

GUINEA

Guinea lies in West Africa on the Atlantic Ocean. Area: 245,857 km². Population (1969 estimate): 3,890,000. Formerly a French colony, it became independent on 2 October 1958. A major exporter of iron ore and bauxite.

ORIGINS OF THE CENTRAL BANK

Anxious for complete economic independence, Guinea withdrew from the West African Monetary Union in 1960, set up its own Central Bank (the *Banque Centrale de la République de Guinée*) and adopted its own, non-convertible currency, the Guinea franc, instead of the CFA franc which previously had been legal tender in Guinea just as in the other countries of the West African Monetary Union.

The value of the Guinea franc was fixed at the same level as that of the CFA franc, that is, at 246.85 to the U. S. dollar. However, within a few years this par value became completely fictitious, since on the free market the dollar fetched 500-600 Guinea francs.

Initially, the Central Bank possessed no means of printing bank notes, and had them printed in Czechoslovakia. Very soon the authorities became aware that a great many counterfeit bank notes were circulating in the country, and it was discovered that

something like 10,000 million Guinea francs had been exchanged abroad for half their face value and were still circulating abroad. The bank notes printed in Czechoslovakia were declared invalid on 10 March 1963 and replaced by others, printed in England, with only four days conceded for conversion.

After a long stretch of economic depression and steady deterioration of the currency (in trade with neighbouring countries the U. S. dollar came to be worth 600-800, and sometimes even 1,000 Guinea francs), Guinea's economic fortunes picked up at the end of the sixties, thanks largely to a start being made with exploiting the country's rich deposits of iron ore and bauxite. Industrialization made good progress, inflation was halted and the balance of payments got into surplus.

The official par value of the Guinea franc was never changed and is still 246.85 to the U. S. dollar.

THE CENTRAL BANK

The *Banque Centrale de la République de Guinée* was founded by decree on 29 February 1960. It is a public-law corporation whose entire capital belongs to the state. Its affairs are conducted by a Board of Directors under the chairmanship of the Governor. All the members of the Board are appointed by the government.

After the establishment of the Central Bank, the banking system was nationalized and the branches of the five French banks doing business in the country as commercial banks had to close down. Only the branch of the *Banque de l'Afrique de l'Ouest* was given provisional authorization to carry on, but this too was revoked in the course of 1961.

Thus the *Banque Centrale de la République de Guinée* remained the only bank in the country. The monetary authorities soon

came to realize, however, that it could not, by itself, take care of banking services throughout the country.

In a reorganization of the banking system, three new specialized banks were set up and the functions of the Central Bank redefined in more realistic terms. The Central Bank was made responsible for the money issue and for control of the circulation as well as of the activities of the credit institutes. It was, in addition, given the monopoly of trade in foreign exchange and gold. Its functions also include collaboration with government authorities in preparing development plans, as well as credit control with a view to giving precedence to the claims of specified "priority" activities. The Central Bank also handles cash transactions on behalf of the government and public agencies. It refinances the banks and, although it is otherwise barred from medium- and long-term credit operations, may rediscount medium- and long-term agricultural bills up to a certain percentage of its sight liabilities.

The *Banque Centrale de la République de Guinée* has never published a statement of accounts, and hence there are no monetary statistics in Guinea.

THE BANKING SYSTEM

The banks operating in Guinea besides the Central Bank are the *Crédit National pour le Commerce, l'Industrie et l'Habitat*, the *Banque Guinéenne du Commerce Extérieur*, and the *Banque Nationale du Développement Agricole*.

The *Crédit National pour le Commerce, l'Industrie et l'Habitat* acts as an all-round bank and has a network of branches throughout the country. All government-controlled companies and all agricultural co-operatives are required by law to keep their accounts with

this bank. It accepts money on current account and on deposit accounts either as demand or time deposits, and finances industry and trade by short-term (up to 12 months), medium-term (up to five years) and long-term credit.

The *Banque Guinéenne du Commerce Extérieur* supervises foreign trade. It issues import and export licences, and all incoming and outgoing payments in connection with imports and exports must go through this bank.

The *Banque Nationale de Développement Agricole* administers the funds earmarked for financing agricultural development plans, and extends credits for working capital, for purchases of equipment and for marketing.

AGRICULTURAL CREDIT

Agricultural credit in Guinea is the responsibility of the *Banque Nationale de Développement Agricole*, which was set up by decree of 2 June 1961.

Article 3 of the constituent decree defines the bank's functions as follows: (1) to administer such funds as the state, collective groups and public enterprises put at its disposal for financing general programmes of agricultural development; (2) to extend medium- and long-term investment credits to agencies, companies or persons whose activities contribute to the expansion of agricultural production; (3) to provide short-term finance for marketing agricultural produce within the country; (4) to watch over the use of credits granted, in collaboration with the technical services of the Ministry of the Rural Economy; (5) to combine producers' purchase orders for supplies of materials needed for farming, animal husbandry, fisheries and the exploitation of forest resources; (6) to collaborate at all times with all organizations and institutions

which help to raise and improve production according to the targets of the development plan, as well as those which are concerned with selling the products abroad.

All these are traditional functions of agricultural credit: to finance the purchase of equipment for producers, supplies of means of production and, finally, the marketing of the produce at home and abroad.

The resources of the National Agricultural Development Bank consist essentially of its own capital of 250 million Guinea francs, of the capital funds of the defunct *Caisse Nationale de Soutien de Production* and the old *Sociétés Mutuelles de Développement Rural*, of government allocations (1,000 million Guinea francs for medium-term operations and 297 million for long-term ones), and of sums mobilized by rediscounting with the Central Bank.

The bank has no regional agencies but works through the branches of the *Banque Centrale de la République de Guinée*. The internal rules and regulations governing the general conditions for granting credits, require strong surety, in the form of pledges, warrants, mortgages, securities, etc.

In practice, the bank extends credit — short, medium and long — mostly to state enterprises, whereas private entrepreneurs have received little and co-operatives virtually nothing, even though the latter were to have been the main beneficiaries of agricultural credit according to the principles which inspired the land reform.

