

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved a stand-by arrangement for the Government of Guinea, authorizing purchases up to the equivalent of SDR 25 million over the next 12 months in support of the Government's economic and financial program. Guinea's quota in the Fund is SDR 45 million and it currently has no outstanding purchases from the Fund.

The Guinean economy has been characterized by low productivity of investment, and a major shortage of foreign exchange coupled with the accumulation of external payments arrears. During the five-year period ended in 1981 real gross domestic product (GDP) grew at a compound average annual rate of one per cent, nearly 2 percentage points below the rate of growth of population. More recently, the deteriorating trend has been aggravated by adverse exogenous factors including unfavorable weather conditions, sharp increases in energy prices, rising interest rates in international capital markets, and a weakening of export demand.

The adjustment program for 1982/83, which the present stand-by arrangement supports, reinforces policies and objectives that have been implemented by Guinea since the second half of 1981. They include important institutional changes, such as liberalizing private economic activity, redefining the scope of state trading, and reorganizing public enterprises. Measures have been introduced regarding wage and pricing policy, interest rates, and the domestic distribution system. The adjustment program seeks to strengthen the conditions for renewed economic growth, including the revival of internal and external confidence in the Guinean economy.