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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

TO

THE REPUBLIC OF GUINEA

FOR THE

BOKE EXTENSION PROJECT

June 9, 1971

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS
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THE REPUBLIC OF GUINEA
FOR THE BOKE EXTENSION PROJECT

1. I submit the following report and recommendation on a proposed loan to the Republic of Guinea for the equivalent of US \$ 9.0 million to help finance an extension of the Boké infrastructure project financed under Loan No. 557-GUI. The proposed loan would be amortized over the same period and on the same dates as the first loan; this would give it a term of 21 years including 2 years of grace. Interest would be 7-1/4 percent per annum.

PART I - HISTORICAL

2. The reserves of bauxite in the area of Guinea northwest of Boké form one of the largest concentrated deposits known in the world. To mine and sell bauxite from part of these deposits, the Republic of Guinea and the Harvey Aluminum Company of Delaware Inc. (subsequently Halco (Mining) Inc.) in 1963 formed the Compagnie des Bauxites de Guinée (CBG), of which Halco subscribed 51 percent of the shares and Guinea 49 percent, in consideration of the mining concession granted to CBG. Under the Basic Agreement between the parties, CBG was responsible for the development of the mine, including mining township, crushing, drying and loading equipment, and locomotives and ore cars. The financing of this CBG investment was to be provided through Halco. Guinea took responsibility for financing and providing the necessary infrastructure, consisting of a railway, a port and a port townsite.

3. The Government of Guinea then approached the Bank with a request to finance the infrastructure, but a review of the mining and infrastructure proposals indicated the need both for additional studies and a substantial increase in the scale of operations if the combined mining and infrastructure project were to be financially and economically sound. Matters were sufficiently advanced by 1966 to justify a loan to Guinea of \$ 1.7 million to enable final design and engineering for the infrastructure to proceed while negotiations continued on the participation of major international aluminum companies. In 1968 Halco was completely reorganized following the entry of five major producers^{1/} who, together with Harvey

^{1/} viz, Aluminum Company of America, Alcan Aluminium Limited, Vereinigte Aluminium Werke, Pechiney-Ugine, Montecatini Edison.

Aluminum Company, undertook to take about 5 million tons of bauxite a year under long-term contracts. CBG expected to sell another 1.5 million tons either to the shareholders or to other consumers, and mining and infrastructure plans were accordingly finalized on the basis of these tonnages.

4. To finance the foreign exchange cost of the infrastructure component and to refinance the 1966 engineering loan, the Bank made a loan to Guinea of \$ 64.5 million in September 1968, Loan No. 557-GUI, referred to hereafter as the Prior Loan. Financing to cover the local costs, estimated at US \$ 19.0 million equivalent, was provided by a loan from USAID. The shareholders of Halco provided in equity and loans to CBG the US \$ 99.0 million required for the mining project. Under the Financial Assurances Agreement in connection with Loan 557-GUI, the Halco shareholders assumed specific undertakings to Guinea, CBG and the Bank to finance and complete the mining project and to finance the foreign exchange cost of any overrun on the infrastructure project. Through sales contracts for bauxite and other arrangements, the Halco shareholders also assured payment through a Trustee of the debt service due on the Prior Loan.

5. Construction and operation of the infrastructure project is the responsibility of a semi-autonomous agency of the Government of Guinea, the Office d'Aménagement de Boké (OFAB). A Construction Coordination Committee (CCC), consisting of the construction managers of OFAB and CBG, under an independent chairman, has been established to ensure coordination between the mining and infrastructure projects. OFAB and CBG employ the same consulting engineers and a single prime contractor has been appointed for the construction of both the OFAB and CBG civil engineering works. Work on the site began in October 1969 and is about 35 percent completed, some 10 months behind schedule, due mainly to strikes in Italy which delayed the arrival of contractor's plant and to the November 1970 disturbances in Guinea which led to restrictions on the entry of foreign personnel and caused other difficulties for the contractor.

6. In view of the prospective increase in their requirements for bauxite, the Halco shareholders agreed in November 1970 with the Government of Guinea to increase the capacity of the Boké project to 9.2 million tons of bauxite a year. The shareholders of Halco will arrange financing for the necessary extension to the mining operation by CBG. The Government of Guinea has applied to the Bank for an additional loan of US \$ 9.0 million to cover the foreign exchange cost of the necessary extensions to the infrastructure project. Negotiations with the Guinean delegation led by Mr. Lansana Beavogui, Minister of State for Economic Affairs, were completed on May 14 and were attended in part by legal counsel for CBG and Halco.

7. Guinea joined the Bank in 1963 and IDA in 1969, but there has been no lending except for the Boké project (see Annex 1). The Government has expressed an interest in Bank Group financing for projects in transportation and agriculture, but neither the stage of project preparation nor the economic and financial situation in Guinea have yet been such as to justify Bank Group lending beyond the Boké project.

PART II - THE ECONOMY

8. The last economic report (No. AF-63b, dated September 1, 1967) was distributed to the Executive Directors on January 22, 1968. In November 1970, a small economic mission made a short visit to Guinea. The findings of this mission are incorporated below.

9. Since gaining independence in 1958, Guinea has experienced many difficulties. In the first years, a serious lack of equipment and skilled labor resulted in a decline in economic activity. In the early 1960's Guinea received a large inflow of technical assistance which was unfamiliar with local conditions and capital aid which was used ineffectively. While continuing to seek capital aid, Guinea places strong emphasis on self-reliance and does not align itself with either Eastern or Western bloc countries. Economic activities are carried out by the State or closely controlled by it. Production and consumption are influenced primarily by political and social action rather than by economic forces and incentives.

10. Economic growth in Guinea has hardly kept pace with population growth (estimated at 2.8 percent p.a.) since 1958. Thus, real per capita income has stagnated around US \$ 70. During the first seven years, GNP at constant prices increased by only about 2.5 percent a year and by about 3 percent in the period 1966-1970. This disappointing performance in a country endowed with substantial economic potential in agriculture and mining has been largely the result of inadequate economic policies. Agricultural production and exports have fallen; public resources have been misallocated; and excessive Central Bank lending to the public sector has produced a continuous inflation.

11. The economy, which depends primarily on the rural sector, has suffered from falling agricultural exports and insufficient foreign exchange earnings. Only Fria, the privately-owned alumina company^{1/} which started production in the early 1960's, has been able to expand its exports. These now account for 40 percent of Guinea's net foreign exchange earnings. The decline in other mineral exports and increasing foreign debt service added to the sharp fall in the country's import capacity. The reduction in imports caused an increasing shortage of durable consumer goods in the country and had the effect of reducing farmers' incentives. This train of events has not yet been corrected. In addition, the Government tended to neglect the rural sector, giving priority to manufacturing industries which generally lacked economic justification and were badly managed.

12. The deteriorating balance of payments situation has been alleviated somewhat by the very substantial inflow of foreign aid. Despite a decline of one-third in aid disbursements compared with the 1964-1967 level, average annual aid disbursements during the last three years still

^{1/} owned by: Olin Mathieson, Pechiney-Ugine, British Aluminium Co. Ltd., Alusuisse, Vereinigte Aluminium Werke.

exceeded US \$ 9 per capita. Almost half of these disbursements represented program aid, which financed nearly 50 percent of Guinea's total imports. During this period, approximately 60 percent of total aid was extended by the Sino-Soviet countries, primarily the USSR and the People's Republic of China. Bilateral aid and suppliers' credits from IBRD member countries accounted for 30 percent, including 14 percent from the United States. Disbursements under the Bank's 1968 loan accounted for 10 percent. During the past two years Guinea drew twice from the IMF for a total of US \$ 7.5 million and in addition received SDR 5.0 million. The impact of these operations on the country's foreign exchange position, however, has been extremely limited, debt service having absorbed these receipts.

13. Most official assistance has been in the form of long-term loans at concessional terms. Nevertheless, foreign indebtedness has increased markedly, reaching about US \$ 270 million (excluding undisbursed) at the end of 1969, virtually equivalent to total GNP. Even after sizeable and frequent rescheduling, debt service has absorbed 50 percent of net foreign exchange earnings during the past three years. In the absence of a long-term consolidation of Guinea's external debt this proportion would increase further.

14. While the real growth of the economy remained slow, the annual growth of money supply averaged over 17 percent during the last ten years. Virtually the entire increase resulted from the expansion of Central Bank credit to the public sector, including public enterprises. The ambitious public investment program far exceeded the available amount of foreign aid and public savings. In 1969, based largely on the advice of the IMF, there was an attempt to improve economic performance, for instance through increased tax rates and higher producer prices for some important crops. Available data indicate, however, that the objectives have not been met. While new Central Bank credits to the public sector did not exceed the level of previous years, the use of accumulated PL 480 counterpart funds resulted in an even faster expansion of total money supply during the past three years than before.

15. The rapid increase in money supply caused a growing imbalance between supply and demand within Guinea, which seriously affected all sectors of the economy. Nationalization of imports and wholesale trade, as well as most retail trade, prevented the inflationary pressure from influencing official prices and salaries, but a fast-growing parallel market developed in which prices have increased several times above the official price level. There has also been a sharp growth of unofficial imports and exports.

16. Increasing import difficulties combined with unabated inflation have created considerable problems for public manufacturing enterprises which operate at official price levels. Only about 40 percent of capacity is utilized and financial accounts show a considerable deficit. The main difficulties in this field are lack of raw materials, spare parts, and managerial skills.

17. The unsatisfactory financial performance of public enterprises and the continued fall of imports, which constitute the country's most important tax source, have led to a deterioration of public finances. Falling revenues and growing current expenditures have resulted in a deficit in current operations during the past two years. This is in contrast to the pre-1966/67 period when the current budget usually produced a small surplus. Guinea's tax effort, however, remains impressive with total revenues exceeding 22 percent of GDP in 1967/68 and 1968/69. The deterioration in the current operations' account, together with the recent reduction in foreign aid, has resulted in a substantial fall in development expenditures. The overall deficit of Central Government operations remained about the same as during the period 1964-1967. Therefore, there was no reduction in the volume of new annual advances from the Central Bank.

18. In order to revitalize the economy, Guinea should undertake a comprehensive stabilization effort as soon as possible. This program should be aimed at correcting the present financial imbalance, provide incentives for agricultural production, strengthen the balance of payments and reduce restrictions on trade and payments. It would have to involve major reforms in the monetary field and be accompanied by a large inflow of capital and technical assistance to rebuild the seriously deteriorated capital stock of the country.

19. The financing of the Boké Extension project would constitute the most important contribution the Bank Group can make to Guinea's economic development under present conditions. The sizeable benefits derived from the project (see para. 27 below) should enable the Government to begin implementation of a policy focusing on economic and financial recovery. Such a policy is required to foster sustained growth and make better use of the country's very substantial resources.

PART III - THE PROJECT

20. To increase annual production and shipment of bauxite from the originally planned level of 6.6 million tons to 9.2 million tons, of which the shareholders of Halco have already contracted for 9.0 million tons, requires expanding the capacity both of the infrastructure, which is the Government's responsibility, and of the mining operation, the responsibility of CBG. The expansion of the OFAB infrastructure involves the provision of a waiting basin in the port and further dredging, the lengthening of railway passing loops, heavier rails, and extensions to the Kamsar townsite and hospital. The total cost of these works would amount to US \$ 12.9 million equivalent, of which the proposed loan of US \$ 9.0 million would cover the foreign exchange component. The estimated local costs of \$ 3.9 million can be met from the original USAID loan, under which adequate uncommitted funds remain available.

21. This investment will be added to the basic infrastructure project, which is now estimated to cost \$ 88.5 million as the result of changes in quantities and increases in the costs of materials over the past eighteen months, as well as an increase in interest during construction and contractors' claims, both largely the consequence of delays in execution. The total cost of the revised infrastructure project, including the proposed expansion, is therefore now estimated at US \$ 101.4 million, against which the financing that would be available is \$ 73.5 million from the Bank under the Prior Loan and the proposed new loan, and \$ 20.4 million equivalent under the USAID loan. The presently estimated shortfall of \$ 7.5 million would be provided by the shareholders of Halco through CBG in accordance with their obligations under the Financial Assurances Agreement, all of which will apply to the expanded project.

22. The additional investment by CBG in the mining facilities, processing plant, ore loading and railroad equipment required for a capacity of 9.2 million tons a year is estimated at \$22.9 million. This is to be added to the cost of the basic 6.6 million ton project, the estimate for which has been increased from \$ 99.0 million to \$ 120.6 million as the result of substantially the same factors as are referred to above in connection with the infrastructure. The total CBG investment for the expanded project is thus now estimated to be \$ 143.5 million.

23. The additional finance required to be provided by Halco to CBG in respect of the cost increases over the last eighteen months and the expanded mining project will be \$ 44.5 million, to which will be added the Halco shareholders' obligation to finance the \$ 7.5 million overrun on the CFAB infrastructure project. Halco proposes to arrange for the entire additional \$ 52.0 million to be provided to CBG by way of loans. Although that will weaken the initial debt/equity ratio of CBG from the 63/37 under the financing plan worked out in connection with Loan 557-GUI to 76/24, it is considered that the position of the Bank and of Guinea will not thereby be significantly affected. The additional earnings of the expanded project will increase the debt coverage of the Prior Loan and the proposed new loan taken together, and the debt/equity ratio of CBG will improve more rapidly under the expanded project than the original project. In any case, the guarantee undertakings by the shareholders of Halco with respect to the Prior Loan will be extended to the proposed new loan. Part of the additional loan financing to be arranged by the Halco shareholders will not be required for some time and the shareholders, while accepting the obligation to provide financing, have requested that they be allowed to defer the raising of funds until they are actually required. Guinea and the Bank have accepted that position in consideration of an undertaking by the Halco shareholders that in computing CBG liability for profits tax the interest cost to be charged against income by CBG in respect of the additional funds required for the expansion project will be the actual rate or 8-1/2 percent per annum whichever is the lower.

24. The expanded 9.2 million tons a year infrastructure and mining projects, with a combined estimated cost of some \$245 million, would be carried out under essentially the same administrative, organizational and contractual arrangements as the initial 6.6 million tons a year project, that is, common consultants to both OFAB and CBG, overall coordination of the mining and infrastructure construction by the Construction Coordination Committee and a single prime contractor for the civil works. The financial obligations of the shareholders of Halco to the Bank, Guinea and CBG would continue to apply.

25. There are, however, two significant modifications in the contractual arrangements with respect to ore sales. In the first place, the base price for the additional output to be purchased by the Halco shareholders will be about 28 percent higher than the base price applying to the amounts initially contracted. In the second place, the construction of the expanded mining and infrastructure projects is now scheduled for final completion in June 1973. On this schedule, sufficient quantities of processed bauxite will have been stockpiled at the port by the end of January 1973 to enable some shipments to begin. This date of January 1973 would represent "substantial completion". The shareholders of Halco, whose original long-term contractual obligations to take bauxite and pay for it would not have commenced until a date 90 days after "final completion", which would have meant about October 1973, have agreed to advance the date on which they will take and pay for ore under long-term contracts to 90 days following "substantial completion", which, on the present construction schedule, would be May 1973. Any ore available for shipping prior to that time would be sold under normal commercial arrangements.

26. The extension works fall essentially within the scope of the existing works. A new round of international competitive bidding is not therefore considered appropriate and the additional procurement involved will be by way of variation orders to present contracts on the basis of initially agreed prices plus escalation. For the same reason, the proposed new loan would be disbursed according to the same allocation of proceeds as the Prior Loan. Disbursements would be charged first to the Prior Loan account until that is exhausted and then to the corresponding categories of the proposed new loan account. It is expected that the Prior Loan will be completely disbursed by September 1972 and the proposed new loan by mid-1973. For purposes of repayment the proposed new loan and the Prior Loan would be consolidated; the new loan being amortized over the same period (19 years) as the Prior Loan and on the same dates, starting in October 1973.

27. Guinea would benefit substantially from the expanded Boké project and, because the incremental investment in the infrastructure is smaller than in the mining operation, the combined project benefits would accrue in greater proportion to Guinea than to the Halco shareholders in CBG. In cash terms under the expanded project, net income to the Guinean Govern-

ment from bauxite sales is estimated at approximately US \$ 475 million over a 20-year period, as compared with US \$ 217 million under the initial project. It is estimated that additional indirect Government income generated by the expanded project, such as local wages, payroll taxes and import duties, will equal US \$ 80 million over the same period. The discounted financial rate of return from the Government's total investment in the expanded project is accordingly expected to be about 21 percent, compared to about 14 percent on the initial project. Taking into account the net revenues expected to accrue to the Government from the infrastructure and mining projects taken together over an economic life conservatively estimated at 20 years, the economic rate of return to Guinea would be about 26 percent for the expanded project compared to 18 percent for the initial project.

PART IV - LEGAL INSTRUMENTS AND AUTHORITY

28. The draft Loan Agreement between the Republic of Guinea and the Bank, the draft Project Agreement between the Bank and OFAB, the Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement and the text of a resolution approving the proposed loan are being distributed to the Executive Directors separately.

29. To the extent possible, the Loan and Project Agreements incorporate by reference the substantive provisions of the 1968 Loan and Project Agreements. The following new features are of particular interest:

- (a) provision has been made for the consolidation into one Loan Account of the proceeds of the Prior Loan and the New Loan, and for the exhaustion of the proceeds of the Prior Loan before withdrawals on the New Loan can begin (Section 2.03 of, and Schedule 1 to, the Loan Agreement);
- (b) provision has been made for procurement on the basis of extensions to existing contracts let in accordance with the provisions of the Prior Loan Agreement (Section 2.03 of the Loan Agreement);
- (c) to the extent necessary to assure consistency between the Loan Agreement and the Prior Loan Agreement, the latter Agreement has been amended (Section 9.01 (a), (b), (c) and (d) of the Loan Agreement) and cross events of default have been provided (Sections 7.02 and 9.01 (e) and (f) of the Loan Agreement);
- (d) the amendment of existing contractual arrangements between Guinea, OFAB, CBG, Halco and its shareholders, and of the US AID Loan Agreement are conditions of effectiveness of the Bank

Loan. It is contemplated that all these amended agreements would be executed at or about the same time as the signing of the Bank Loan and that, after all necessary action (including ratification by the President of the Republic of Guinea and by the Board of OFAB) has been taken, all the agreements would be made effective simultaneously; and

- (e) a new covenant (Section 4.03) provides for the maintenance of the public highway between Conakry and Kalaboui and the ferry at Boffa.

30. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART V - RECOMMENDATION

31. I recommend that the Executive Directors approve the proposed Loan.

Robert S. McNamara
President

Attachments

Washington, D.C.
June 9, 1971

Summary Statement of Bank Loans
to Guinea as of May 31, 1971

<u>Loan Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	Amount (US \$ million)	
				<u>Bank</u>	<u>Undisbursed</u>
557-GUI <u>1/</u>	1968	Guinea	Boké	<u>64.5</u>	<u>32.4</u>
		Total now outstanding		<u>64.5</u>	
		Total now held by Bank		<u>64.5</u>	
		Total undisbursed			<u>32.4</u>

1/ Loan SI-GUI - 1966, \$1.7 million, was refinanced by Loan 557-GUI.

June 9, 1971

COUNTRY DATA SHEET

Area: 24,600 square kilometres

Population: (end 1970 estimates)

Total 4.1 million
Density 16.6 per square km
Rate of Growth 2.8% per year

Political status: independent since end of 1958

National Account Estimates (1963 market prices)

	<u>1960/62</u>	<u>1964/65-1966/67</u>	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>
Total GDP:					
billion GF	58.6	64.5	73.5	71.7	73.2
annual growth	2.9%			3.6%	
Total GNP:					
billion GF	54.1	60.6	68.5	67.5	68.1
annual growth	2.5%			3.4%	
Per capita GNP:					
US\$	70	69	74	71	69
annual growth	-0.2%			0.6%	

Origin of GDP at market prices (average 1967/68-1969/70)

Rural sector	48.8%
Minings	8.2%
Manufacturing	5.3%
Construction	10.5%
Administration	16.9%
Services	10.3%
	<u>100.0%</u>

Central Government Budget (billion GF)

	<u>1960/62</u>	<u>1964/65-1966/67</u>	<u>1967/68-1968/69</u>
Total revenues	10.8	17.5	16.0
Current expenditures	7.9	13.7	17.8
Net current operations	+2.9	+3.8	-1.8
Development expenditures	18.1	22.7	13.5
Overall deficit	15.2	18.9	15.3
financed from:			
foreign aid	7.2	12.9	9.4
Central Bank advances	8.0	6.0	5.9

1/ Between \emptyset 1964/65-66/67 and between \emptyset 1967/68-69/70.

Money and Credit (billion GF)
No relation to any monetary area
(average or end of year)

	<u>1960/62</u>	<u>1964/65-1966/67</u>	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>
<u>Money creation</u>					
Credits to public sector	13.0	48.8	58.0	64.8	70.2
Credits to private sector	1.0	2.2	2.2	2.5	3.0
Money sterilized	-	-11.1	-10.4	-9.9	-7.9
Total	14.0	39.9	49.8	57.4	65.3
<u>Effect of money creation</u>					
Foreign assets <u>1/</u>	-4.2	-0.2	-0.1	-0.6	1.3
Money supply	18.2	40.7	51.1	59.6	65.6
Miscellaneous	-	-0.6	-1.2	-1.6	-1.6
Total	14.0	39.9	49.8	57.4	65.3
<u>Foreign Exchange Earnings (billion GF)</u>					
Total exports	13.0	12.7	13.0	12.4	13.4
French pension payments	1.8	0.6	-	0.7	1.2
Gross foreign exchange earnings	14.8	13.3	13.0	13.1	14.6
Retained by mining companies	3.6	5.3	5.5	5.7	6.1
Foreign debt service	0.6	2.3	5.9	1.7	3.4
Net foreign exchange earnings	10.6	5.7	1.6	5.7	5.3
<u>External trade</u>					
in billion GF					
Imports	19.1	12.5	11.7	12.2	n.a.
Exports	13.0	12.7	13.0	12.4	13.4
Trade balance	-6.1	0.2	1.3	0.2	n.a.
in % of GDP					
Imports	33.6%	19.4%	15.9%	17.0%	n.a.
Exports	22.9%	19.7%	17.7%	17.3%	18.1
Concentration of exports:					
alumina: gross exports	41.5%	63.0%	63.8%	68.5%	65.7
net exports <u>2/</u>	19.1%	36.1%	37.3%	41.8%	42.6

1/ - = net holdings
+ = net deficit

2/ Net of retentions by mining companies

Estimated gross disbursements of foreign aid
(annual averages in billion GF)

	<u>1960/62</u>	<u>1964/65-1966/67</u>	<u>1967/68-1969/70</u>
United States	0.8	3.6	1.2
Other IBRD member countries	2.5	1.7	1.1
Supplier credits	0.9	2.0	0.5
IBRD	-	0.1	0.9
Sino-Soviet countries	<u>3.0</u>	<u>5.5</u>	<u>5.0</u>
Total	7.2	12.9	8.7

International Reserves (as of September 30)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Net reserves (US\$ million)	1.2	-1.0	0.4	2.5	-5.3
Gross reserves (US\$ million)	7.8	6.0	8.0	14.2	14.3
Months imports of goods	2	1-1/2	2	3-1/2	n.a.

IMF Position (US\$ million) (as of December 31)

Quota	19	19	19	19	24
Drawings	1.0	1.0	1.0	4.3	8.5

World Bank Group Operations

A - Past Operations (US\$ million, as of December 31, 1970)

	<u>Amount committed</u>	<u>Amount disbursed</u>
IBRD	64.5	20.4

B - Terms of IBRD Operations (weighted average)

	<u>Rate of interest</u>	<u>Grace period</u>	<u>Repayment period</u>
1966-1968	6.5%	5 years	19 years
<u>External Public Debt</u> (end of year)	<u>1967</u>	<u>1968</u>	<u>1969</u>
Total debt outstanding, excluding undisbursed (US \$ million)	234	245	268
Interest and Amortization: % of net exports of goods and services	7.9%	25%	45%

Exchange rate US \$ 1.00 = GF 246.85

June 9, 1971

GUINEALoan Summary - Boké Extension ProjectBorrower: The Republic of GuineaBeneficiary: Office d'Aménagement de Boké (OFAB)Amount and terms of Loan : US\$9.0 million equivalent 7-1/4%, 1971-1992Project: Extension of the infrastructure investment of the Boké Bauxite Project

<u>Cost of Project</u>	US\$ 000		<u>Total</u>
	<u>Local</u>	<u>Foreign</u>	
<u>Harbor</u>			
Dredging to wharf and waiting basins	25	245	270
Breasting and mooring dolphins and oil pier	145	780	925
Additional buoyage	5	150	155
Slipway construction	60	480	540
Derrick foundations	185	395	580
<u>Railway</u>			
Increased length of crossings	45	400	445
Heavier rail	25	550	575
<u>Townsite</u>			
Extensions to roads and services	240	190	430
Increased electrical distribution system	160	720	880
Extension to hospital	200	1,050	1,250
Improvements to OFAB houses	30	180	210
Drainage to Kamsar region around housing site	1,400	260	11,660
<u>Supervision</u>			
Consulting engineers and other professional services	450	1,610	2,060
OFAB and CCC Budgets	70	150	220
Engineering Contingencies	370	800	1,170
Cost Contingencies	250	440	690
Interest during construction	240	600	840
	<u>3,900</u>	<u>9,000</u>	<u>12,900</u>

Financing of Project

Bank loan		9,000	9,000
USAID loan	<u>3,900</u>	<u> </u>	<u>3,900</u>
	<u>3,900</u>	<u>9,000</u>	<u>12,900</u>

Procurement Arrangements: Because the project expansion consists essentially of extensions of existing contracts, it is not considered that further international competitive bidding is appropriate. Construction of the expanded infrastructure project would be carried out by variation orders on the existing contracts.

Expected completion: 1973

<u>Estimated disbursements:</u>	<u>U.S. \$ million per FY</u>		
	<u>1971</u>	<u>1972</u>	<u>1973</u>
Prior Loan	19.7	24.5	7.9
New Loan	-	-	9.0

Consultants: Traction et Electricité (Tractionel), Belgium

Financial Rate of Return: 48%

Appraisal Report: Report entitled "Boké Bauxite Extension Project - Republic of Guinea" (PTR - 84a), dated May 28, 1971 is being distributed separately.

June 9, 1971

