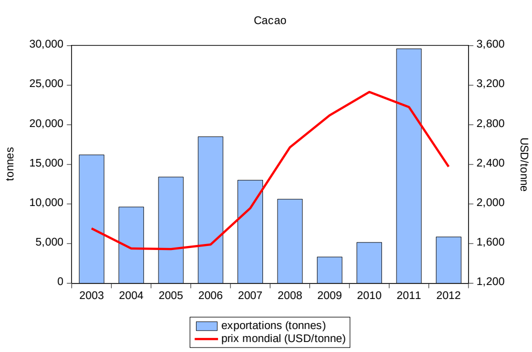
[62] The last population and housing census is even older, dating back to 1996.

Table 13. Production and exports of coffee and cocoa (tons)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Coffee: production												
FAO (1)	14 160	19 680	20 880	20 220	20 770	23 226	26 556	27 353	28 173	29 018	29 000	
SNSA (2)					9 000	12 000	28 000	27 000	66 000	71 000	72 000	75 000
Coffee: exports												
FAO (1)	11 516	5 654	8 523	17 629	14 598	27 656	18 594	7 609	7 609	17 500	14 456	
SRP(3)							22 570	23 250	2 320	2 320		
BC (4)									29 415	24 765	22 456	17 788
RG (5)						18 523	22 175	5 582	30 625	19 922		
Customs (6)			32 871	13 600	9 193	21 422	26 323	7 609	29 920	19 687	21 570	13 645
Cocoa: production												
FAO (1)	1 800	2 500	10 000	9 800	13 869	13 477	12 484	14 016	14 577	15 160	15 000	
SNSA (2)					12 000	13 000	13 000	15 000	22 000	26 000	27 000	28 000
Cocoa: exports												
FAO (1)	2 430	1 820	3 760	7 140	21 450	17 540	16 950	10 756	4 630	4 333	16 393	
BC (4)									32 421	6 080	31 143	8 154
SNSA (5)						16 612	13 799	9 628	2 206	3 319		
Customs (6)			16 200	9 614	13 400	18 500	13 000	10 600	3 300	5 148	29 600	5 831

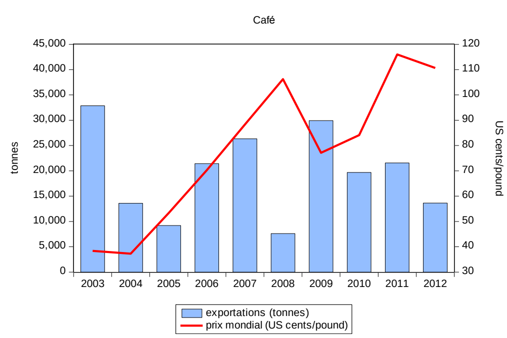
(1): FAOSTAT (based on data transmitted supplied by the country)
(2): Note de conjuncture de l'économie guinéenne, n°94, Q4 2012, SNSA.
(3): Permanent Secretariat of the Poverty Reduction Strategy (SP/SRP), http://www.srp-guinee.org/bibliotheque.htm
(4): Central Bank, Planning Ministry, Finance and Economy Ministry, Tableau de bord mensuel de l'économie guinéenne, n°102, December 2012, p.13. Sources: Conakry autonomous port, DGD / MDB
(5): Republic of Guinea, Rapport d'évaluation des récoles et de la situation alimentaire et nutritionnelle, campagne agricole 2010-2011, SNSA, Ministry of Agriculture.
(6): Customs, DTIS mission 2013

Figure 55. Exports and price of cocoa



Source: Customs, DTIS mission

Figure 56. Exports and price of coffee



Source: Customs, DTIS mission

5.16 **Ziama coffee is not yet commercially available on foreign markets**. It was presented in 2012 at the Agricultural Fair in Paris and at the Abu Dhabi international economic conference. There are still many difficulties to overcome. The first concerns the organization of the downward value chain and how to look for consumers abroad. Moreover, a GI requires that producers comply with detailed specifications during and after harvest with a trustworthy scheme that controls compliance. [63]

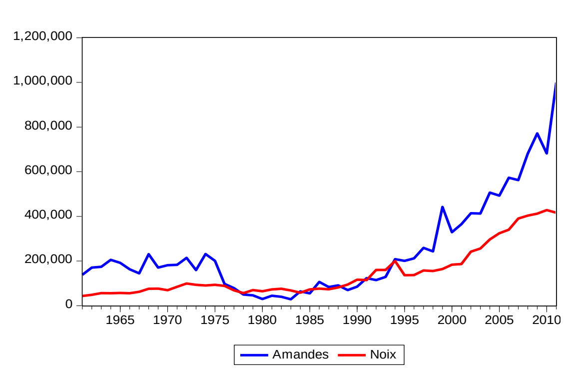
5.17 **As outlined in the PNIASA, reviving the sector will require significant investments** and could only be part of a strategy for the medium and long run.[64]

Cashew

5.18 **Guinean cashew exports are rising**. Negligible in the early 2000s (200 tons in 2003), they reached a peak of 17,500 tons in 2011 and are still at 5,000 tons in 2012. Guinea is primarily an exporter of raw nuts, sent by ship and processed in India and Vietnam. The exports of processed kernels appeared in 2006, reached 2,600 tons in 2011 before falling to 100 in 2012 (Figure 58).

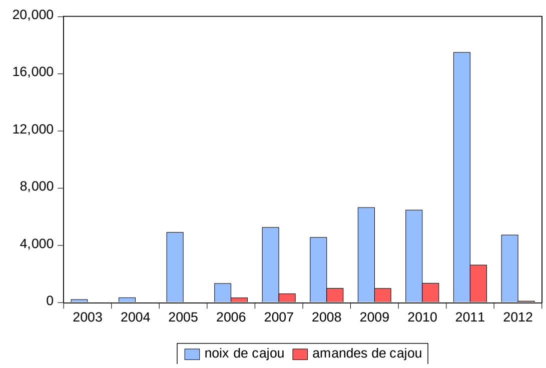
5.19 **The world market for raw nuts and kernels has been booming since the late 1990s** (Figure 57). Prices have also soared in 2010 and 2011 and declined in 2012 and 2013.[65] The high prices have attracted Indian and Pakistani buyers to source from Guinea. India is a major player in the international markets, the top importer of raw nuts and the second exporter of kernels behind Vietnam. The US is the first importer of kernels (Table 14).

Figure 57. World cashew exports (tons)



Source: FAO

Figure 58. Guinean cashew exports (tons)



Source: Customs, DTIS mission

5.20 **The export potential of Guinean raw nuts in significant.** Two of Guinea's neighbors, Côte d'Ivoire and Guinea Bissau, with similar natural conditions, are respectively the world first and 3d exporter of raw nuts, accounting together for over 40% of world exports (Table 14).

5.21 **However, African countries are not competitive for processed kernels**.The only African countries that appear in the top 10 world exporters are Tanzania, Mozambique and Burkina Faso. Kernels processed in West Africa are not competitive in the US market against African raw nuts processed in India.

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[63] The Centre Régional de Recherche Agronomique de la Guinée Forestière (CRRA-GF), which has a laboratory on coffee growing, could play a key role in the monitoring process.
[64] The cocoa sector is less documented. It is likely that it faces the same difficulties as coffee.
[65] Late 2013, Ivorian nuts, which are the lowest quality (40–44lb) were trading at 550–600 USD/ton (African Cashew Alliance).

Table 14. Top cashew importers and exporters in 2011

Cashew kernels Exporters			Importers			Cashew nuts Exporters			Importers		
	tons	%		tons	%		tons	%		tons	%
Vietnam	178 500	42.9	USA	104774	31	Ivory Coast	278 320	27.85	India	798 281	92.4
India	133 400	32.1	Netherlands	41602	12.3	Ghana	145 013	14.51	Brazil	43 698	5.1
Netherlands	29 478	7.1	Arab Em.	28589	8.5	Guinea-Bissau	139 723	13.98	Ghana	4 500	0.5
Brazil	26 302	6.3	Germany	24084	7.1	Benin	121 497	12.16	Arab Em.	4 324	0.5
Tanzania	17 158	4.1	Australia	13113	3.9	Tanzania	99 425	9.95	Indonesia	3 798	0.4
Indonesia	4 054	1	U.K	11806	3.5	Burkina Faso	81 274	8.13	France	2 317	0.3
Germany	3 928	0.9	China	9353	2.8	Indonesia	41 973	4.2	Sri Lanka	1 205	0.1
Mozambique	3 464	0.8	Canada	8387	2.5	Mozambique	35 802	3.58	USA	1 134	0.1
U.K	3 185	0.8	Russia	8358	2.5	Guinea	21 884	2.19	Saudi Arab.	1 125	0.1
Burkina Faso	2 797	0. 7	Japan	6190	1.8	Nigeria	14 077	1.41	China	943	0.1

Source: FAOSTAT

5.22 **Cashew nuts in Guinea come from small plantations**, located in Mid-Guinea (Dabola-Kouroussa), Upper Guinea (Kankan, Siguiri, Mandiana) near the borders of Côte d'Ivoire, and Maritime Guinea (Boke) near the border of Guinea Bissau. The plantations are relatively young but heterogeneous and of rather poor quality; yet the outlook for growth is significant (Camara and Condé, 2006). Raw nuts are collected at the farm gate by a network of traders working for an exporter established in Guinea or in a neighboring country (Côte d'Ivoire and Guinea Bissau), to be exported from there to India or Vietnam. Exporters located in Guinea, mainly Indian, are also active in these countries.

5.23 **Competition to buy nuts is fierce**. In the short term, this competition profits Guinean producers who earn higher prices. But this "cut-throat" competition has detrimental effects in the longer run, as it acts as a disincentive to invest in plantations and improve quality. Moreover, exports to neighboring countries are largely informal and represent a shortfall in tax revenue and trade balance. In 2004, a temporary ban of exports to Côte d'Ivoire was enforced in order to protect Guinean operators.

5.24 **Processing nuts would provide significant value-added but a USAID study concluded in 2006 that it was unprofitable in Guinea**, because of i) storage costs. The season lasts three months at month, meaning that nuts must be stored for nine months prior to processing, increasing the risk of damage, the costs of insurance and financing; ii) high loss rates during shelling, due to the small size of the nuts and because there is no local market for kernels that would be not suitable for exports; iii) packaging materials (bags for carrying nuts, plastic wraps and cardboards) must be all imported; iv) the need to put in place a reliable quality control scheme, in order to access the US market.

5.25 **However, processing nuts could still be profitable if done in a traditional or semi-industrial way**, as a labor intensive, low capital and low energy-consuming activity. In 2011, probably due to the rise of cashew prices, an Indo-Guinean company, SOPELGUI, has installed a semi-industrial processing unit near Conakry, the first experiment of its kind in Guinea. SOPELGUI processes nuts and exports kernels to the US and Canada. Nuts are mainly shelled manually by a female workforce, and the shells are used as fuel for boilers, decreasing the cost of energy. An agent of an authorized Indian laboratory works permanently at the plant and oversees the whole transformation process. Samples are sent to India for quality checks prior to exports. However, there seems to be difficulties in securing a sufficient and regular supply of nuts of a caliber large enough. To overcome this problem, investment upstream in the plantations would be needed. The processor could supply the farmer with part of the funds necessary for the renewal and maintenance of plantations, in exchange for the farmer to comply with best agricultural practices and commit to sell to the processor.

5.26 For this contract farming to develop, regulating the cashew market is required, by i) enforcing the existing regulations on traders and exporters of agricultural goods. Exporters must have a minimum financial capacity and experience in the profession; ii) strengthening professional organizations, so as they can monitor the value chain.

5.2.2 Rubber and palm oil

5.27 Rubber and palm oil sectors in Guinea are structured as family plantations evolving around an industrial core. However, the firm at the industrial core, SOGUIPAH, is in a difficult financial situation. Large international palm oil groups such as Unilever, Cargill, Bolloré, Sime Darby and Golden Agri-Resources that are active elsewhere in the region (Côte d'Ivoire, Liberia and Nigeria) are not located in Guinea.

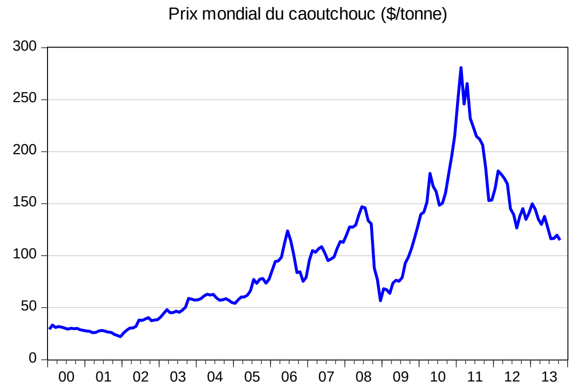
Rubber

5.28 The agro-industrial public company SOGUIPAH (Société Guinéenne de Palmier à Huile et de l'Hévéa) was created in 1987 to develop industrial and family plantations of rubber and palm oil in the southeast of Forested Guinea (Diécké and Bignamou). SOGUIPAH has a oil and soap production plant and a rubber production plant; it also own plantations (5,000 ha of rubber and 4,000 ha of palm oil trees). It works with about 800 small growers (on a total area of 2,000 ha) whom it has trained in the cultivation processes. Designed as a tool for local development, SOGUIPAH also aims to promote the food security of small farmers by helping them grow staple crops, particularly rice. Typically, a small farmer associated with SOGUIPAH dedicates 2 hectares to palm oil, 1 ha to rubber trees and 0.5 ha to rice.

5.29 SOGUIPAH has benefited from the support of international donors (ADB, AFD) through various projects. Since 1995, the management of the public company has been entrusted to a private operator (Socfinco). Plagued by a structural deficit, SOGUIPAH was in serious financial trouble in 2002 when the Government restructured SOGUIPAH's debt towards a shorter maturity. The debt was put back in its initial state at the end of 2004, allowing SOGUIPAH to make a profit that year. Since then, the profitability is highly dependent on rubber prices and is recently in a more stable financial shape thanks to favorable prices. However, SOGUIPAH undertakes costly public service missions on behalf of the State. Moreover, the processing plants are aging but SOGUIPAH cannot afford new investments.This raises the issue of privatization of the company, something already debated in the 2003 DTIS.

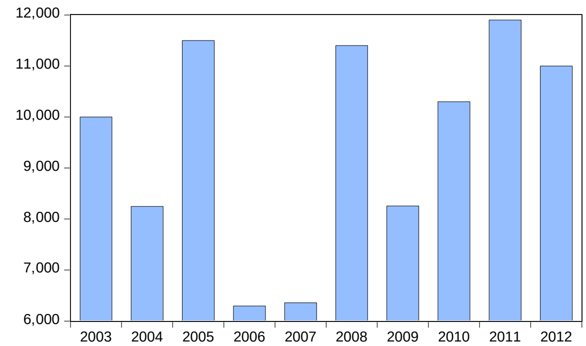
5.30 Rubber production is entirely exported, initially as fresh coagulum exported to Côte d'Ivoire for processing and since 2002, processed and dry. Between 2003 and 2012, exports fluctuated between 8,000 and 12,000 tons, except in 2006 and 2007 (Figure 60). Rubber is exported to Europe and Asia. Prices peaked in 2011 and declined somewhat in 2013 (at 115 USD/ton in October 2013) but remains still nearly four times as high as in the early 2000s (Figure 59).

Figure 59. World price of rubber (USD/ton)



Source: IFS

Figure 60. Rubber exports (tons)



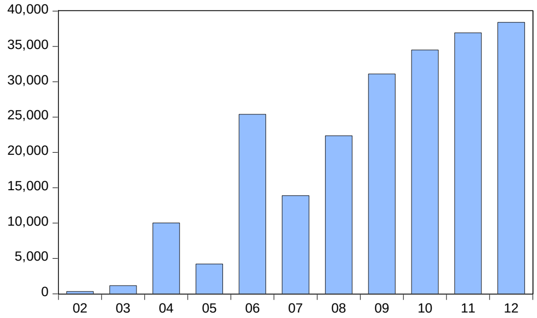
Source: Customs, DTIS mission

5.31 SOGUIPAH sells the best of its rubber production to Michelin group, at a stable price, with stringent and costly requirements in terms of standards (SOGUIPAH has set its own laboratory for quality control). Export profitability is dampened by the cost and conditions of transport (rubber is a fragile product). Guinean rubber ends up being less competitive than the Ivorian one, despite the latter being farther from Europe. Some SOGUIPAH customers require the product to be shipped via Liberia. The proximity of the Liberian border also favors informal trade of coagulum, sold by growers who are under contract with SOGUIPAH. However, SOGUIPAH does not consider this informal trade as a threat. A new difficulty has appeared recently, labor shortage, as SOGUIPAH is based in an area where major mining activities take place. Last, SOGUIPAH's concession of 22,000 ha has been challenged by small farmers and NGOs.

Palm oil

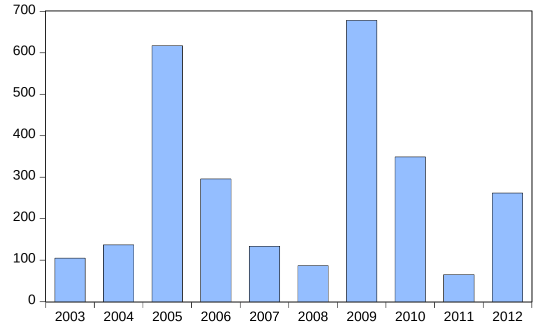
5.32 **Guinea is structurally in excess demand for vegetable oils**. Imports of palm oil in 2012 amounted to 40,000 tons (Figure 61), while exports were around 300 tons over 2003-2012 (Figure 62). More than 80% of palm oil is red oil produced in the traditional way (extracted by heat) from natural palm groves of the local Dura variety. Despite its high price, red oil (unrefined and unprocessed) is particularly popular with consumers in Guinea and neighboring countries. The remainder of oil production is called maquinot oil, which comes from SOGUIPAH's improved palm groves (of Tenera variety) and individual plantations owned by dignitaries and senior officials (Camara 2011). It is obtained by artisanal or industrial extraction. This oil, little consumed in Guinea, is primarily intended for saponification and for export to countries in the sub-region. It is often mixed with red oil to be sold more easily (Ferrand and al. 2012)

Figure 61. Palm oil imports (tons)



Source: Customs, DTIS Mission

Figure 62. Palm oil exports (tons)



Source: Customs, DTIS Mission

5.33 Most of the production is pre-financed by wholesalers through a network of semi-wholesalers and collectors. This pre-funding mechanism allows producers to pay the cutters/climbers before processing and selling the product (Camara, 2011)[66]. The organizational structure of the sector is weak. However, associations of palm oil traders have developed in N'Zérékoré and Labe (Camara, 2011).

5.34 **Palm oil, as a staple food, is regularly subjected to export bans**. The latest one, still in force, dates back to 2010. However, the ban is not enforced: customs statistics report exports of around 300 tons in 2012. There would be also informal exports to neighboring countries (Mali, Guinea Bissau and Senegal) of about 10,000 tons (PNIASA).[67]

5.35 **The potential for palm oil is large in Guinea due to favorable natural conditions**. However, a host of obstacles must be overcome at each stage of production, processing commercialization of the product.This starts with an improved access to planting material of good quality (many Tenera plants are imported from Côte d'Ivoire, often without guarantee) and the development of processing capacity. A possible concern is that the extension of palm oil might increase competition for agricultural land, aggravated by the development of mining activities, at the expense of rice.

5.36 **However, the regional prospects for maquinot oil are limited and the outlook of the international market is uncertain.** Palm oil tends to be excluded from the diet of consumers in developed countries due to its high content of saturated fatty acids. Moreover, as the environmental impact of palm oil plantations in Asia is increasingly debated, major players are developing standards for sustainable palm oil (such as Certified Sustainable Palm Oil CSPO) which would entail an additional cost.

5.2.3 The cotton sector

5.37 **Guinean cotton exports have almost disappeared**. Semi-intensive cotton farming was introduced during the 2nd Republic and benefitted from a number of rural development projects. The largest, the Projet Cotonnier de Kankan (PCK), was managed by the CFDT (Compagnie Française de Développement des fibres Textiles). The PCK was transferred to the CGC (Compagnie Guinéenne du Coton), a private company under Guinean law, in January 2001, during a slump of international

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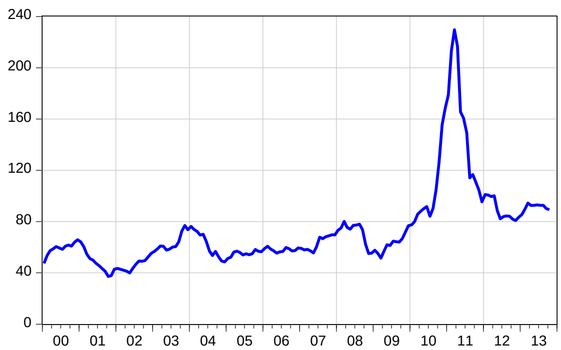
[66] Camara (2011), « Analyse des chaînes de valeurs prioritaires des produits agricoles et de pêche artisanale et évaluation du potentiel de développement de l'artisanat du textile traditionnel », Rapport I, mai.

[67] SOGUIPAH, which does not export oil directly, finds that some of its customers sell its oil to Mali, Senegal and even the US.

prices. Due to falling prices and the lack of resources, the CGC has not been able to undertake services that were previously supported by the State such as the training and supervision of producers, the IRAG research program or the production of certified seeds. In addition, the CGC had been forced to replace the State in maintaining roads and other transport infrastructures. Last, the CGC was committed as part of its agreement with the State to massive investment programs: a new ginning factory in Siguiri with a capacity of 20,000 tons (adding to an existing plant in Kankan with a capacity of 35,000 tons). As a result, cotton production which had reached 27,000 tons in 2001 was cut by half between 2002 and 2003. The accumulation of CGC's financial difficulties led to it ceasing operations in 2006.

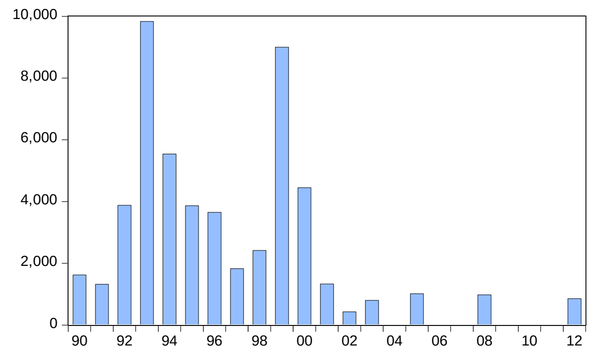
5.38 Since then, the Government of Guinea has been looking for a buyer that would take over all the previous activities of PCK, including extension services to farmers. Negotiations have been ongoing since 2011 with Geocoton[68] to define the framework of a public-private partnership (PPP) consistent with the objectives set out in the PNIASA. Technical and financial partners could be associated to this partnership.

Figure 63. World prices of cotton (US cents/lb)



Source: IFS

Figure 64. Cotton fiber exports (tons)



Source: FAO and Customs (2003–2012)

5.39 **The potential for cotton production is large**, estimated at 100,000 tons (PNIASA). Moreover, Guinea's cotton was of the highest quality and easily sold on the international market. Although it remains volatile, the international market has picked up since the early 2000s (Figure 63). Cotton prices have been stabilizing in 2012–2013 at a level twice as high as in the early 2000s (at around 90 US cents/lb).

5.40 **The revival of cotton production is desirable from an economic and social viewpoint**. At its peak, cotton farming contributed significantly to the increase of farmers' income, food security and farm modernization in areas of extreme poverty. The cotton industry supported 60,000 farmers and their families as well as employees of ginning factories (more than 400 permanent and temporary workers). The sector also had significant spilllovers effects on other sectors such as transport, port activities and agricultural inputs.

5.41 **Hence, the Government must commit to restore a favorable economic and fiscal environment.** Part of the financial difficulties of CGC originated from it financing what should have been public services such as infrastructure, training and research, as well as from the difficulty in getting the VAT credits reimbursed.

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[68] Formerly Compagnie française pour le développement des fibres textiles (CFDT) then Dagris (Développement des Agro-Industries du Sud).

5.2.4 Fruits and vegetables

5.42 **The proximity to Europe should have given Guinea a competitive edge** of key importance concerning perishable goods such as fruits and vegetables: the time to ship from Conakry to European ports is two days shorter than from Abidjan or Accra (USAID), which means a better quality of fresh produce upon arrival.

5.43 **Despite this natural endowment, fruits and vegetables exports have collapsed during the 1970s.** While Guinea used to be a major producer and exporter of bananas and pineapples in the early 1960s, exports of both fruits were close to zero in 2012. Only mango managed to stay in international markets.

Pineapples

5.44 **Pineapple exports dropped** in the second half of the 1970s and have fallen continuously to less than 200 tons over the past four years (Figure 65). **The fall is related to the closure of the large industrial firms** that used to cater overseas markets. First, the company Nabekam-Bio who used to export organic pineapple by air (170 tons in 2000) lost its Ecocert certification following the adoption by the EU of new maximum residue limits and ceased all activity.[69] Next, DAFCO, a trading company than began exporting pineapples to the EU (mainly France) in 2003 stopped its activities in 2004. Then SALGUIDIA, initially a public company and after 2002, a joint venture between Guinean investors and the Governments of Guinea and Libya, which was the main processor of fresh and processed pineapple, has almost ceased all activity since 2006 (WTO, 2011). In 2007, it was the turn of SOBRAGUI to stop pineapple production. SOBRAGUI used to be the only exporter to the EU in the early 2000s and owned an an irrigated agro-industrial plantation and a packing plant. A new import-export company, HM SA, a producer and exporter of fruits and vegetables, has been founded in 2010. It is located at the airport, where it has taken over the cold storage room installed by the PCPEA. Despite having access to high quality facilities and adequate transport, it has not exported any shipment yet, because of unsufficient working capital, difficult access to trade credit and lack of products of good quality.

5.45 **All that remains are small farmers producing for domestic and regional markets.**The cooperative BURQUIAH in the region of Maferenya (Maritime Guinea) exports fresh pineapple (Smooth Cayenne) by air to Europe and Morocco and by truck to neighboring countries (Guinea Bissau, Gambia, Senegal) since 2004-2005. Its exports to France and Morocco reached 95 tons in 2005–2006 but were zero in 2006–2007 because of the unavailability of shoots at the right moment.[70]

5.46 BURQUIAH has been founded in 1992 and counted in 2006, 18 members, each owning 5 to 8 ha. Members are working with associated smallholders who grow about half a hectare of pineapples. The cooperative provides technical guidance, imports and gives inputs on credit. It pays producers a price higher than the one fixed by the local producers union.[71] However, the price paid by the cooperative is considered still too low given the technical requirements and inputs are not always available. With the aim of achieving compliance with GLOBALGAP standards, BURQUIAH

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[69] The new standards prohibited the use of floral induction of pineapple via calcium carbide treatments.

[70] Source: http://www.burquiah.eu and USAID (2006). Unfortunately it has not been possible during the mission to obtain information on the operations of the cooperative during recent years.

[71] 50 million GNF/ha compared to 45 million in the lowlands

farmers commit to ban the use of herbicides; they are located uphill where weeds grow less quickly and are easier to eradicate.[72]

5.47 The producers union of Maférénya (Union des Groupements de Planteurs d'Ananas de Maférénya, UGPAM) has received significant support through successive projects, including from the EIF in 2008, since its creation in 1996. The union sells pineapples on the local market where prices are deemed profitable (2,500 GNF/unit in November 2013, approximately €0.30/kg).[73] Fruits are purchased at the farm gate, usually by women, and transported in bulk in unrefrigerated trucks, resulting in many losses.The UGPAM also exports to Senegal. In the absence of suitable means of transportation, the pineapple is cut before ripening and ripens during transport, which can take a week to Dakar. Pineapple is transported in bulk or in recycled packages such as sugar or cigarette boxes.

5.48 The main obstacles encountered by UGPAM in expanding production are access to better cultivars, inputs (fertilizers and pesticides) and training. Subsidized fertilizers distributed by regional chambers of agriculture are meant for rice and do not meet the specific needs of the pineapple sector. Another difficulty is the access to and cost of credit. The production cycle for pineapple is long (18 months), while commercial credit is generally granted for 10 months at a monthly interest rate of 4%. Finally, produce quality is poor. Pineapple is produced in the lowlands, to avoid having to irrigate. But pineapple from the lowlands does not taste as good as pineapples grown uphill on irrigated land.

5.49 **A rebound of overseas exports of pineapples is unlikely in the short and medium term in the absence of major investors**. Barriers to overseas exports are many: the small export volumes prevent to ship by sea, which would be less expensive than air freight. Moreover, the international market is dominated by Central American countries who export the MD-2 hybrid variety. Costa Rica supplies more than 50% of the world market (Table 15) Competition is such that the main West African exporters of Smooth Cayenne, including Côte d'Ivoire, the 8th world exporter of pineapple are struggling to maintain their position.

5.50 **The sub-regional market offers new opportunities.** Guinean pineapples are now exported not only to Senegal, Mali and Burkina Faso but also to Liberia and Sierra Leone. However, smallholders prefer the domestic market (large urban centers of Conakry, Labe, Kankan and Kindia), less demanding in terms of quality. The dynamism of the domestic market is fuelled by growing demand in mining areas (Camara, 2011).

5.51 To meet domestic demand and expand exports to the sub-region, assistance must be first given to small holders, giving them access to planting material of good quality, specific inputs and technical advice. **However, the main priority should be the downstream industry**, which is neglected for the moment: assistance to the commercial sector (packaging and transport), search of regional opportunities and product promotion. From this viewpoint, it is important that the Assistance Project to the Pineapple industry in Lower Guinea, developed by the National Implementation Unit of the Enhanced Integrated Framework, answer to the needs of the private and cooperative sector and clearly identify the beneficiaries of the new services and infrastructures that will be put in place thanks to the project. The private and cooperative sectors must be closely involved as early as the project design. In the past, the State has too often developed commercial infrastructure that proved to be unsuited to the needs of the private and cooperative sectors.

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[72] The Burquiah cooperative is a member of Agrimex, the Guinean branch of the COLEACP (Europe-Africa-Caribbean-Pacifique Liaison Committee) and the PIP (Pesticides Initiative Program).

[73] The wholesale price of African pineapples by air freight was around 2.50 euros/kg at Paris wholesale market (Rungis) in October 2013. In 2002, the producer received 15% of this price, that is to say 0.37 €/kg. The price currently paid to the producer (0.30€/kg) tends to confirm that the non-competitiveness of Guinean pineapples lies downstream of production itself, on packaging and transport.

Table 15. International Fresh Pineapple market in 2011

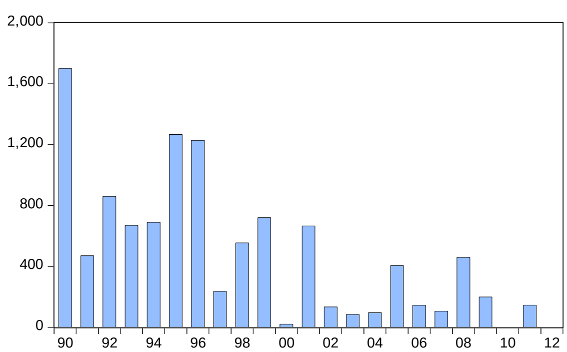
Exports	tons	%	Imports	tons	%
1. Costa Rica	1 749 363	55.6	1. USA	817 131	28
2. Philippines	263 019	8.36	2. Netherlands	232 850	7.98
3. Belgium	217 359	6.91	3. Belgium	232 054	7.95
4. Netherlands	184 464	5.86	4. Germany	191 956	6.58
5. USA	103 300	3.28	5. United Kingdom	167 513	5.74
6. Ecuador	88 632	2.82	6. Japan	152 864	5.24
7. Panama	65 613	2.09	7. Italy	151 300	5.18
8. Ivory Coast	64 116	2.04	8. Spain	135 915	4.66
9. Ghana	45 999	1.46	9. Canada	108 672	3.72
10 Honduras	42 578	1.35	10. France	99 477	3.41

Source: FAOSTAT

Mango

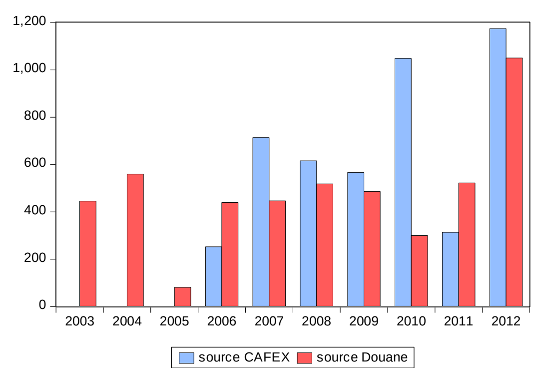
5.52 Mangoes (of Kent and Keitt varieties) are mostly exported by ship to the European Union (Belgium, France, the Netherlands, United Kingdom, Germany) and one-quarter of total exports, to Morocco, Libya and Saudi Arabia (PRODEFIMA). Mango export statistics differ widely between CAFEX and Customs; anyway, they rarely exceed 1,000 tons, or 1% of potential production (Figure 66).

Figure 65. Pineapple exports (tons)



Source: FAO and Customs (2003–2012)

Figure 66. Mango exports (tons)



Source: CAFEX in Camara (2011) and Customs

5.53 **Mango from Guinea is competitive on the European market** with a significant gross profit margin according to a USAID study based on 2005 data (USAID, 2006a). Indeed, Guinean mangoes have a slight advantage over competitor products from Côte d'Ivoire, Mali and Senegal as they arrive on European and North American markets one month earlier, in March. However, exports to Morocco (by sea or air) are more profitable because of lower transportation costs and less stringent quality criteria.

5.54 There is only one major international exporter, SIPEF, Société Internationale de Plantations et de Finance. This Belgian operator, established near Kindia in Maritime Guinea since the end of the 1990s, benefited from the Framework Project to Promote Agricultural Exports (PCPEA), thanks to which it has an automated packaging station. SIPEF does not own plantations and buys mangoes from small growers. It exports 100 to 500 tons of mangoes by ship, mainly to Belgium (USAID, 2006). A second English operator, First Produce, set up shop in Kankan in Upper Guinea in 2006 with the support of the Ministry of Commerce. The company inherited storage and packaging facilities installed by PCPEA. Its operations, modest in scale, began in 2006 with 15 tons exported. According to USAID, there are unregistered mango exports to Mali and Côte d'Ivoire of approximately 1,200 tons/year that are packaged there and exported overseas.

5.55 **The regional market (Senegal, Mali, Gambia, Sierra Leone and Guinea Bissau) would represent in the short term a potential of 3,000–5,000 tons** (CAFEX, 2013) with prices in Dakar being three times higher than in Conakry. The Fruit producers union of Maritime Guinea (Union des Producteurs de Fruits de la Guinée Maritime UPFGM) has received assistance from the USAID GAML program in 2006 in order to export 37 tons of mangoes to Dakar.

5.56 **The poor quality of mangoes is probably the main barrier to the development of regional and international exports**. 85% of mango production is not harvested (USAID, 2006a) due to the endemic presence of anthracnose (a fungal disease) and fruit fly. Anthracnose is prevalent in Maritime Guinea in the prefectures of Forécariah Coyah and Dubréka. The presence of a fruit fly in a batch of mangoes leads to the total destruction of the consignment by phytosanitary services, as it happened in 2011 for 129 tons of mango from Guinea in the EU (CAFEX, 2013). The infestation level is ncreasing as it is left untreated. There are fewer parasite problems in Upper Guinea, which has a drier climate and higher yields than in Maritime Guinea. However, mango production in Upper Guinea is at the limit of the break-even because of the costs of collection and transport, as well as the competition to purchase mangoes by Malian or Ivorian traders (USAID, 2006b).

5.57 **In order to strengthen the productive and trade capacities of the mango sector, Guinea's government has launched a project** to develop the mango sector (PRODEFIMA) in line with the recommendations of the 2003 DTIS and the PCPEA. It is implemented by the CAFEX and funded by the EIF. This ambitious project aims to strengthen all steps of the value chain: planting material, growing and post-harvest processes, access to inputs, storage and packaging facilities, certification and quality control, professionnal organizations and export promotion. In addition to building production capacity and investing in export logistics (packaging platform and refrigerated storage), it will be particularly important to strengthen the distribution circuits, in particular the small and medium enterprises that sell mangoes in the local and regional market. **"Taking the product to the market" must be considered as a key element for success.**

Potato

5.58 Potatoes are grown mainly in Mid-Guinea (between Pita and Labe and to the northeast of Mamou). Production was developed in the late 1990s, centered on a federation of producers, and pushed by a project financed by the AFD and the PCPEA. Often regarded as a "success story", an analysis of this sector is indicative of the challenges facing regional trade.

5.59 The Federation of Producers of Fouta Djallon (Fédération des Producteurs du Fouta-Djallon) played a major role in the development of the sector. Its membership more than doubled between 2002 and 2013 (31,150 members for all crops[74]). The Federation gives its members access to certified seeds (of the Nicola variety imported from France) and collect potatoes for resale to wholesalers. The Federation is supported by the two local banks – BICIGUI and SGBG, which provide commercial credit. According to estimates of the Federation, the production of potatoes (by members and non-members) was about 5,000 tons in 2013, up from previous years.[75] Alongside the Federation are several unaffiliated unions of potato producers, who have access to second generation seeds.

5.60 Until 2002, the Federation had no suitable cold storage capacity; thus, almost all of the production was sold in local markets just after the harvest, at prices deemed unprofitable. This led the authorities to ban the import of potatoes at harvest time. Since 2002, the Federation has inherited facilities from the PCPEA, including a calibration and packaging platform and a refrigerated warehouse. Hence, it can now sort, grade and store potatoes for its members before selling them. However, the share of production that is exported was estimated to be only 8% in 2006 and mostly informal.

5.61 **The calibration and packaging platform is under-utilized and its cost has soared**, putting the Federation into deficit in the past two years. As the use of the platform does not garantee better prices, farmers are turning away and sell rather un-packaged potatoes directly to traders. The high operating cost of the platform comes from several factors. i) the platform is not powered by the national electricity grid, and runs on generators. The cold storage room has a capacity of 1,000 tons of which only 20% was used during the first season and less than half during the second season; yet, the cost of cooling the room is fixed. ii) one third of the pallets used to store potatoes, that are manufactured locally, do not conform to specifications. Moreover, they were delivered too late and unfinished. As a result, actual storage capacity is reduced becase bags cannot be stacked properly. iii) fertilizers and pesticides distributed by the Chamber of Agriculture at subsidized prices are primarily intended for rice. Hence they do not meet the specific requirements of potato producers, and the quantities distributed are below the needs, resulting in lower potato production.

5.62 **The outlook for the regional market is good**. The market, which extends to the six countries bordering Guinea, is estimated at 100,000 tons. However, trading regionally means dealing with bad roads, illegal red tapes and lack of information on foreign markets. As a result, producers prefer the domestic market. Prices in Conakry are attractive: the farm gate purchase price for potatoes varied in 2013 from 3,200 to 5,000 Guinean Francs/kg, while the selling price in Conarky was twice as high.[76]

5.63 **The Federation considers investing in a Geographical Indication (GI)** based on its trademark, "*Belle de Guinée*". The trademark was registered at a national level in 2004 by the Federation and is now registered with the AIPO. The specifications of *La Belle de Guinée* require that produce does not undergo chemical treatment and that only organic manure and small amounts of mineral fertilizers are used. A test export of potatoes labeled "*La Belle de Guinée*" was performed in 2006. It was a success but since then, no export of labeled potatoes has been carried out.

5.64 **Implementing a GI faces two major challenges.** On the one hand, the specificity of the produce in relation to origin is questionable, its seeds being imported from France. On the other hand, the name

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[74] potato, onions, rice, tomatoes and corn.

[75] Potato production was 2,100 tons in 1996 and 3,000 tons in 2001. These figures should be taken with caution as they are estimates based on the quantities of seeds, the density of plantings and yields per hectare, taking into account that there are 3 production cycles per year.

[76] Prices in Conarky were 7,000 to 8,000 Guinean Francs/kg in 2013.Transport costs are estimated to be 200 Guinean Francs/kg, and the cost of operating the cold room is around 1000 Guinean Francs/kg for 2 months storage.

"*La Belle de Guinée"* covers other vegetables (onions, tomato and fonio) produced by the Federation (FAO, 2012). Moreover, it is not clear that a GI would be efficient for a product that targets the local and regional markets: the consumers' willingness to pay a higher price for a certified product is uncertain. The weakness of the Guinean legal and institutional framework is another important constraint.

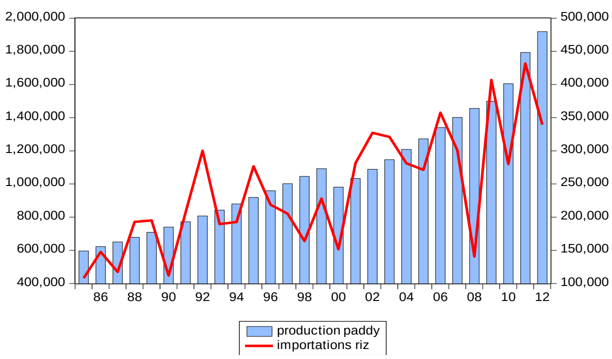
Banana

5.65 The banana sector had already collapsed at the time of the 2003 DTIS. There are no more plantations of bananas for export. All that remains are a few smallholdings, turned towards the domestic market. The revival of this sector would require massive investments and is not a priority for the Government. International markets are highly competitive and demanding in terms of quality; they seem out of reach in the short and medium run. Neighboring countries, such as Senegal, are less demanding in terms of quality, but are also difficult to access, as they are dominated by Ivorian bananas.

5.2.5 The rice sector

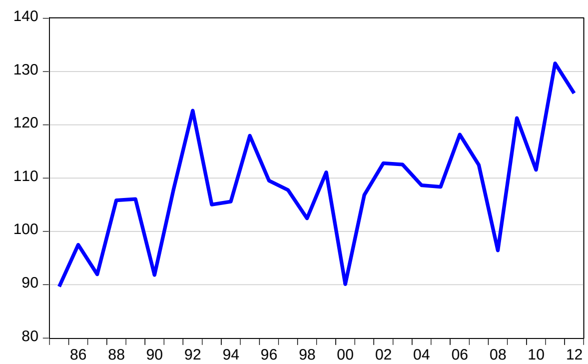
5.66 **The rice industry is more than ever a strategic sector** economically, socially and politically as Guinea has become increasingly dependent on the production and import of rice. The Governement channels most of the budget for agriculture to rice and manages actively the trade policy for that crop.

Figure 67. Production and imports of rice (tons)



Source: SNSA and Customs

Figure 68. Apparent rice availabilities (kg/inhab./year)



Source: mission calculation based on SNSA and Customs (1)

(1): paddy conversion rate of 68 % and rate of loss/seeds of 15%.

5.67 **Rice availability seems to have increased due to production and imports.** The agricultural census of 2000/2001 estimated paddy production to be 981,000 tons. For the 2010/2011 season, joint missions between the Government of Guinea–CILSS–FEWS NET–FAO–WFP [77] estimated a paddy production of 1,604 million tons, corresponding to an annual increase of 5%.[78]

5.68 Imports on the over hand, hovered around 300,000 tons between 2002 and 2012 (Figure 67). In 2012, rice imports through the port of Conarky came close to 506,000 tons (but could include transit to Mali, estimated at 60,000 tons). Guinea apparently exports some 150,000 tons of rice each year to neighbouring countries such as Guinea-Bissau or Gambia (WTO, 2011) despite none of them appears in Customs data or in Comtrade mirror exports (except Gambia for 2 tons in 2011).

5.69 **As a result of the increase in production and imports, the availability of rice has increased**. For an annual rate of population growth estimated at 3.1%, the amount of rice per capita per year was over 124 kg in 2010/11, whereas it was less than 90 kg in the early 2000s. [79] Compared to the early sixties, apparent consumption of rice per capita has nearly tripled[80] (Figure 68 and table 16).

Table 16. Rice availability

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Prod.paddy (1)	1146.8	1208	1272.4	1340.3	1401.6	1455.9	1499	1604.3	1792.8	1918.8
Import. Rice (2)	321	281.1	271.4	357.4	300.7	140.6	406.8	280.1	431.7	506
Availability(3)	112.6	108.7	108.4	118.2	112.5	96.5	121.3	111.5	131.5	140.4

(1): production of paddy, thousands of tons, source SNSA
(2): imports of rice, thousands of tons, source Customs
(3): rice availability: kg/inhabitant/year, mission calculation

5.70 With an annual consumption of more than 100 kg rice per head, Guinea ranked 9th worldwide in 2009, just behind Asian countries and before Madagascar (**Error! Not a valid bookmark self-reference.**). Rice accounts for 40% of daily caloric intake and is the top expenditure item of Guinean households, with a share of 20% of the total expenditures (PNIASA 2007 data).

5.71 **The imported rice benefits mostly to urban and rich consumers.** Estimations based on the ELEP households survey in 2011/2012 point to a rice consumption of 263,000 tons, divided equally between local (135,000 tons) and imported varieties (123,000 tons) (Marazyan 2014). Urban consumers rely on imports for 70% of the rice they consume; while for rural households, the share is a lower 36% (Marazyan 2014). The reliance on rice imports increases with income: from 39% of total rice consumption for the poorest quintile to 51% for the richest. The degree of import dependence varies by region, from 81% in Conakry to 23% in Kankan (with a difference between rural 16% and urban areas, 55%).

[77] Mission to evaluate the food and nutritional situation for the 2010/11 season.
[78] The estimates of the joint mission for the 2010/11 season (1,604 million tons) are very close to the extrapolations made by the SNSA on the basis of the 2000/2001 census (1,603 million tons). These figures must be taken with caution because of the uncertainty surrounding data on production, imports, exports, loss rates and population.
[79] Republic of Guinea (2011), Diallo and Subsol (2004)
[80] Diallo and Subsol (2004).

Table 17. Share of rice in total food availability among the top ten consumers of rice in 2009

	kg/inhab/year Rice	Cereals	Share of rice in total	kcal/inhab/day Rice	Total	Share of rice in total
Bangladesh	173.3	197.5	0.88	1 727	2 481	0.70
Lao	165.5	184	0.90	1 465	2 377	0.62
Cambodia	160.3	178.7	0.90	1 530	2 382	0.64
Vietnam	141.2	166.3	0.85	1 390	2 690	0.52
Myanmar	140.8	152.5	0.92	1 204	2 493	0.48
Thailand	133	153.6	0.87	1 323	2 862	0.46
Indonesia	127.4	186.7	0.68	1 259	2 646	0.48
Philippines	123.3	153.9	0.8	1 213	2 580	0.47
Guinea	105.8	142	0.75	1 068	2 652	0.40
Madagascar	105.5	130.7	0.81	1 074	2 117	0.51

Source: FAOSTAT

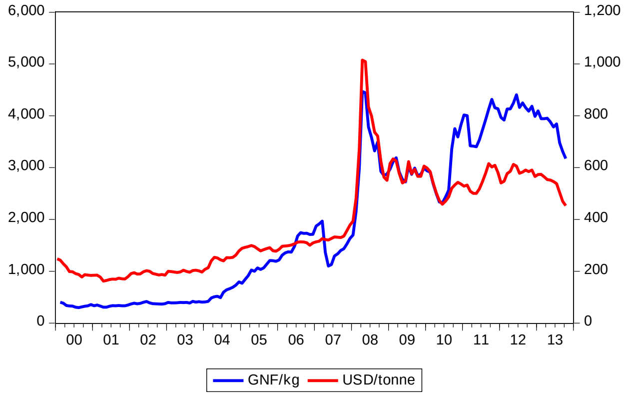
5.72 **The increased availability of rice did not reduce food insecurity**.The percentage of rural people in food insecurity rose from 16% in 2005 to 32% in 2009 (PAM, 2010), and even 52.7% in the region of N'Zérékoré (the main rice production region) against 6.4% in Conakry (IMF, 2012 and PAM, 2011). 40% of children under 5 were stunted and 20.8% of them suffered from malnutrition in 2009. In 2012, in the whole country, 18% of kids under 5 years old were underweight for their age (EDS-MICS, 2012). Moreover, consumers are increasingly dependent on rice and have a less diversified diet – the annual apparent consumption of other cereals has stagnated at below 40 kg per capita.

5.73 **The Government of Guinea manages actively the trade policy for rice,** subsidizing imports and implementing temporary ban on exports (with notification to the WTO).[81] The Government calls on wholesalers to import the goods and pays them a subsidy in exchange for a commitment on their part to sell at a lower price. The rice import sector is very concentrated, four importers controlling three-fourths of the market (Fewsnet, 2013). In July 2011, the selling price of a 50 kg bag of rice was fixed at 185,000 Guinean Francs (3,700 GNF/kg) throughout Guinea, which meant a subsidy of 38%.[82] The distribution of subsidized rice imports continued in 2013.

[81] Food exports were banned in January 2007, following a general strike. In 2009, rice imports were exempted from a flat tax and imported quantities were decided by the military. After the presidential election of November 2010, the new government decided to massively import rice, sugar and vegetable oils, to be sold at subsidized prices.

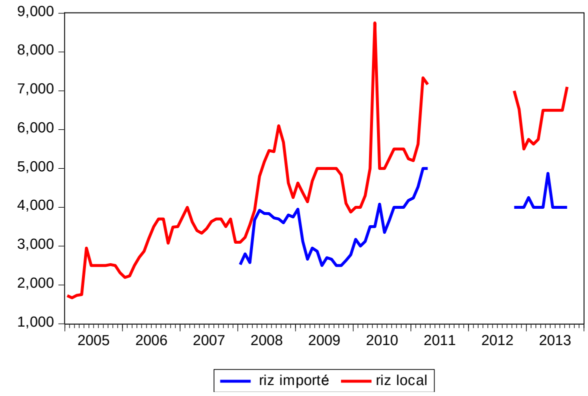
[82] The market price for a 50 kg bag of rice stands between 285,000 and 300,000 Guinean Francs. The subsidy rate for imported rice was 50% of the CIF price in March 2011 (WTO,2011).

Figure 69. **Price of Thai rice (FOB Bangkok)**



Source: IFS (5% broken).

Figure 70. Price of rice at Madina (Conakry) GNF/kg



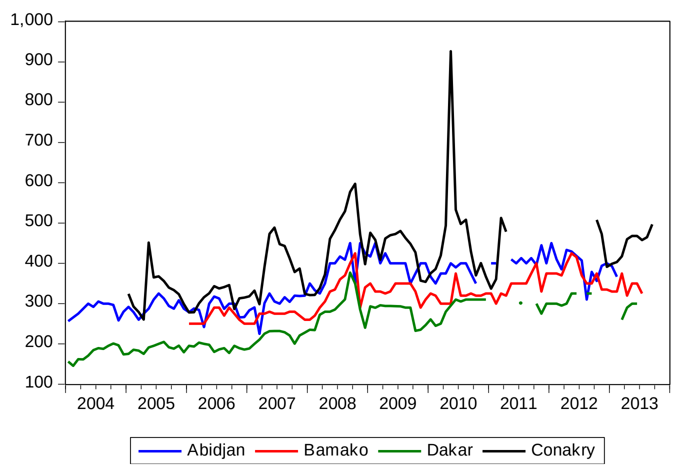
Source: SIPAG

5.74 **The overall cost of public interventions on rice is high.** On top of their budgetary cost, they cause inefficiencies in resource allocation: they hurt local rice producers who suffer from competition from cheap imported rice. They result in anti-competitive behaviors as they generate rents for traders who own a licence to import rice and lead to illegal arbitrage by buying subsidized rice and selling it later at a profit in neighboring countries. Finally, they benefit only a limited number of consumers, mostly those in large cities, and keep Guinean consumers dependent on rice.

5.75 **The domestic and world prices of rice are disconnected.** World prices peaked in April 2008 and has been falling since December 2008 to a lower level, hovering around 550 USD/ton at the end of 2013 (Figure 69). However, expressed in Guinean Francs, the profile of rice prices is very different: in local currency, imported rice has just slightly decreased in 2009 and has been *increasing* again since 2010. As a result, for Guinean consumers, the market price of imported rice is as high now as at the peak of the global food crisis in 2008. This divergene comes from local inflation and the depreciation of the Guinean Franc. [83]

5.76 **Guinean rice is more expensive than imported rice** by 20 to 40% (Figure 70). The price differential is generally attributed to the better quality of Guinean rice, preferred by consumers, compared to the imported variety. It seems that the rice market in Conakry is dominated by imported rice; local rice being a residual market, primarily intended for home consumption and not available all year round in large cities.

Figure 71. Price of local rice, CFA Franc/kg



5.77 **Guinean rice is not competitive compared to regional varieties but not because of production cost.** The price of Guinean rice in Conakry, converted into CFA francs at the official exchange

[83] Data on rice prices on Guinean markets are not available for 2011 and 2012.

rate, is well above the price of local variety in Abidjan, Bamako and Dakar (**Error! Reference source not found.**).[84] Yet production costs of rice in Guinea are low: they lie between 30 and 50 francs per kilo of paddy, to be compared with 65-70 in Mali (in the Office du Niger zone) and 60-65 in Senegal (in the SAED zone along the Senegal river).[85] The high price of Guinean rice comes from the costs of processing and transport and from anl overvalued official exchange rate.[86]

5.78 **Guinea, along 23 other countries in SubSaharan Africa, has developed in 2009 a National Strategy for the Development of Rice Culture** (SNDR) based on input subsidies.[87] The key pillars of SNDR are: (i) the promotion of irrigation and water and soils management based on the agro-ecology of cultivation zones; (ii) improvement in the access to and use of inputs, and agricultural equipment; (iii) the use of agricultural research and extension services, and; (iv) improvement of market access. SNDR aims at doubling rice production by 2018 through the development of irrigated land, dissemination of high-yield NERICA rice, credit for inputs and commercialization infrastructure (PNIASA, 2013). Significant quantities of inputs (seeds, fertilizers, pesticides and herbicides) were made available to producers at a subsidized price in 2011/2012, as well as harvesting and post-harvest equipment as well in 2012/2013. Some shortcomings need to be fixed, such as late delivery of inputs and lack of training.

5.79 **The SNDR wants to create rice development clusters** in the context of an extended public-partner partnership (3P +) that involves the Government, donors, private investors, NGOs, mining companies, producers organizations and financial institutions. The target is to gain sufficent leverage for the huge investments needed in the rice value chain, not only on production, but also on processing and distribution.

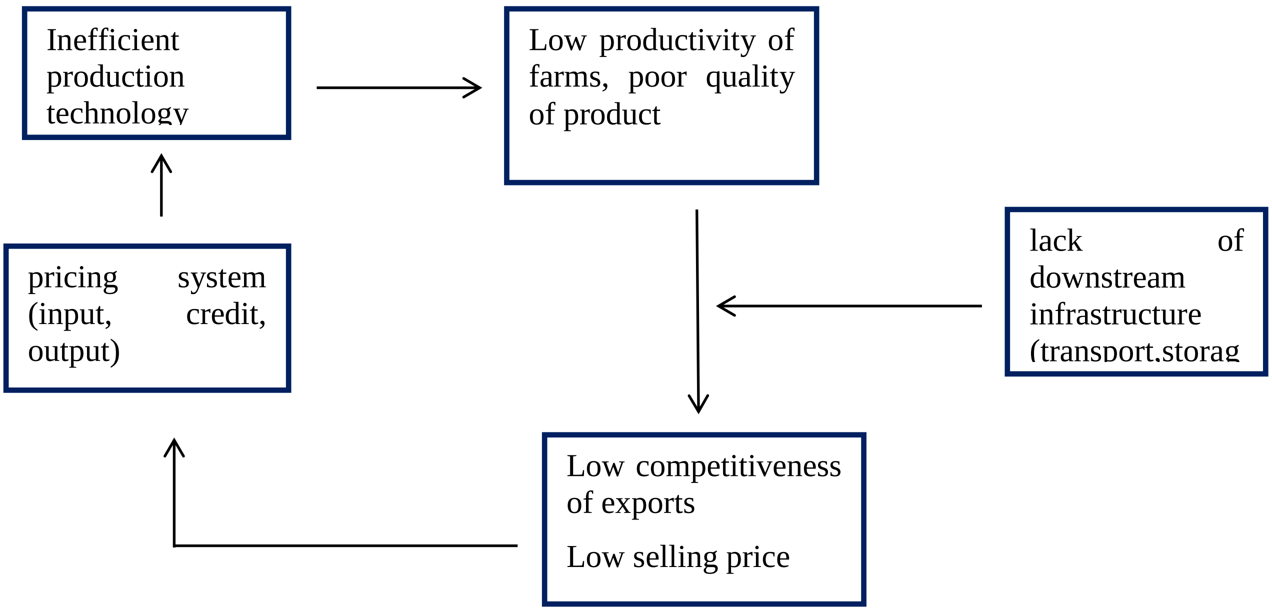
5.80 **In the short term, a precise assessment of the rice import policy is needed.** Discretionary public interventions inhibit the development of the private sector while creating rents for a few traders and re-exports. It is important to restore a clear, transparent and predictable trade and tax policy applicable to all operators, complying with common ECOWAS rules.

5.3. The challenges ahead

5.81 Guinean producers are caught in a vicious circle: low profitability of farming leads to under–investment, low quality and unsufficient production. In turn, unsufficient supply plus the high cost of processing and commercialization weigh heavily on export capacity and the profitability of agriculture (Figure 72). The next section focus on three key factors for exports: input costs, trading costs and issues relating to quality and institutional framework

[84] Guinean domestic rice is parboiled abroad while in other countries it is blanched and not parboiled, which may explain some of the difference in prices.
[85] SNDR, 2009
[86] The Guinean franc underwent significant depreciation but remain still over-valued, evidence of which is the existence of an active parallel exchange market.
[87] SNDR is part of the Coalition for African Rice Development (CARD), at the initiative of JICA (Japanese International Cooperation Agency), the New Partnership for Africa's Development (NEPAD) and The Alliance for a Green Revolution (AGRA).

Figure 72. The vicious circle of agriculture in Guinea



5.3.1 Inputs

Access to inputs and agricultural equipment

5.82 **In Guinea, there is no local market of agricultural inputs** (fertilizers and pesticides). The main distributors of inputs are not present in Guinea, hence, users through the Chambers of Agriculture must source directly abroad. The non development of the local market for inputs comes from the lack of bankable demand, absence of financing scheme, and weak producers' organizations.

5.83 **Agricultural inputs, equipment and materials are exempted from taxes**. The VAT exemption could be considered a second-best solution, considering the difficulty experienced by exporters to get ther VAT credits reimbursed. The list of exempted inputs is established by the Ministry of Agriculture [88]. Imports, exempted from tariffs and other duties still pay the RTL (2%), the ECOWAS community levy (0.5%) and a levy for the Chamber of Agriculture (0.25%).

5.84 **The actual implementation of exemptions appears uncertain**. Operators interviewed during the mission were not familiar with the exemption system and said they did not benefit from it. Moreover, the estimation of the value of imported inputs by customs seemed to vary without reason.

5.85 **Subsidzed agricultural inputs are distributed through the Emergency Project of Support to Agricultural Productivity (**PUAPA) since 2011/2012. The program is based on a complex institutional arrangement that involves the Regional Chambers of Agriculture, the Regional and Prefectural Directorates of Agriculture and regional Plant Protection services. Regional Chambers of Agriculture trace farmers' needs; the inputs are made available to prefectures and input management committees (that include elected officials, the local head of the Chamber of Agriculture and a

[88] Exemption applies to fertilizers, pesticides, seeds and plants, genetic material from animals and fish, consumable packaging materials, equipment and fishing inputs, machinery and equipment for agriculture and harvesting, other materials and equipment for agriculture, machinery for cleaning and sorting.

technical adviser) are in charge of the distribiution. Agricultural Centers, the National Agency for Rural Promotion and Agricultural Counsel (ANPRO/CA), the National Confederation of Farmers Organizations of Guinea (CNOPG) as well as various projects and NGOs also provide agricultural training and advice.

5.86 **The take-up rate of the input distribution scheme has been very high** due to a subsidy rate higher than 50% for fertilizers, and in some cases, the ability to buy at credit. **However, at the end of the 2012/13 season, many weaknesses were identified** (ANASA, 2013).The distribution of inputs among prefectures was not carried out according to the actual needs of farmers, thus causing redistribution ex-post between districts or regions. In some areas, the products distributed were not used because they were unsuited to the actual farmers' needs[89], or, more often, due to late delivery or losses associated with defective packaging and inadequate storage in the prefectures. Equipment provided such as tillers or mowers, was under-used too because they were unsuited for the field or people were not trained to use them or because they entailed high operating costs. Scales and bags were also distributed but too late or in poor condition. Mismanagement of inputs at the local level and diversion for sales on parallel marjets at home or abroad are also reported. The Government has also accumulated arrears with respect to importers of inputs. The program primarily aimed at rice growers, generated misunderstanding and dissatisfaction on the part of other producers. It seems that for the 2013/14 season, other crops such as pineapple and potato will be taken into account.

5.87 **A rigorous evaluation of the costs and benefits of the** inputs **program is necessary as access to inputs is essential for increasing agricultural productivity.**. A reallocation of aid and a review of intervention methods may be needed to avoid wasting public resources and allow the emergence of a sustainable input industry.**Indeed public intervention in this area can only be transitory.** It is important to establish the conditions for a transfer of the distribution of inputs to the private sector. This involves setting up farmers' organizations, strengthening their ability to bundle purchases and facilitating access to input credit through, for instance, a guarantee fund, open to all producers, including the exporters.

5.88 In order to cope with unreliable electricity supply, firms use generators; thus, they depend on oil price and taxes (alleviated by subsidies) and the price of imported spare parts. Cardboards, plastics used for packaging and wood pallets are imported as well, because of the low quality of domestic equivalents. The PNIASA is promoting the installation of local production units. Meanwhile, it is important that the tax and tariff exemption on packaging materials is enforced.

Labor costs

5.89 **Until now, the cost and availability of labor has not been considered as a constraint for agricultural competitiveness. That might change** with the development of the mining and the agro-industrial sectors. Shortage of farm labor is emerging in mining areas, threatening pineapple, rubber and palm oil industries. Indeed, mining areas encroach largely on agricultural zones, and competition for access to land and labor is seen almost everywhere: in Lower Guinea (rice, fruit crops and bauxite), Upper Guinea (cereals, cotton, tubers, fruits and vegetables, and bauxite, iron gold and diamond), Forested Guinea (coffee, cocoa, tea, palm oil, sugar cane, rubber, rice and diamond as well as iron). **In addition food industry is facing a shortage of *skilled* labor**. Raising agricultural productivity will also require significant skill upgrading.

[89] Herbicides distributed for corn in Lower and Mid-Guinea were under-used, because corn is cultivated alongside other crops which are harmed by the product.

Cost of capital

5.90 **Credit supply is insufficient and inadapted to the need of agriculture.** Producers need long-term credit to invest on their farms (irrigation, drainage, plantations). They also need short-term credit for the purchase of inputs. Commercial operators must invest in processing equipment (cold chain, threshers) and finance the purchase of products. However, local commercial banks specialize in short-term credit and are not active in the agricultural sector since the failure of Banque Agricole pour le Développement Agricole et Minier (BADAM), a rural bank.[90] Microfinance credit (mainly CRG and Pride Finance) is costly and does not respond either to the specific need of agriculture.

5.91 **A widely used solution to the lack of credit is contract farming.** Trading and processing firms substitute to the banking system: the buyer gives a credit at the beginning of the season and is repaid when purchasing the produce. This scheme, used most of all for inputs, was a key factor in the development of cotton production in West Africa. It was the case in Guinea, where the recovery rate of loans granted by the cotton company to farmer groups was close to 100%.

5.92 **Contract farming is however difficult to implement in a liberalized environment** where buyers compete between each other, farmers are not monitored and contract enforcement is weak, without credible sanctions.Only SOGUIPAH would be in position to do so.

5.93 **Exporters face an additional constraint, as they need export credit.** Local banks offer a documentary credit based on a pre-agreed fix price. This could be possible for produce for which the price and quality criteria can be specified in advance and easily checked before loading, such as coffee, cocoa and cotton. However, this type of financing cannot be put in place for fruits and vegetables Most Guinean operators, confronted with varying quality, sell their produce on consignment and with CIF paid by the exporter. The importer acts as a commission agent and does not commit to a firm price. Hence, the importer transfers the price risk to the exporter.

5.94 **The high cost of credit is also the result of the insecure tenure of assets**, preventing them to be used as a collateral for credit. The coexistence of traditional and modern land rights creates uncertainty on land status. Insecurity comes also from the inability of the State to enforce the law and prevents the development of financing instruments guaranteed by the produce itself such as warrants and debt assignments.

5.95 The PNIA program for the "promotion of agricultural and agro-industrial exports" (2010–2015) will promote local financial services and a harvest-based guarantee. Such garantee could overcome the lack of collateral and allow access to credit. However, past experience with guarantee funds is rather disappointing as their cost is generally high. The establishment of a guarantee fund in Guinea should be subject to a comprehensive study.

5.3.2 Trading costs

5.96 **Since the 2003 DTIS, progress has been made to facilitate domestic movements of fresh produce.** A badge system identifies transporters of perishables and accelerates their control procedures. **But internal barriers are still pervasive.** The poor condition of roads generates high costs and losses. This is particularly true for produce from Forested Upper Guinea.

5.97 **Foremost, agricultural goods are subject to extensive controls, levies and red tapes**, by local or central authorities, formal or informal. This prevents the development of regional trade. According

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[90] BADAM was created in 2010, after the closing of the Banque Nationale de Crédit Agricole (BNDA) in 1986. BADAM, in which the State of Guinea is a 30% shareholder, was to finance mining and precious minerals as well as firms in the agriculture and livestock sector, including farmers' associations and the Chamber of Agriculture. It went bankrupt in 2012, because of lack of capacity of part of its staff and illegal practices.

to the Federation of Potato producers in Fouta-Djallon, there are around 40 checkpoints between Labé and Dakar, just 300 km apart, with each truck paying 5,000 Guinean Francs at each checkpoint. Border controls within ECOWAS are too long and result in loss of perishable goods.

5.98 **Taxation on exports of agricultural goods is not zero**: they are exempted from the Droit Fiscal d'Exportation (DFE) but still pay a levy of 0.25% to the National Chamber of Agriculture; coffee exports are subject to a specific fee of 13 USD per metric ton (WTO, 2011).

5.99 **Barriers to agricultural exports tend to take the form of temporary export bans** jointly decided by the Ministry of Commerce and the Ministry of Economy and Finance. These bans hurt Guinean producers and pushes importers to source elsewhere.

5.3.3 Institutional overlap

Control of quality

5.100 **North American and European markets are increasingly demanding in terms of the quality and sanitary quality of food produce.** In early 2011, a Guinean container of chili powder and one of red palm oil were turned away from the EU, because they contained Sudan IV, a colouring banned in food in the EU since 1995. The red palm oil was purchased on the market by the exporter and shipped without prior inspection.

5.101 **Quality control in Guinea is performed by at least three institutions**, all lacking resources and unable to fulfill their missions. As a result, their certificates are not recognized abroad.

5.102 **The Guinean Institute of Normalization and Metrology** (IGNM), formerly part of the Ministry of Commerce and Industry, now reports to the Ministry of Industry. The IGNM is responsible for developing standards and giving advice to firms and in charge of the national system of weights and measures, control and calibration of measuring instruments.[91] At the end of 2013, IGNM issued certificates of compliance for two products only: cement and metal sheets.

5.103 **The National Service for Plant Protection and Commodities** (SNPV-DS) is a public entity reporting to the Office of the Ministry of Agriculture with the status of a National Directorate since July 2008. It is responsible for protecting crops and stored food, enforcement of national, regional and international regulations regarding pest control, and helping exporters in the area of compliance with sanitary and phytosanitary standards. There is one inspectorate per region and a plant protection technician is present in each prefectural Board of Agriculture. In principle, agricultural goods should be monitored by SNPV-DS agents from plant nursery to the point of embarkation but they are too few and aging. The SNPV–DS is present at the port, the airport and five border posts and issues a certificate that is mandatory for export.Since 2012, the SNPV-DS is in charge of the Pest and Pesticides Management Plan (PGPP) as part of the implementation of the Emergency Project for Agricultural Productivity (PUAPA). However, it has no means to combat fraud, does not analyze pesticide residues in fruit and vegetables sold for local consumption and lacks dedicated storage and transport infrastructure for pesticides.The PUAPA is planning to strengthen the operational capacities of the SNPV-DS staff (Republic of Guinea, 2011b).

5.104 **The National Office of Quality Control** (ONCQ), previously SNCQ, is a public entity reporting to the Ministry of Commerce. Its mission is the enforcement of laws and regulations relating to the quality and standards of consumer goods in Guinea. It is responsible for developing and implementing programs for quality control, including import and export products.

[91] For example inspection of the port weighbridge. For more information, see WTO (2011)

5.105 The ONCQ has regional and prefectural offices and issues an inspection certificate. Exported products should be traced at all stages of the value chain. The ONCQ is also present at major borders and issues a quality control certificate, mandatory for export. Actually, the ONCQ only performs document checks, but no sanitary controls, its laboratory lacking operating capacity.

5.106 **Large exporters use private firms** (SGS or Veritas) for weight control and product compliance with export standards. Some, such as SOGUIPAH, have their own laboratory.The inefficient public quality system is a handicap for SMEs and Guinean consumers.

5.107 **An inspection and control agency (AGIC) is planned** that would bring together the three public entities mentioned above. The construction of a new laboratory for biological and microbiological testing is underway with support from the EIF. As a first step, it is important to develop a national quality policy (PNQ) in line with the regional ECOWAS policy (ECOQUAL). Such a national strategy would help clarify the missions of the three entities. Coordination between them seem inexistant as they report to different ministries.

Statistical information

5.108 **The consolidation of the Guinean agricultural statistical system is a priority.** The availability of structural and timely data on the rural sector is indeed essential for the development of agricultural policies, defining strategies to fight food insecurity and poverty and to boost exports.

5.109 The National Service of Agricultural Statistics (SNSA), has been recently changed to the National Agency for Food and Agricultural Statistics (ANASA) and received logistical resources. This increased capacity helped to carry out the 2012/2013 permanent agricultural survey and the servey on household food security and vulnerability. The capacity of ANASA must be reinforced, coordinating the collection, processing and dissemination of information with the relevant departments of the Ministries of Agriculture, Livestock and Fisheries, as well as the Ministry of Commerce, the Ministry of Economy and Finance, CAFEX and the Central Bank.

5.110 A project is underway that will put in place a Permanent Integrated System of Agro Pastoral Statistics (SPISA) based on a new agricultural census. The aim is to establish an efficient system for the collection, processing, analysis and publication of statistical data for the different sub-sectors (agriculture, livestock, fisheries and forest management). It is important to ensure the effective implementation of the SPISA project and its durability.

5.4. Conclusions and recommendations

5.111 The low competitiveness of the export sector is primarily the result of the high cost of production factors and of putting the product to the market. This feeds a vicious circle where producers are unable to invest in their farms and raise the quality of their products, excluding Guinea from export markets.

5.112 **A project-based approach despite their past achievements, will not be sufficient for the size of investments that is needed.** Indeed, the only large-scale infrastructure (packaging platform, storage facilities) that have been built in Guinea have been carried out within projects, the most significant one being the PCPEA. The potato sector, the niche markets of Ziama coffee or mangrove rice, or fish farming in Forested Guinea were all developed within dedicated projects. **However, the limitations of the project approach appear clearly in the case of Guinea.** Many infrastructures have proved unsustainable because they were ill-adapted to actual demand or unprofitable. The reasons for this are the lack of consultation with the private or cooperative sector during the project design. Many projects have failed because they neglected downstream activities that follow production, such as searching potential consumers, transport and putting the product to market.

Projects are too often focused on producers, the first step in the value chain, leaving out the vertical coordination of further activities.

5.4.1 Restoring a transparent and non-distorting incentive system

5.113 Poor basic public services are the main barriers to the development of agro-industry and agro-exports. The State must focus on its sovereign functions (justice and security) and the provision of backbone services (water, electricity and transport infrastructure), enforce tax exemptions on agricultural inputs, and retreat from active management of agricultural trade policy.

5.114 *Recommendations:*

→ Get rid of temporary export and/or import bans
→ Stop intervening directly in the rice trade by fixing import levels and let private operators decide on the quantities imported
→ Set up for staples (rice and maize) a transparent and predictable system of taxes and tariiffs exemption consistent with the ECOWAS CET and applying to all
→ Enforce regulations on exemptions on inputs and agricultural equipment
→ Replace subsidies on food products and inputs by less distortive instruments such as food food aid to schoolchildren or a direct transfer to producer organizations (guarantee funds or fiscal transfer)

5.115 The development of processing and export industries will also depend on the ability of public authorities to attract private investors through extended partnerships between the public sector, the private sector and small farmers. The latter must be strenghtened by building the capacity of professional organizations.

5.116 State intervention in agricultural markets, in principle liberalized, has increased since 2003, the State intervening through discretionary trade policy measures that are detrimental to producers and a source of inefficiencies as they create rents for the few operators authorized to import subsidized products or illegal trade.

5.4.2 Establishing a clear and effective institutional system

5.117 The business climate, a stable legal framework that protects economic agents and ensures the security of investments, is key for agri exports. This priority objective is included in the PNIASA (2013-2017) and is not developed here. It remains a prerequisite for the sustainable development of the agricultural export sector.

5.118 The control of quality, the collection of agricultural statistics and export promotion suffers from the proliferation of under-funded new entities, such as ANASA, ANDASA, CAFEX, ANPROCA, AGIC.

5.119 *Recommendations:*
→ Clearly insert the new structures into the institutional framework that underpins the PNIASA and PNDA
→ Clarify the tasks and resources of each institution
→ Improve interdepartmental and inter-agency coordination
→ Strengthen the collection and analysis of agricultural information
→ Coordinate the statistical offices of the various ministries (Agriculture, Commerce) and public institutions/agencies (CAFEX, ANASA)
→ Develop a National Quality Policy and an action plan, in line with ECOWAS

5.4.3 Strengthening professional and inter-professional organizations

5.120 Strengthening professional and inter-professional organizations is a necessity as well as building capacity of operators in the commercial sector

5.121 *Recommendations:*

→ develop and strengthen professional and inter-professional organizations: producers as well as traders

→ build their capacity (information on tax and trade policies, information on foreign markets and support for export promotion)

5.4.4 Developing public-private partnerships

5.122 Winning back international markets requires significant investments at all stages of the supply chain.The huge investments needed may justify a joint participation of the State and private operators in the form of a a public-private partnership (PPP), mentionned in the PNIASA.

5.123 PPP is a system of reciprocal obligations and mutual responsibilities which allows to share the cost and risk of an investment, the partners being jointly responsible for the design and implementation of the program (FAO, 2012). The partnership may be extended to donors, NGOs and the civil society. PPPs are new in Africa and lessons from experience are limited.

5.124 Typically, in the agricultural sector, it is up to the State to create a favorable business environment by facilitating access to private land, taking on (all or part of) the cost of the development of production areas (irrigation,access to electricity and water, rural roads).

5.125 The private sector provides capital, management skills and technical expertise. It should commit to work with small farmers producers to whom it provides input credit, agricultural advice, training in the quality process, and buys their products.

Chapter 6. Services

6.1. Introduction

6.1 **The story of Guinea in the services sector is one of missed opportunities**. Given the country's potential in terms of hydro-resources and geographical location, the services sector should be a main driver of the economy, but instead it is a factor of stress for the economy and an obstacle to the country's competitiveness and growth.

6.2 Guinea underperforms in the services sector vis-à-vis neighboring countries or countries of similar size and level of development. The contribution of services to the Guinean GDP is extremely low at 33 percent compared to an average 49 percent in low income countries. With an average annual growth rate of the services sector that is half that of Africa and lower than its neighbors', the development gap between Guinea and other countries is increasing. Over the past decade, the Guinean services trade deficit has multiplied four-fold, to reach USD 722 million in 2012, mainly due to transport services. FDI has been concentrated in the mining sector, which represented up to 99 percent of inflows in 2011, illustrating the lack of diversification of the economy.

6.3 This underperformance in the services sector and services trade negatively affected the attractiveness and competitiveness of the Guinean economy, as well as its growth and development prospects. For basic services, lack or unreliability of access to electricity, water or credit has immediate impact on poverty alleviation capacities. For backbone or infrastructure services, lack of efficiency or availability is an obstacle to economic performance and global integration. For all input services, the absence of local supply resulted in an increase of imports or non competitiveness of local industries.

6.4 **Trade is part of the solution.** In fact, Guinea is largely open to foreign services providers. Nevertheless, this openness did not remedy the country's problems and poor performance in the services sector.

6.5 **The issue is one of sequencing or inadequate regulation**: many sectors were opened to foreign competition without a proper legal or regulatory framework in place that would have allowed an optimal functioning of the markets; sometimes, regulations were added after opening to capture some of the benefits of trade liberalization to the detriment of the consumers.

6.6 This study suggests a realistic approach to services trade development in Guinea: it considers that Guinea cannot suddenly become a major exporter of services in sectors where it has limited comparative advantages; instead, the country should focus on maximizing the benefits of trade in sectors that are already open to competition; and moving up the value chain by developing services ancillary to traditional goods exports. It therefore suggests the adoption of a two-pronged strategy for the development of the services sector in Guinea:

6.7 First, **the revision of the regulatory framework of key services sectors**, on the basis of sectoral consultations and diagnostics, including in the context of multilateral and regional trade negotiations, to increase the legal certainty and efficiency of services, with due regard to the objectives of increased competition and universal access;

6.8 Second, **the addition of value-added to traditional activities** such as mining and agriculture, as part of their "servicification". This strategy relies on the development of capacities, through foreign establishment or intra-chain transfers, to encourage local sourcing of input services and, in a second phase, to promote Guinean services exports through other modes of supply.

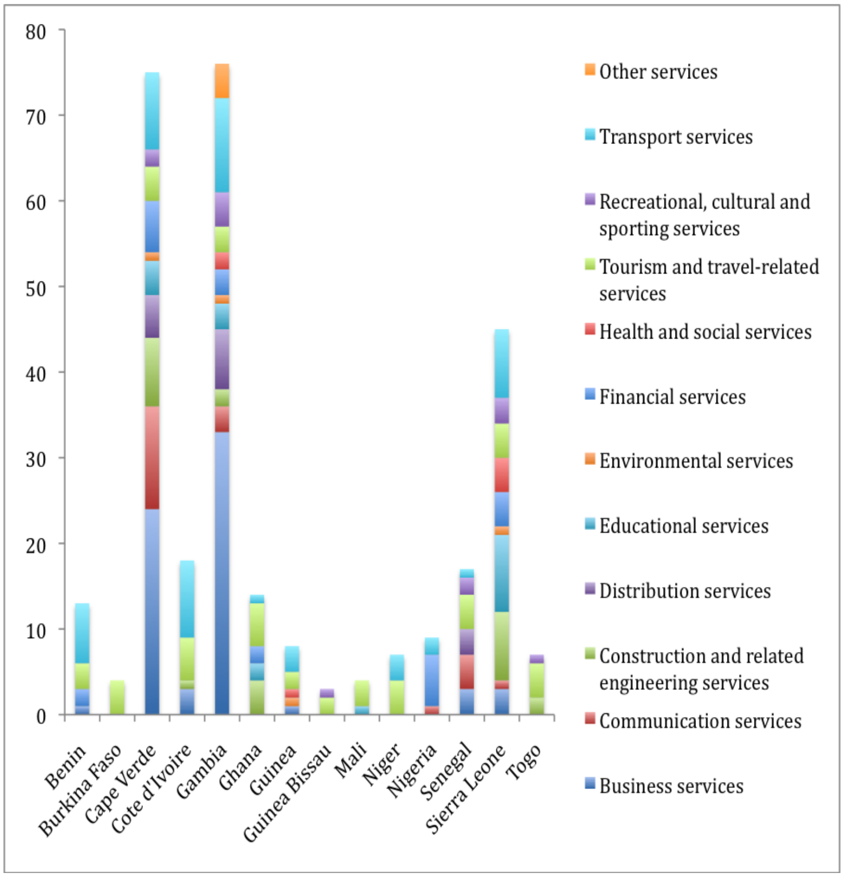
6.2. The state of services trade integration in Guinea

6.2.1. Multilateral integration

6.9 Commitments in the GATS offer investors and trading partners a guarantee of legal certainty and increase the security of transactions. Guinea has made very few commitments in the GATS.92 Most of the sectors of prime importance to the Guinean economy, such as telecommunications or business services, are not covered by these commitments. Only 9 sub-sectors appear in the Guinean schedule of commitments (Annex). This low level of commitments is frequent among countries with an equivalent level of development, including in the region (.

6.10 Figure **73**).

Figure 73. Sectoral repartition of GATS commitments in ECOWAS



Source: WTO

Note: Y axis represents the number of commitments at the CPC three-digit level. In order to facilitate comparisons across countries, where the details of the schedules of commitments allowed, commitments were aggregated at the CPC

[92] The WTO I-TIP database includes information about differences between the country's GATS commitments and its applied regime. In the case of Guinea, additional information about the applied regime exists only in four sectors: postal services, insurance services, banking services, and air transport services. Guinea is not covered by the World Bank Services Trade Restrictions Database.

three-digit level. For example, three commitments at the CPC five-digit levels under the same three-digit CPC were counted as one single commitment.

6.11 **It is essential to have a clear picture of the applied regime in the services secto**r. Indeed, the government will not be able to participate to the request and offer process in the GATS or regional trade agreements unless it has proceeded to a regulatory diagnostic in the services sector. Guinea has not taken the next steps in multilateral integration, for example by not committing to the reference paper on Basic Telecoms – which could help improve the regulatory framework of the sector.

6.12 With the technical assistance of ILEAP and the GIZ financial support, Guinea has initiated in 2013 a consultation process and a regulatory diagnostic work that should enable the country to define its negotiation positions with its ECOWAS, European, and WTO partners as a whole.

6.13 In a first phase of the technical assistance, eight working groups discussed the level of trade integration of their respective sectors: banking, insurance, maritime/land/air transport, telecommunications, tourism and travel, accountancy and audit. Box 7 summarizes some of the findings of these working groups.

6.14 The working groups unanimously called for a regulatory diagnostic that was initiated in the second phase of the technical assistance but remains incomplete both from the perspective of sectoral coverage and in depth analysis of the regulatory regimes. These efforts could be rolled into the WTO I-TIP initiative that includes the construction of a services trade restrictiveness index and a repertory of applied regimes (as opposed to commitments).

6.15 **Guinea is largely more open to services trade than its level of commitments would suggest.** Based on the authorization regime of the 1987 Investment Code (as revised by the law on 30 June 1995) and the new Investment Code project (March 2013), Guinea does not apply major restrictions to the entry and operation of foreign services firms on its territory or the temporary movement of foreigners to provide services in Guinea[93]. It nonetheless pointed at some specific barriers such as restrictions on ownership, foreign labor and equity, nationality or reciprocity requirements in accountancy, insurance, transport, architectural services, land surveyors as well as travel agency, medical services and radio-television.[94]

6.16 The regulatory diagnostic also pointed at selective articles of the Guinean Code of Economic Activities[95] and Investment Code[96] that put reciprocity (for Mode 4) and regulatory status quo (for Mode 3) at the core of the Guinean opening strategy.

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[93] Code of Labor of 208 January 1988, Law L/9194/019/CTRN and Decree D/94059 of 13 June 1994

[94] - Radio and television services: restrictions on ownership (no more than one channel per owner), foreign equity (30 percent maximum), and pre-authorization for establishment;
- Travel agency services: minimum of 4/5 of Guinean staff .
- Insurance services: Nationality or reciprocity requirements for intermediaries.
- Transport services: nationality requirements for customs brokers.
- Architectural services: nationality requirements and limitations on foreign equity or types of partnership.
- Land surveyors: nationality requirements
- Medical services: nationality or reciprocity requirements for the practice of medicine or the establishment of a clinic or medical office.
- Accountancy, auditing and legal services: restrictions on all modes of supply, including nationality requirements, limitations on foreign equity or forms of partnership and legal entities.

[95] Articles 17, 20a and b

[96] Article 2.1.

Box 7. Results of the working groups consultation process on services trade integration in Guinea, by sector, 2013

State of integration and competition on the market	Main problems encountered	Identified needs for technical assistance or solutions
<u>Banking services</u>		
Guinean market controlled by foreign banks and no Guinean banks present abroad.	Non-participation to a monetary union. High cost of credit, legal constraints, low quality and diversity of services.	Need for a regulatory diagnostic and sectoral consultations on negotiations.
<u>Insurance services</u>		
Domestic market mainly controlled by Guinean companies (with some foreign companies locally established), but no presence abroad.	Weak implementation of domestic regulations and laws pertaining to insurance; low quality of services and regulation, qualification shortages, and weak demand.	Offensive interests: need to identify and remove obstacles to market access abroad, in particular in ECOWAS. Need for a regulatory diagnostic and sectoral consultations on negotiations. Proposals for technical assistance include: launch of the national insurance council, development of insurance marketing, improvement of the laws and better implementation (diffusion and control).
<u>Maritime transportation services</u>		
No domestic company still in operation, but provision for the transportation of up to 50 percent of mining products (Mining Code).	Entry costs too high – not specific to Guinea. Insecurity at the port and at sea.	Need for a regulatory diagnostic and sectoral consultations on negotiations. Suggestion for technical assistance include the improvement of security according to the ISPS code.

Box 7 (ctd)

State of integration and competition on the market	Main problems encountered	Identified needs for technical assistance or solutions
<u>Land transportation services</u>		
Very few information about Guinean companies supplying services abroad, but some information about trans-border trade (Union Nationale des Transporteurs de Guinée).	Unsatisfactory regulatory framework, importance of the informal sector, lack of professionalism, low investment capacity, old equipment, insufficient infrastructure and security.	Need for a regulatory diagnostic and sectoral consultations on negotiations.
<u>Air transportation services</u>		
There is no Guinean company that is still operating.	Weak implementation of the regulations, lack of human capacity, non-conformity with standards (and security issues) of the authorities regulating the sector.	Need for regulatory diagnostic and sectoral consultations on negotiations. Suggested technical assistance: strategic study for the development of the sector, rehabilitation of domestic airports.
<u>Telecommunication services</u>		
There is no Guinean company that is trading abroad.	Lack of infrastructure, high exploitation cost, lack of training facilities, low quality of service, high communication costs, insufficient coverage.	Need for a regulatory diagnostic and sectoral consultations on negotiations.
<u>Accountancy and audit services</u>		
Preference for national services providers in most ECOWAS countries. The major companies belonging to international networks (the "big four") are owned and controlled by Guinean nationals.	Absence of adequate training and accredited management center (existing elsewhere in ECOWAS).	Need for a regulatory diagnostic and sectoral consultations on negotiations.

Source: ILEAP, 2013

6.17 **Reciprocity could hardly be a guiding principle for services trade negotiations** First, it is not applicable to multilateral trade negotiations where the MFN principle prevails. Second, it is hardly compatible with a request/offer type of negotiations. Third, it is against the principles of predictability and security of trade laws. This is an issue in the ECOWAS region: in practice, some countries do not apply the disciplines, for instance, on the free movement of people and maintain obstacles to the movement of professionals. As a result, based on the reciprocity principle, other countries have retaliated and the resulting legal uncertainty caused much prejudice to trade and trade prospects in professional services.

6.18 These regulatory diagnostic and consultation efforts need to be pursued to have a more complete picture of the domestic services markets and existing conditions of supply of services by foreign firms (both *de jure* and *de facto*). Examples of regulatory audits and related technical-assistance are provided in Saez (2010). This work should also be completed by an analysis of the offensive interests of Guinea in the services sector, including the country's strengths and weaknesses, as well as opportunities and threats on the domestic and foreign markets (SWOT), and translated into requests/offers for the WTO and regional trade negotiations. For example, in Morocco, the World Bank conducted similar technical assistance that helped the country negotiate the free-trade agreement with the US (Cattaneo et al., 2010). Saez (2010) also provides techniques for the formulation of requests and offers in the trade negotiation process.

6.2.2. Regional integration with Europe

6.19 As part of the GATS negotiation process, the EU suggested that Guinea undertakes or improves its commitments for market access and national treatment in the following sectors:

- Business services (and specifically computer and related services, as well as services related to management consulting);
- Telecommunication services (at minimum data and transmission services, as well as mobile services + commitment to the reference paper of the Basic Telecommunications negotiations);
- Financial services (to follow the classification of the Annex on Financial Services, commit direct insurance (life and non-life) in Mode 3, commit reinsurance and retrocession in Mode 1, commit acceptance of deposits, lending of all types, financial leasing, all payment and money transmission services, and guarantees and commitments under Mode 3, and commit provision and transfer of financial information, and advisory and other auxiliary financial services in Mode 1); and
- -Transport services (take commitments in maritime transport and services auxiliary to all modes of transport, including storage and warehouse services, freight transport and forwarding, and pre-shipment inspection).

6.20 The EU also suggested that Guinea undertakes horizontal commitments under Mode 4 of the GATS to remove all quantitative limitations, or measures with a similar effect, applied to intra-corporate transferees and business visitors.[97]

6.2.3. Regional integration in ECOWAS

6.21 **Intra-ECOWAS services trade integration should be an essential part of Guinea's trade expansion and diversification strategy**, and contribute to reduce the country's exposure to imported external shocks related to fluctuations of the mining sector (see Part 6.4 below).

6.22 **Regional trade is also essential to the development of backbone services** (transportation, finance, telecommunications, electricity, water) **and regulatory and institutional frameworks** that will, in turn, strengthen infrastructure linkages among ECOWAS countries, enhance competitiveness of production and facilitate the flow of goods and services (Africa Union, 2010). This harmonization of the institutional and regulatory frameworks at the regional level should guide and serve as an anchor of domestic reforms in key services sectors: greater emphasis should be put in the implementation of the ECOWAS rules and the effective cooperation among regional regulatory authorities.

[97] These requests made under the GATS offer some clues about the offensive interests of the EU in Guinea. While services are not included in the current EPA, they are in a Rendez-vous clause with no specific time line.

6.23 **Regional integration in services has been small**. In the absence of data, it is impossible to measure the relative importance of Guinea's services trade partners. Calculations by UNCTAD using mirror data between the OECD and African countries indicated that approximately 57 percent of African services trade is with other developing countries and 17 percent is with other African countries (Africa Union, 2010). As most trade in services is directly linked to trade in goods and foreign direct investment, one could estimate that the share of intra-ECOWAS services trade is of comparable proportions, at around 8 percent of exports and 5 percent of imports (Banque Centrale de la République de Guinée, 2013).

6.24 **Progress has been made towards the free movement of persons** in the region through a 1979 ECOWAS Protocol[98]: elimination of visas for stays up to 90 days, ECOWAS passport (1985) and mutual recognition of diplomas (1983). Phase II, from 1986 onwards, purported to extend residency, including the right to seek and carry out income-earning employment, to Community citizens in host ECOWAS states, provided they had obtained an ECOWAS residence card or permit; it also obliged member states to provide migrant workers equal treatment with nationals in a number of areas. Phase III, from 1990 onwards, focused on the facilitation of business through the right of Community citizens to establish enterprises in member states other than their states of origin. The implementation of Phases II has been slower and Phase III[99] "has not yet been meaningfully implemented in the region" (Adepoju et al., 2007). Considering that professions apply the reciprocity rule, the breach of the rule by one country will translate into a chain of breaches and retaliations. As a result, uncertainty prevails in the professions as to the right to freely supply services and establish in the region.

6.25 **With regard Mode 4, further trade liberalization could also take place through the establishment of a single ECOVISA** that would allow foreign visitors, including business visitors, to freely travel within ECOWAS once admitted in the region. Discussions have been taking place and an early implementation should be encouraged. Similar systems exist for example in Europe (Schengen) or Asia (APEC business visitors card).

6.26 **Beyond the opening of markets, ECOWAS has contributed to the harmonization of policies and regulatory frameworks in key infrastructure services.** Progress has been achieved in particular in the sectors of transports, telecommunications and energy, which are essential to the country's competitiveness.[100]

6.27 **In the sector of transports**, in all modes of transport, regional transport and transit facilitation programs have been developed with both regulatory and infrastructure components[101].

6.28 **In the sector of telecommunications**, in 2007, the member states adopted a Supplementary Act[102] on the Harmonization of Policies and of the Regulatory Framework for the Information and Communication Technology (ICT) Sector, which detailed implementation guidelines for the harmonization objective set in the Treaty.

6.29 **In the sector of energy**, in 2003, the member states adopted an Energy Protocol[103] that established a legal framework promoting long-term cooperation in the energy field, based on complementarities and mutual benefits, with a view to achieving increased investment in the energy sector, and

[98] Protocol (A/P.1/5/79) relating to the Free Movement of Persons, Residence and Establishment
[99] 1990 Supplementary Protocol A/SP.2/5/90
[100] Articles 32, 33 and 28 of the Revised ECOWAS treaty.
[101] In 1982 and 1990, Conventions (A/P.2/5/82, A/P.4/5/82, A/SP.1/90) regulated inter-state road transportation and transit of goods, and established a dedicated Community guarantee mechanism.
[102] A/SA.1/01/07
[103] A/P4/1/03

increased trade in the region. The West African Power Pool[104] was created to promote the power supply in the region and to integrate the operations of national power systems into a unified regional electricity market.

6.30 The Revised ECOWAS Treaty also calls for harmonization in tourism, but no concrete measure has been taken.

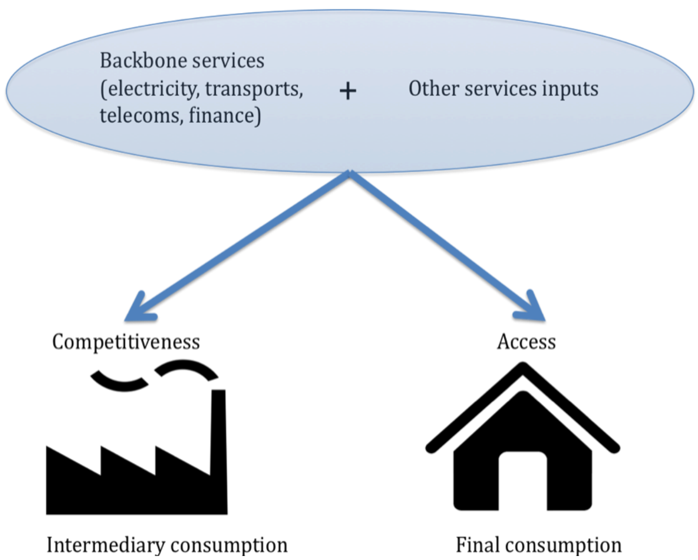
6.3. Services trade perspectives and recommendations

6.3.1. Backbone services: The missing link

6.31 Services and backbone services in particular, have several dimensions (Figure 74): they represent an economic opportunity, a source of value-added, and potentially of exports; they also represent inputs into all other forms of economic activity, and are a key determinant of competitiveness; finally, they are a factor of poverty alleviation through universal access.

6.32 **Guinea has an important services' potential** due to its location (a transit place for large landlocked countries and potentially a transport and logistics hub) and natural resources (water resources to develop hydro-electric capacities and export energy). However, not only does Guinea miss on those opportunities, but the poor quality of its backbone services negatively affects and impairs the competitiveness of the country as a whole. The situation of Guinea should resonate with many other small developing or least-developed countries (LDCs). It is very similar, for example, to the situation of Zambia described in Mattoo and Payton (2007).

Figure 74. The role of services in the economy



6.33 **Most of the Guinean services sectors are open to international competition**, and some key sectors are completely left to foreign firms. This is the case, for example, in the sectors of financial services (14 foreign banks share the market), air transport (no national flagship carrier and about 10 foreign companies operating in/out Conakry airport) and maritime transport (Maersk, SDV and Grimaldi share the international segment of the market since the Guinean Shipping Company (SNG) does not have any international cargo vessels). In some other sectors, however, like

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[104] WAPP, created by Decision A/DEC.5/12/99 and reinforced in 2006

telecommunications (SOTELGUI), water (SEG) and energy (EDG), historic Guinean actors continue to benefit from partial or complete monopoly rights.

6.34 **In the sectors or segments of sectors where no competition exists, the availability and quality of service is very poor**. Liberalization of the other sectors has sometimes produced, however, disappointing results in terms of access. For example, access to credit remains problematic in Guinea despite the complete openness of the market. In other terms, trade does not seem to have delivered all the expected benefits. In the sector of telecommunications, in spite of the attribution of five mobile licenses, prices remain high.

6.35 Mattoo and Payton (2007) pointed at three potential factors to explain the poor results of trade liberalization in the services sector: the persistence of barriers to competition; the weakness and inappropriateness of regulation; and, the absence of meaningful access policy. They also observed that sequence mattered, and that trade liberalization would not contribute to widening access to basic services until a proper regulatory framework is in place.

6.36 In the banking sector in Guinea, despite the presence of a number of foreign banks, **access to credit remains difficult and its cost is too high**. The reasons can be the large share of commissions (80 percent of income) in the banks' income and their adversity to risk in lending, the regulation of the market (the level of mandatory reserves is at 22 percent compared to less than 5 percent in the WAEMU, compensation problems, or the weak dissemination of electronic financial transaction) or the structure of the market itself (low bank usage rate).

6.37 Similarly, in the telecommunications sector, despite the attribution of licenses to foreign companies, SOTELGUI's monopoly remains in key segments of the market, such as access to infrastructure for landlines and Internet and the regulation of the market is not fully satisfactory, as illustrated by suspicions of abuse of dominant position and agreements on prices.

6.38 **Thus, there is a need for technical assistance and capacity building in Guinea** to reform the regulatory framework of the services sectors opened to international competition and to pursue interventions to widen access to basic services. The regulatory diagnostics recommended in Part 3 above could therefore be supplemented by analyses of the markets from the standpoints of competition, access, and regulation. It is indeed not sufficient to assess the level of openness of the country and design trade negotiation strategies without taking those factors into account and ensuring that the sequencing of reforms will be right and will best serve the interests of the Guinean people at large.

6.39 **With regard regulatory reforms, there is significant experience available both at the horizontal and sectoral levels.** A number of techniques and technical assistance programs have been developed to reach "good regulation" (OECD 2005)[105]. For example, the World Bank, the UK and the Netherlands launched a Better Regulation for Growth Program aimed to improve the regulatory and investment climate in developing countries, with regulatory reviews performed in Kenya, Rwanda, Tanzania, Uganda and Zambia. The IFC also compiled information on available tools to improve new or existing regulation: these include regulatory impact assessments, standard cost models, or

[105] According to the OECD (2005), "good regulation" should: (i) serve clearly identified policy goals, and be effective in achieving those goals; (ii) have a sound legal and empirical basis; (iii) produce benefits that justify costs, considering the distribution of effects across society and taking economic, environmental and social effects into account; (iv) minimize costs and market distortions; (v) promote innovation through market incentives and goal-based approaches; (vi) be clear, simple, and practical for users; (vii) be consistent with other regulations and policies; and (viii) be compatible as far as possible with competition, trade and investment-facilitating principles at domestic and international levels.

guillotine approach.[106] Developed in Sweden in 1984, the guillotine approach has since been widely used in developed and developing countries: in Kenya, the World Bank helped an ambitious regulatory reform that led to the elimination or simplification of two thirds of the licenses that existed in the country (Jacobs et al., 2007). Guinea could seek technical assistance to engage such a regulatory reform.

Electricity and water

6.40 **Guinea is one of the main water reservoirs of Africa**, with an average rainfall of over 1,300 mm annually and a network of 1,200 rivers. Nevertheless, the country suffers from water and electricity shortages that affect people's life and the performance of the economy.

6.41 **With regard to water**, the Société des Eaux de Guinée (SEG) runs a network of 1,500 km and produces 57.9 million m3 annually.[107] With only about 110,000 subscribers, water supply remains inadequate. Conakry represents more than 90 percent of the water consumption, and only 24 cities (out of 33 urban centers in the country) are currently connected to the network and have running water. These deficiencies result in dramatic health issues: water-related diseases such as typhoid fever, chronic diarrhea, and recurring cholera (WTO, 2012). In spite of a fast growing population and needs, investment in the network has been lagging.

6.42 **With regard to electricity**, due to its water resources, Guinea has an enormous hydroelectric power potential, estimated at about 7'000 MW. However, this potential remains largely untapped with only 141 MW generated (and 222 MW of installed power capacity – Electricité de Guinée online statistics for the year 2011). EDG[108] counted about 191'000 subscribers in 2011 and provided about half of the domestic production of electricity, with the rest being independently produced by fuel generators. Mining companies have developed their own solutions for power supply. EDG's production reached 554 GWh in 2011, down from 621 GWh in 2010 (-10 percent), with a significant shortfall in production estimated at 40 percent of total demand (WTO, 2012). The coverage rate reached about 51 percent in 2001, down from 55 percent in 2010 with frequent power cuts.

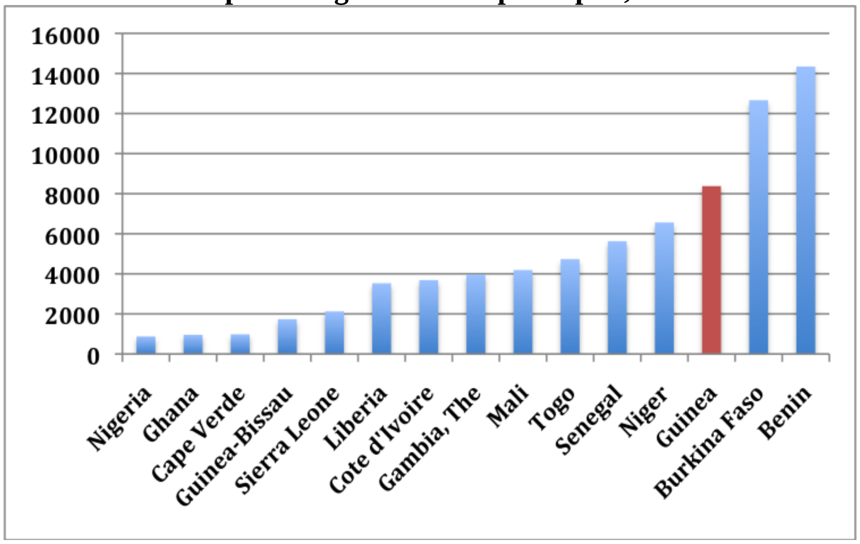
[106] The guillotine concept involves that each ministry lists of business regulations / licenses and then those that cannot be justified for retention within a certain timescale would be automatically rescinded. See http://wbginvestmentclimate.org.

[107] Since 2001, water distribution is a state monopoly in Guinea: the SEG has been in charge of urban water management, and the Services National des Points d'Eau de Quartier (SNAPE) of water distribution at the village level; water charges throughout the country are determined in a joint order of the Minister of the Economy and Finance and the Minister responsible for water resources.

[108] EDG was set up in 2001 to replace a private company, and the electricity rates (industrial and private) are determined in a joint order form the Minister of Economy and Finance and the Minister of Energy.

6.43 **The shortfall and unreliability of power supply severely affects the attractiveness and competitiveness of the Guinean economy**. Guinea is among the top three countries in the region where cost to get electricity is the highest (Figure 75).

Figure 75. Cost to get electricity as a percentage of income per capita, 2012

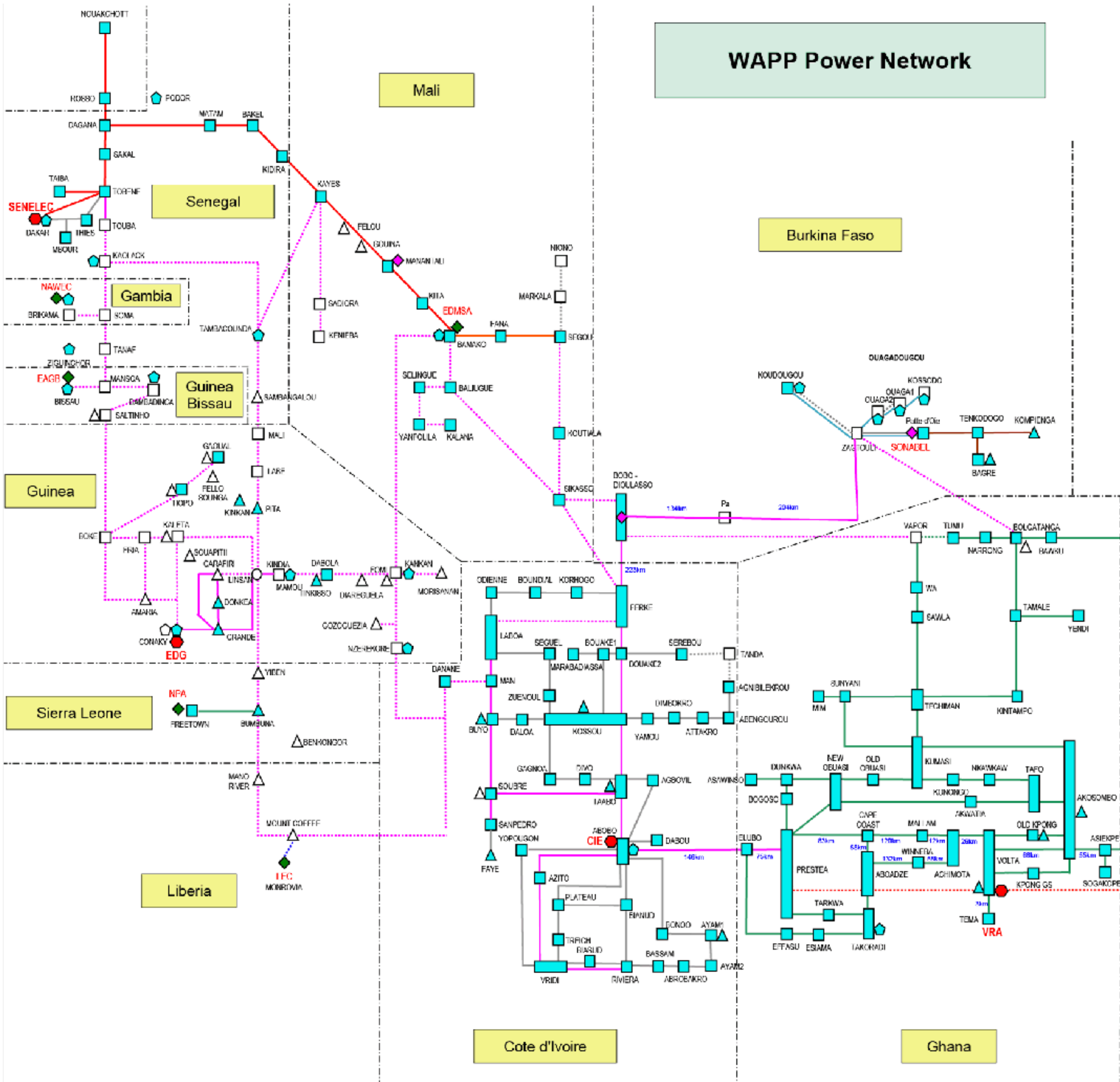


Source: World Bank, World Development Indicators

6.44 **A number of projects are in the pipeline**, although the government is still struggling to find investors. In 2015, the Kaleta hydroelectric power station operational since September 2015 should produce an additional 240 MW, i.e. double the country's production capacity. Projects are also underway in Fomi and Souapiti. In addition a 100 MW thermal station is under construction in Conakry and should be operational at the end of 2014. A new law on investment in the energy sector (for five years) has been adopted, but the decree of application is still missing.

Trade could contribute to promoting universal access to electricity in the country. Figure 76 suggests that a numer of connections with neighboring countries are possible and planned. Given that Guinea exploits only about 3 percent of its potential, there is a strong case for using exports as a way to subsidize infrastructure and functioning costs of the Guinean electricity supplier. Trade could also help regulate electricity supply throughout the year, and remedy shortages in the dry season.

Figure 76. West African Power Pool, partial view of the network



complete picture of the WAPP Power Network and legend is available at ecowapp.org
Source: ECOWAPP

Telecommunications

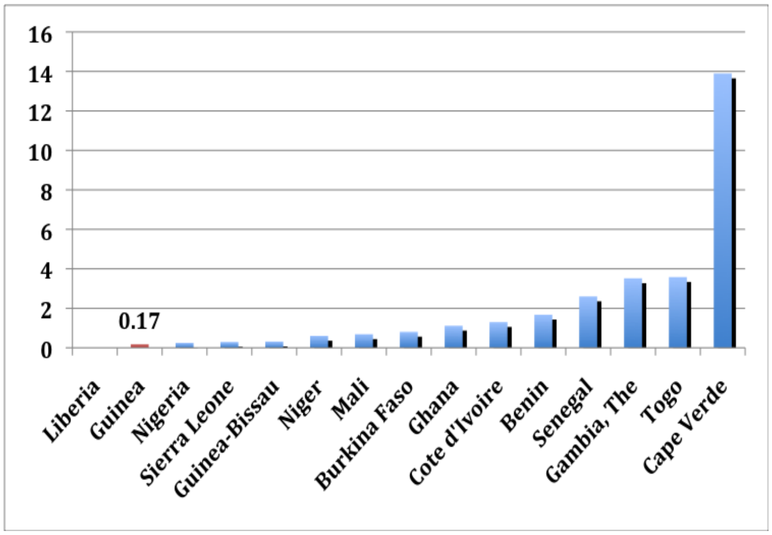
6.45 **Telecommunications are an essential component of a country's competitiveness** and connectivity to the rest of the world. They also represent important direct and indirect trading opportunities: for instance, a number of African countries have joined the race for services off-shoring and supply services for business or knowledge process outsourcing (e.g. call centers). Due to the poor performance of its telecommunications sector, Guinea has been left so far at the margin of this important segment of the global services market.

6.46 SOTELGUI is the historic operator in Guinea and the unique fixed landline operator. The number of subscribers has continuously declined, and the fixed landline penetration rate (at 0.17 percent in 2012) is among the lowest in the region (

6.47 Figure 77).

6.48 Mobile telephony has contributed to substantially increase teledensity in Guinea, with a 46 percent penetration rate in 2012 (**Error! Reference source not found.**); yet it is half the rate observed in Mali or Benin. There are five mobile operators in Guinea: Areeba (South-Africa), Orange (France), Sotelgui (Guinea), Intercell (Soudan) and Cellcom (Israel), the first two representing more than half of the market shares.[109]

Figure 77. Telephone lines per 100 people, 2012

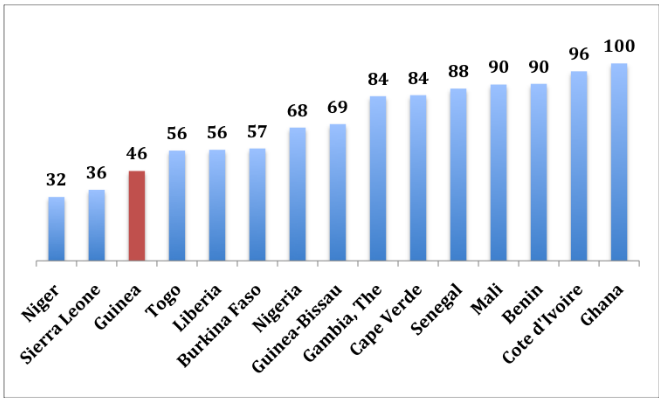


Source: World Bank, World Development Indicators

6.49 The opening of the sector to competition has not produced all the effects that were expected, due to a legal and regulatory framework that is too burdensome and incomplete and generates uncertainty. For instance, SOTELGUI's monopolistic rights should have ended in a number of areas (supply of fixed telecommunications services, access to the infrastructure and to the Internet, transmission of data and other value-added services) but no implementing texts have been adopted (WTO, 2012). With regard rates, interconnection services should be guided by production costs, and rates should be substantiated and approved by the ARPT. However, in practice, there have been suspicions of abuses of dominant position and prices remain high (WTO, 2012). There are also a number of questions about transparency in the regulation of sector and the use of taxes that are levied for universal access.

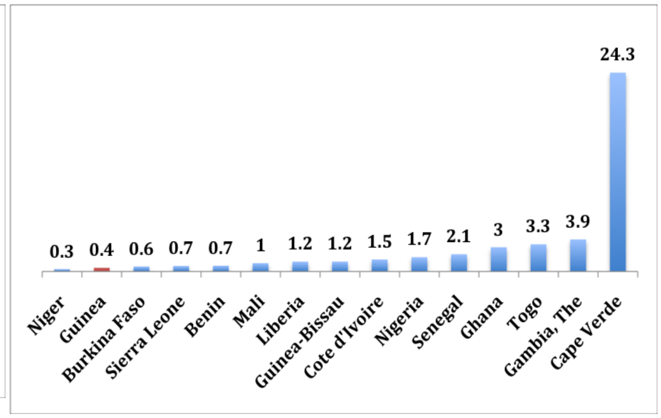
[109] The WTO (2012) reviewed the legal and regulatory framework of telecommunications in Guinea, and in particular the 2005 telecommunications legislation (implemented through a number of decrees adopted in the 2010's) that distinguishes several regimes:
Licensing regime, for operators of public telecommunications networks or Internet service providers (licenses issued by the Minister of Telecommunications after examination by the ARPT);
Authorization regime, for operators of independent networks utilizing the public domain but not using radio systems, or operators of domains not used by the public;
Approval regime, for wireless installations or terminal equipment connected to the public network;
Free regime, for internal networks.

Figure 78. **Mobile cellular subscriptions per 100 people, 2012**



Source: World Bank, World Development Indicators

Figure 79. **Secure Internet servers per 1 million people, 2012**

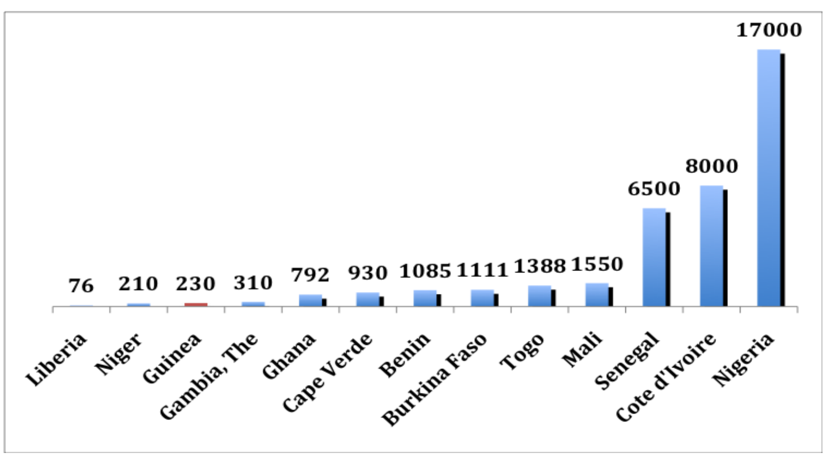


Source: World Bank, World Development Indicators

6.50 Figure 79-Figure 81 show the low penetration rate, usage and speed of the Internet in Guinea. In 2012, the ITU counted only 700 fixed wired-broadband subscriptions in Guinea; this represents a five-year gap with a neighboring country like Benin that has already started to develop offshore services. The use of SOTELGUI's VSAT stations does not provide sufficient capacity to allow high-speed connection at low cost. The connection to the ACE (Africa Coast to Europe) cable in 2012 should contribute to reducing this technological gap. The national backbone is currently being developed by a Chinese company and Rio Tinto will also deploy the fiber along the trans-Guinean railway.

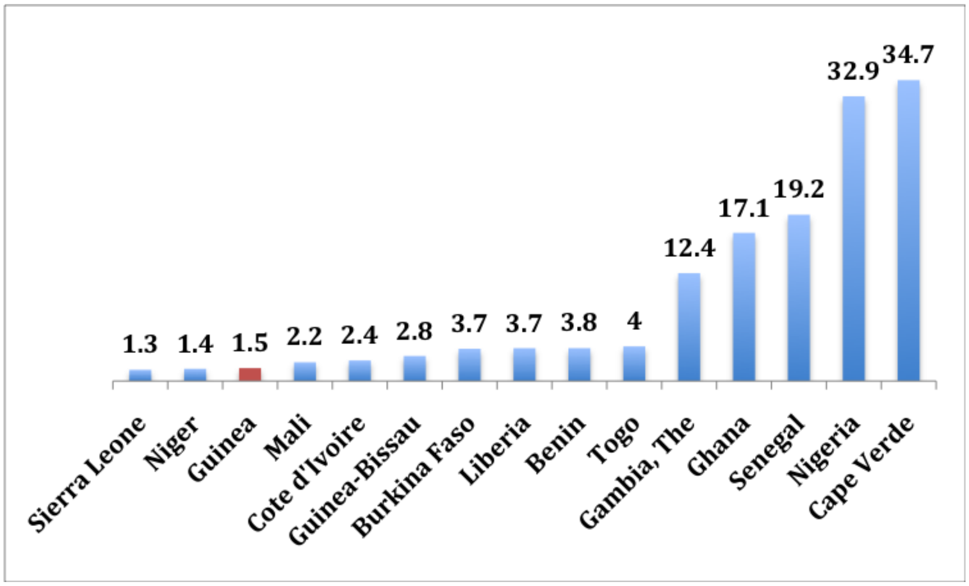
6.51 A number of legal and regulatory issues will also need to be addressed, for instance for the attribution of domain names or the transmission of data. A holistic national strategy for the development of information and communications technologies (ICT) is needed that would include all infrastructure, institutional, regulatory, competition and workforce development considerations.

Figure 80. **International Internet bandwidth, Mbps, 2011**



Source: World Bank, World Development Indicators

Figure 81. Internet users per 100 people, 2012



Source: World Bank, World Development Indicators

Financial services

6.52 T**he financial services sector is largely open in Guinea**. However, access to credit in Guinea remains difficult and costly, with interest rates ranging from 12 to 20 percent; there are no specific financial instruments available for key sectors of the economy, such as agriculture; and the bank usage rate is lower than average in the region (6.64 percent compared to 8.25 percent). Credit mostly benefits the retail sector and does not encourage long term investment.

6.53 Besides the macroeconomic priority of containing inflation, the reason lies in the inadequacy of the regulatory framework: absence of legal framework for trade finance or electronic financial transfers, high level of mandatory reserves, no inter-bank credit system.

6.4.2. The servicification of the economy: Opportunities for Guinea

6.54 **The value of services trade is underestimated because it misses the servicification of the economy.** Servicification is the fact that a number of services exports are embedded in traditional goods exports and do not appear in traditional trade statistics.[110] These new developments are of particular importance to developing countries with a high concentration of exports in traditional industries such as Guinea.

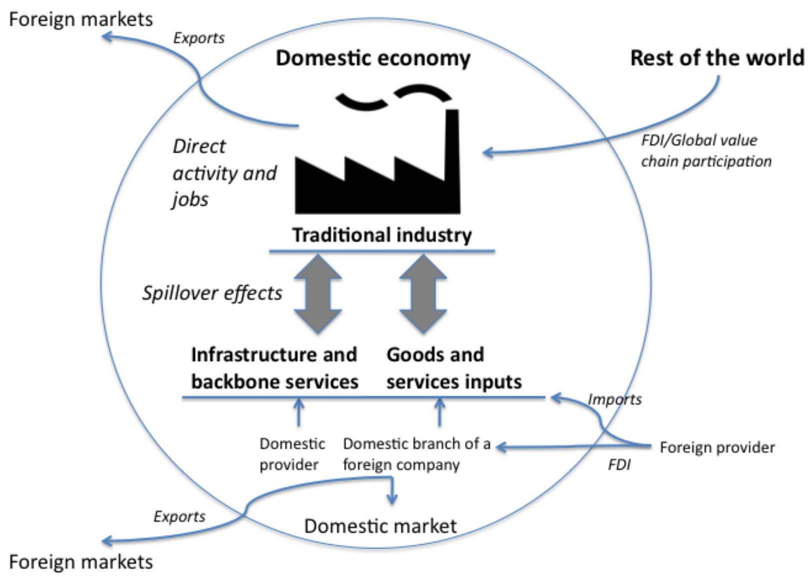
6.55 Guinea does not need to directly export its services but could move up the value chain by developing the local supply of services to exporting industries, such as agri-food or mining industries. Guinea's participation to global value chains in agri-food or mining could therefore become a stepping-stone

[110]According to the OECD-WTO trade in value-added (TiVA) database, services would represent a higher share of exports if measured in value-added (40-50 percent versus 20 percent if measured in gross exports). The Swedish National Board of Trade provided illustrations of this servicification of the economy in the agri-food industry (National Board of Trade, 2010 and 2013). Recently, the European Commission also made the case for a new indirect mode of services supply ("Mode 5") that would capture services inputs in manufacturing sectors' exports (Cernat and Kutlina-Dimitrova, 2014).

for the development of services.[111] Ultimately, this development of services could boost the country's services exports, but also contribute to improving the local supply of services, hence improving access of the Guineans to more competitive and better quality services.

6.56 **The potential of servicifiation in Guinea is important**. Guinea is unfortunately not covered by the OECD-WTO TiVA database. Using the current value of Guinean exports in mining and agriculture/forestry sectors, the potential market for domestic services inputs is estimated to about USD 250 million in the mining industry and USD 65 million in the agriculture/forestry sector.[112] This potential would also increase with the development of the mining operations: since the mining contribution to the GDP and exports is expected to double or triple in the coming years, the demand for services could grow in the same proportions[113].

Figure 82. Scheme for development of local services through FDI and global value chain participation



Source: Authors

6.57 Figure 82 explains the development of services and services trade in Guinea that could be triggered by the country's participation to GVCs and FDI inflows in traditional sectors like mining or agriculture. The objective of Guinea should be to maximize the benefits from such participation and minimize its costs (IFC, 2013, Farole and Winkler, 2013, World Bank, 2012). In other terms, the

[111] for a bigger picture of the role of services in global value chains, see Low, 2013.

[112] In the case of Australia, a major exporter of mining and agricultural products, the indirect domestic services content of exports is about 21 percent in agriculture, hunting, forestry and fishing, and 18 percent in mining and quarrying; the foreign services value-added content is about 3 percent in both sectors.

[113] World Bank (2012) provides a list of goods and services that are typically used in mining operations in West Africa and distinguishes the following categories of services: corporate support services (e.g. legal, regulatory, negotiation services, financial/risks services), core mining services (e.g. exploration, drilling, sample analysis, mining services), supply chain services (e.g. purchasing and procurement, logistics, transport, contract management, strategic sourcing, information systems), maintenance and repairs, feasibility, design and engineering EPC and related services (e.g. environmental studies, socioeconomic surveys, civil works), and other general services (e.g. personnel services, including training, health, transport, telecommunications, camp operation). Demand for such services also varies with the different stages of mining.

objective is to move up the value chain through the local supply of input services and capture as much value-added as possible.

6.58 **Using the example of the mining industry**, the inclusion of Guinea in the global mining value chain is a direct source of FDI inflows (USD 950 million in 2011 and USD 570 million in 2012), economic activity (about 20 percent of GDP), jobs and exports (75 percent of the country's total exports in 2012). It could also have important spillover effects, including in the services sector. It is estimated that the Simandou project alone would have a total output of USD 7.6 billion a year, with USD 5.6 billion added to the Guinean GDP and more than USD 1 billion of additional income for the government. It would create 4,500 direct jobs, 3,500 jobs among contractors, and 45,000 indirect jobs (Rio Tinto, 2013).

6.59 **With regard backbone services**, the operational phase of the mining projects will require the improvement of the Guinean infrastructure. The Rio Tinto project for Simandou provides for such investments. Among others, the project provides for the rehabilitation of 1,000 kilometers of roads and 126 bridges: not only does this work create demand for construction and engineering services (first spillover effect – benefactors have been two Guinean companies, and local branches of a French and a Brazilian company), but it also contributes to facilitating access to roads for Guineans living along the corridor. Similarly, the construction of the 670 kilometer long Trans-Guinean railway to transport the mining products could benefit other users, including passengers; the construction of a port in Forécariah could also benefit third parties and open a new door to the rest of the world. Along the corridor, a fiber optic cable will also be installed that could contribute to the objective of universal access in the telecoms. The company also invested in the Beyla hospital and a public training center. In sum, the spillover effects of the project include an improvement of Guineans' access to essential services that include transports, telecommunications, health and education.

6.60 **The challenge for the government is to maximize these spillover effects**. The capacity of the port and railway will not allow significant use by third parties of the infrastructure, unless the governement or third parties invest further. A growth corridor could be developed along the road and railway, potentially reaching out to 1.8 million Guinean people in poor areas: the objective would be to attract new investors, both public and private, in the sectors of passenger and light freight railway services, shipping and communication systems , and urban development in hub towns such as housing, urban roads, electricity, social infrastructure, and financial services (Rio Tinto, 2013).

6.61 **With regard other services** that will serve as inputs in the mining operations, three scenarios are possible: (1) the services could be imported if local supply is insufficient or insufficiently competitive (price and quality); (2) foreign providers could establish locally to supply their services (that is if demand is likely to be sustained); (3) local providers could supply services, if needed after an adjustment of their capacity (training, investment, standards).

6.62 Spillover effects are maximized in the second and third scenarios: local establishment of foreign suppliers could help transfers of capital and knowledge; the third scenario might take longer to take place, depending on the availability of local resources and skills. For instance, accounting services capacity has been developed locally through the establishment of foreign companies in Guinea. [114]

[114] In the case of Ernst and Young, established in Guinea in 1987: for the first five years of operations, the company employed 90-95 percent of foreign workers; then, the company hired skilled Guineans who were working abroad and also invested in training in the region: the office is now entirely staffed by Guineans. Alumni of E&Y Guinea also have been hired by other firms or ministries. In the engineering and construction sector, foreign firms established in Guinea now provide services in neighboring countries or strategically reassigned their personnel in the region to face the temporary slow-down of investment in the mining sector.

6.63 The objective of the government, mining companies and donors should be to identify those services that could be sourced locally and to develop local capacity. There should be a distinction between "core" and "non-core" services, with opportunities in the short-term obviously more in the "non-core": initial needs of the mining companies include catering, security, maintenance, etc. However, while these represent opportunities for employment, there is no real upgrading assotiated with the development of such services.

6.64 **Value-added remains in "core" services that should be developed with the assistance of the foreign investor** (Farole and Winkler, 2013). In 2006, IFC, in collaboration with Rio Tinto and Guinea Alumina Corporation (GAC), launched IFC Business Edge in Guinea. Box 8 lists some of the goods and services that have been specifically identified by the IFC as having a potential for local sourcing during the operation of the mining projects in Guinea. The project developed the capacity of local trainers in training local SMEs and helping them meet international mining companies' standards. This project supplements the "Guinea Buy Local Program" which encompasses Rio Tinto's local procurement policies, procedures and activities to meet its commitment to increase local sourcing in Guinea. A comprehensive database of local businesses (over 700 SMEs) that could become suppliers to mining companies was developed. Results and impact included, as of the end of 2012 (IFC, 2013):

- Over $9.1 million in new contracts between local businesses and international mining companies such as Rio Tinto, GAC and BHP.
- Over 700 new jobs created in local businesses as a part of the mining sector's supply chain.
- Over 860 participants received training by four local firms, using IFC's Business Edge training platform for SMEs.
- Over 100 local SMEs received individual coaching from IFC in financial management, marketing, and health and safety procedures.
- Over 100 local SMEs received training in business plan development and access to finance through a program jointly developed by IFC and BICIGUI, the local banking affiliate of BNP Paribas.
- A joint venture was established between a local SME and North Safety Products, a South African manufacturer for personal protective equipment and uniforms. This resulted from the collaboration with Rio Tinto Procurement and from an IFC study, which identified 50 manufacturers in South Africa as potential partners for transferring know-how to Guinea's local supply chain.
- 25 IFC general information workshops for SMEs were attended by over 600 people, including 123 women.
- A new business and training center for local SMEs was established by IFC and Rio Tinto in the city of Beyla. Similar centers are expected to be replicated along the port and rail corridor.

6.65 SOGUIPAMI was created in 2011 to manage the mining resources of Guinea and has been since the government's counterpart of the mining companies and the development partners in local sourcing programs. Companies willing to become contractors for mining companies need to be registered. In a first phase, no local companies could meet the mining companies' standards; they also needed to be declared to the tax authorities and move from the informal to the formal sector. As such, the project has helped containing informality. **Given the fiscal regime of suppliers to the mining companies, the fiscal benefits remained limited**, and some companies created complex fiscal schemes (such as an offshore status) to be exempt from taxes.

6.66 **This fiscal regime should be further explored to make sure that Guinean companies are not at disadvantage in the procurement process due to their local incorporation.** Hence, there is a need to do additional research and observations on the impact of SOGUEPAMI's efforts to increase local content and to identify future opportunities for local SMEs. This could be part of a broader reflection on the role and resources of SOGUIPAMI: institutional arrangements and the repartition of responsibilities among state agencies seem to remain unclear.

6.67 **The previous experience of a mining boom in Guinea shows that it is not enough to substitute services imports by local supply.** The mining rush has created a large demand for services in the country. In some sectors that are protected from imports (such as housing and hospitality services), this sudden increase in demand generated inflation. In other sectors, like engineering or retail/import of mining materials, both domestic and foreign companies benefited from the surge in demand. Many local services suppliers contracted debts to invest in production capacities and workforce development. With the temporary withdrawal of the mining companies, many local firms went on the edge of bankruptcy. Those that survived were either domestic branches of foreign companies that could reallocate some of their staff or domestic companies that had diversified their clients' base through exports.

6.68 **Diversification of the clients' base is necessary to ensure the sustainability of local business.** In a country like Guinea local demand is not strong and sophisticated enough to substitute for the demand of lead firms. Hence import substitution policies that would impose local sourcing on the lead firm without ensuring that the local suppliers are internationally competitive would be shortsighted and bound to failure.

6.69 **The tax exemption system could play a counterproductive role in this diversification process**: in Guinea, a local company needs to be a "direct and exclusive" subcontractor of the mining company in order to benefit from the tax exemptions. Hence, diversification is made impossible, unless the company is broken down in small legal entities. Better systems of incentives exist that promote progressive substitution through mandatory training or technology transfers.

Box 8. Selective list of goods and services needed for the launch and operation of mining projects

<table>
<tr><td>For the Simfer Project, local sourcing opportunities include:

1. Fuel
2. Civil works
3. Cars spare parts
4. Construction
5. Man power hire</td><td>6. House rental
7. Land transportation
8. Security guards
9. Catering
10. Telecommunication</td></tr>
<tr><td colspan="2">For the Simandou Project, local sourcing opportunities in the pre-operational phase include:
1: Building Construction
- construction of new buildings (relocation housing)
- installation of pre fabricated modules for camps
- refurbishment of existing buildings
- ongoing maintenance
- fencing and gates
- communication towers
- light fabricated steel structures
· Scope
Installation of approximately 3,500 pre-fabricated buildings, located in 20+ camp sites across Guinea housing 15,000 construction workers.</td></tr>
<tr><td>2: Earthworks & Site works

- drainage
- site clearing
- camp site earthworks
- concrete foundations
- embankments
- waste landfill sites
- airstrips
- water bores

Scope
Miscellaneous earthworks and site-works across port, rail and mine areas</td><td>4: General Support Services

- transport and logistics
- security
- telecommunications and IT
- vehicle maintenance
- hotels and accommodation
- translation services
- equipment rental
- personnel hire
- office administration
- Training and skills development including:
(health and safety, equipment operations & maintenance,
construction trades, driving)</td></tr>
<tr><td>3: Roads

- temporary project roads
- road upgrades (unsealed and sealed)
- road maintenance
- bridge repairs
- temporary bridges and river crossings

· Scope
Approximately 1,100 km of project roads required for mine, rail corridor and port area</td><td>5: Materials Supply

- sand
- crushed rock
- cement
- concrete products
(blocks, drains, pipes, gabions, culverts, bridge sections)
- plastic products
(water pipes, tanks)
- food products
- fencing materials</td></tr>
</table>

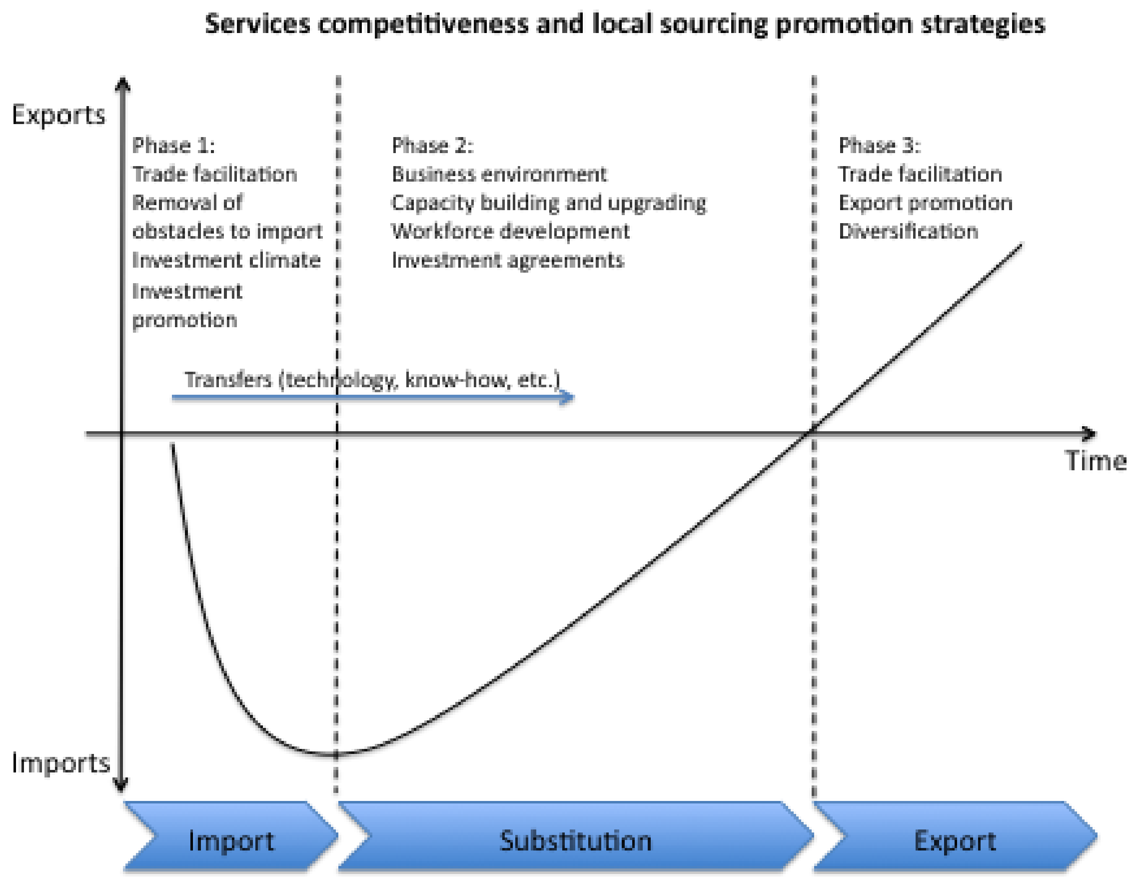
Source: IFC, Business Edge Program

6.70 **Regional trade integration will be essential to the sustainability of Guinean efforts to upgrade and develop its services sector**. The movement up the value chain should take place in an open competitive environment and be sustained by export promotion targeting neighboring countries with similar level of development. For example, a number of exports to Sierra Leone have started to take place in the engineering and construction services sector. It is therefore essential that programs aimed at developing local sourcing of services include, from the start, an export promotion chapter (with training, assistance) that will ensure the sustainability of the targeted SMEs, reduce their dependence on limited foreign investors and their vulnerability to commodity price fluctuations. This dimension has been so far overlooked.

6.71 Figure 83 shows a three-phase services trade development strategy that builds upon competitiveness and local sourcing promotion policies.

- **In phase 1**, Guinea should experience an increase in services imports, and a growing services trade deficit. The objective of accompanying policies should be to encourage foreign investment through trade facilitation and investment climate improvement. Due to the importance of reputation and knowledge in the services sector, attempts to skip phase 1 and protect the local market would expose the country to the risk of limiting the spillover effects of investment. For example, a law firm that could not establish locally would advise its client from a foreign office and just fly its lawyers in and out as needed: spillover effects would be limited without development of local capacities.
- **In phase 2**, substitution would progressively take place with the development of local supply to meet the needs of the foreign investors. Accompanying policies should aim to facilitate intra-chain transfers of all kinds (technology, knowledge, know-how), and help capacity building and upgrading, including workforce development. Investment agreements play a key role during this phase, and the government has to ascertain that the exploitation of local resources by foreign companies have enough positive spillover effects for the local economy. This is the role of SOGUIPAMI in Guinea. Accompanying policies should also contribute to improving business environment. While “linkage programs” such as IFC’s are useful, establishing individual micro-projects with each and every investor might be too burdensome, and there is a need to build comprehensive frameworks for supporting linkages and upgrading (Farole and Winkler, 2013). Here again, the role of SOGUIPAMI and the reinforcement of its resources could be crucial.
- **In phase 3**, the local suppliers’ dependence on foreign investors will be reduced through diversification. This could be achieved through the development of local demand for services, via public procurement or raising local standards to match supply with demand. Given the limits of such policies (income and small local markets), it is important to promote and facilitate exports, in particular at the regional level (Farole and Winkler, 2013). This dimension has been so far neglected in Guinea and should be rolled into current local sourcing promotion policies. Johannesburg and Accra illustrate the development potential of regional services hubs (Farole and Winkler, 2013).

Figure 83. Phases of services trade development and accompanying policies



APPENDIX

GUINEA - SCHEDULE OF SPECIFIC COMMITMENTS

GATS/SC/102

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
1. BUSINESS SERVICES			
Veterinary services other than veterinary dispensaries (CPC 932)	(1) None (2) Unbound (3) Subject to prior approval of the Ministry of Livestock. (4) None	(1) None (2) Unbound (3) Obligation to have a training programme for veterinary auxiliaries. (4) None	
6. ENVIRONMENTAL SERVICES			
A. Sanitation services (CPC 9401) C. Sewage services and similar services (CPC 9403)	(1) Unbound (2) None (3) None (4) Unbound (1) Unbound (2) None (3) None	(1) Unbound (2) None (3) None (4) Unbound (1) Unbound (2) None (3) None (4) None	

	(4) Unbound		
8. HEALTH SERVICES AND SOCIAL SERVICES			
D. Other services Training Centre for handicapped persons (CPC 924)	(1) None (2) None (3) None (4) None	(1) None (2) None (3) None (4) None	
9. TOURISM AND TRAVEL- RELATED SERVICES			
A. Hotels and restaurants (CPC 641-643) Hotels C. Tourist Guides	(1) Unbound (2) None (3) None (4) Unbound except for measures affecting natural persons in the following categories: - Managers and senior technical experts who possess knowledge that is essential for the provision of the service. (1) Unbound	(1) Unbound (2) None (3) None (4) None	

services (CPC 7472)	(2) None (3) None (4) Unbound	(1) Unbound (2) None (3) None (4) None	
11. TRANSPORT SERVICES			
F. Road transport services (a) Passenger transportation (CPC 7121 + 7122)	(1) None (2) Unbound (3) None (4) Unbound except for measures affecting the entry and temporary stay of natural persons - who are employees of one company and transferred to a company incorporated in Guinea belonging to, controlled by or a subsidiary of the former - in the following categories: - Managers, senior executives and specialists.	(1) None (2) None (3) None (4) Unbound except for measures affecting the categories of natural persons mentioned in the Market Access column.	
(b) Freight transportation (CPC	(1) Unbound (2) Unbound (3) None	(1) Unbound (2) None (3) Prior approval of	

7123)	(4) See Passenger Transportation (CPC 7121 + 7122)	the Ministry of Transport (4) See Passenger Transportation (CPC 7121 + 7122)	
(d) Maintenance and repair of road transport equipment (CPC 6122 + 8867)	(1) None (2) Unbound (3) None (4) Unbound	(1) None (2) Unbound (3) None (4) Unbound	

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