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DIMPEX
ASSOCIATES, INC.

Guinea

MID-TERM EVALUATION

OF THE

AGRIBUSINESS PREPARATION PROJECT

(675-0212)

FOR

USAID AFFAIRS OFFICER

CONAKRY, GUINEA

Prepared Under PDC-1406-I-00-4097, Work Order No. 3

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Not "Fund"

May 1986

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Management • Economics • Research • Education & Training

New York • Washington, D.C.

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BY

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May 12, 1986

PREFACE

This report represents a portion of the first regularly scheduled project evaluation of the Agribusiness Preparation Project (APP). The evaluation reviews the APP from the vantage point of a private investor in Guinea with particular reference to what the Centre National de Promotion des Investissements Prives (CNPIP) can and should offer the private investor, both local and foreign, and what the implications are for future AID private sector development programs in Guinea.

A second evaluation report was prepared by John D. Schneider, REDSO/WCA, in cooperation with the business consultant. That report reviewed project progress from an AID prospective. Mr. Schneider's report, which is included as Annex B, addressed the following questions:

1. Has the CNPIP effectively served as the project implementing agency?

2. Has Chemonics provided appropriate technical services?

3. Do the Agribusiness Project objectives remain valid?

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EXECUTIVE SUMMARY

Background

The Private Agribusines Preparation Project (APP) was developed following a visit to Guinea by a U.S. Presidential Agribusiness Task Force in early 1983. The project was designed as a limited, two-year effort to provide a basis for the preparation of a long-term private agribusiness development strategy for Guinea.

Other project objectives included the establishment and efficient functioning of a GOG agribusiness promotion office, and the identification and promotion of agribusiness investment project opportunities. A mid-term evaluation was included in the project design.

Although the National Agribusiness Promotion office was establish by government decree in December 1983 and guaranteed funding by an AID Grant Agreement in January 1984, the APP was not effectively initiated until early 1985 after the signing of a contract with Chemonics International in December 1984. The project is scheduled to be completed in June 1987.

Principal Findings

CNPIP Capabilities

The attempt to establish an effective national agribusiness promotion office has been largely unsuccessful. Today, over a year after project initiation, the promotion office -- Centre National de Promotion des Investissements Prives (CNPIP) -- is incapable of carrying out most of its assigned duties. Although CNPIP has developed good physical facilities and a small clerical/administrative team which can be used to provide limited support to visiting survey teams as demonstrated during the recent visit of an OPIC sponsored trade and investment mission -- it has not been allowed to recruit a local professional staff to assist in identifying and promoting investment project opportunities and planning future agribusiness development strategies.

Not one professional staff member has been recruited by CNPIP since the APP was initiated, and none will be for the foreseeable future.

The new Minister of Plan, to whom CNPIP reports, discovered, shortly after his appointment in late 1985, that CNPIP was but one of several GOG private investment promotion agencies with conflicting, overlapping and often imprecise responsibilities and goals. Consequently, he has placed a freeze on professional recruitment and has requested that the World Bank finance a team of consultants to critically review government investment promotion activities in Guinea and provide recommendations for "harmonizing" these activities, possibly through the establishment of a new centralized government investment promotion agency.

The Minister also indicated that many potential investors -- Guinean and non-U.S. foreign -- perceive of CNPIP as an organization devoted primarily to the encouragement and support of U.S. investments in Guinea. He therefore questions whether U.S. AID should play a principal role in institutionalizing the future GOG investment promotion organization. He would, however, appreciate AID financial grants and technical assistance provided they are in line with the support received from other donor agencies.

Chemonics Activities

Since project initiation, Chemonics International has concentrated its efforts on helping to establish CNPIP as an effective investment promotion organization. As a result, Agribusiness sector surveys, which were originally scheduled to be completed in the spring of 1986, are substantially behind schedule.

To date, two studies have been completed: a pre-feasibility study for the production and export of pineapple, and a working paper which reviewed some aspects of N'Dama cattle production and export potential.

An examination of investment opportunities in the poultry sector is currently in progress, and a survey of opportunities for private sector investments in rice processing and marketing will be initiated shortly.

The original goal was to complete nine surveys during the first year of the APP. However, additional sectors have not yet been selected. Furthermore, the Chemonics budget as now constituted lacks sufficient funds to finance the surveys.

Recommendations

In veiw of the hiring freeze and the possibility that CNPIP will be replaced by a new centralized government investment promotion organization, it is recommended that further APP effort be redirected from institution building of CNPIP to collection and analysis of information about Guinea's private sector, the definition and promotion of realistic private sector investment opportunities, and preparation of a follow-on private agribusiness strategy.

The limited facilities and support capabilities of CNPIP should be used to the maximum extent possible. However, responsibility -- and the necessary authority -- for the completion of the project objectives should be delegated to Chemonics subject to AID Conakry and GOG approval and review.

During the period through September 1986, project effort should concentrate on the following activities:

1. Survey the private sector in Guinea to define its structure (type, size, ownership, and locational patterns of firms), its potential for and interest in initiating investment projects, and to define project opportunities.

2. Strengthen liaison with regional and international development organizations, foreign embassies, and GOG organizations involved with private sector development.

3. Establish a communication systems to provide potential investors with information on Guinea and investment opportunities therein.

4. Completion of sector surveys (poultry, rice, and others such as coffee and cocoa).

The results of these efforts will provide the basis for the preparation of a follow-on private agribusiness strategy for inclusion in the PID and CDSS to be prepared in the fall of 1986, and related funding implications.

GUINEA AGRIBUSINESS PREPARATION PROJECT MID-TERM EVALUATION

I. INTRODUCTION

Purpose of the Evaluation

This mid-term evaluation is being conducted to:

- o determine the current status of the Agribusiness Preparation Project (APP);
- o provide recommendations for future project direction; and
- o lay the foundation for possible follow-on projects to encourage private sector agribusiness development in Guinea.

Objectives of the Agribusiness Preparation Project

The APP is a two-year, $1.8 million technical assistance project with three major objectives:

- o establishment and efficient functioning of a national agribusiness promotion office in Guinea;
- o effective follow-up to recommendations presented by a Presidential Agribusiness Task Force (ATF) which visited Guinea in early 1983; and
- o formulation of a private agribusiness development program for Guinea.

The Presidential Agribusiness Task Force

As a result of an agreement between President Ahmed Sekou Toure of Guinea and President Ronald Reagan in Washington, D.C. in June 1982, a six-person task force visited Guinea for two weeks in February and March 1983 to determine how the U.S. private sector might assist Guinea to improve its agricultural productivity and develop related agribusiness projects through private investment and technology transfer. The ATF evaluated seven agribusiness opportunities and examined the investment climate in Guinea.

The principal conclusion of the ATF was that the investment climate in Guinea was not appropriate for the attraction of private investment in most agribusiness sectors.

In fact, of the seven investment opportunities examined by the ATF, only one -- marine fishing at Kamsar -- presented an immediate private sector investment opportunity. Marine fishing was a special case, however. With the exception of the well developed port facilities at Kamsar, the fishing project would be a largely self-contained enterprise independent of Guinea's internal infrastructure, services, and economy.

At that time (March 1983), principal constraints to private agribusiness investments were found to be:

- o inaccessibility of foreign exchange;
- o unrealistic currency exchange rates;
- o price controls on agricultural products;
- o underdeveloped and deteriorating infrastructure;
- o shortages of qualified human resources; and
- o lack of raw materials and services.

In addition to policy dialoques aimed at removing government disincentives to private investment, the ATF recommended a series of specific, product-related technical assistance activities, in-depth studies, and soft-financing projects aimed at improving the investment climate. Such activities, studies and projects would utilize the technical, marketing and managerial capabilities of U.S. private enterprises and provide a basis for the development of future private enterprise opportunities.

The ATF also suggested that Guinea design and implement a public relations program "to selectively acquaint potential U.S. investors with Guinea and its opportunities." Such a program, it concluded, might be accomplished through a recently created office within the Presidency to promote private enterprise investment. This promotion office was officially established in December 1983 with former Ambassador to the U.S., Mr. Mamady Conde, as Director General. In April 1984, Mr. Foumba Kourouma, a veterinarian trained in Yugoslavia and Holland was added to the staff.

Project Design

The APP was designed during the year following the presentation of the ATF findings and recommendations, and resulted in a contract with Chemonics International which was signed in December 1984.

Although the ATF findings and recommendations were considered in the project design, the focus of planned activities was significantly altered. While the ATF thrust was oriented toward the provision of technical assistance and studies aimed at removing constraints to private investment, the APP design -- and the contract statement of work which followed -- emphasized investment promotion and, especially, the further institutionalization of the investment promotion office, then called ONPAI (National Agribusiness Promotion Office).

As a result of this change in focus, the specific product-related technical assistance recommendations of the ATF received virtually no follow-up attention until late 1985 with the initiation of two studies -- pineapple and cattle. Rather, government institution building dominated project implementation activity for over a year.

Another aspect of the project design which should be noted is that the various projects recommended by the ATF are referred to in the P10/T and the APP contract as possessing "significant investment potential" or "promising areas of investment". However, as stated above, the ATF found that, with the exception of marine fishing, "the other investment opportunities examined have some merit but are not likely to attract private investors at this time..." This, unfortunately, tended to encourage the belief that significant foreign investments would be attracted to Guinea by CNPIP within a relatively short period of time.

II. CURRENT VIEWS OF ATF MEMBERS

As part of the scope of work of this evaluation, the contracted private sector specialist was requested to interview "members of the Task Force prior to arrival in Guinea to obtain an idea of their concept of the type of entity needed and what they had in mind." Unfortunately only three members of the seven ATF members were able to be contacted:

- o Wayne Richardson, Jr., Task Force Leader
- o Dan Klingenberg, and
- o Waldo Heron.

Of the others, Donald Easum and Howard Helman were traveling outside the U.S. on business, William Lane was not available, and Geoffrey Kean could not be located. Follow-up calls will be made to these persons on the consultant's return to the U.S. and contact reports will be submitted to AID Mission Conakry accordingly.

The ATF members contacted generally were not familiar with the APP. Wayne Richardson, who was most familiar with the project, felt that the perceived role of CNPIP "is aimed in the right direction." He recognized, however, that there were bound to be difficulties in getting such an institution started in Africa, and especially in Guinea. He also felt that the death of President Toure in early 1984 "put a rock in the way" of early CNPIP development. Conceptually, Richardson advised, CNPIP must have government support to be successful, but, at the same time, it must be independent of political pressure.

Waldo Heron did not recall any discussions about an agribusiness promotion center. He felt that USAID's emphasis in Guinea should be to provide technical assistance on postharvest handling of produce and finding export markets for fruits and vegetables in Europe. He was particularly interested in the export of pineapples and specialty crops.

Dan Klingenberg, a former colleague of the author at Chase Manhattan Bank, is now at the bank's Panama office. Although he has not followed developments of the APP, he did recall writing the paragraphs in the ATF Report on the "private agribusiness investment office". He believes that the principal functions of that office should be:

- a center for business information which the office's staff should collect from the various ministries; and

- a facilitator, providing foreign business visitors guidance in locating joint venture partners and assistance in gaining access to key government officials.

After having established an adequate capability as an information center and facilitator, the office should develop a capability to screen projects to be sure proposed projects are "realistic" within the Guinean environment.

Finally, only after the above capabilities are developed, the office should "actively promote realistic projects in the U.S. and elsewhere."

III. EVALUATION OF THE SERVICES PRESENTLY OFFERED BY CNPIP

Background

In its proposal to AID, Chemonics International emphasized that the functions of CNPIP could not be carried out successfully without a small, highly qualified Guinean professional staff. Although the size of the staff was not specified, subsequently it was agreed that about four or five professionals should be hired as the initial staff. In addition, it was agreed that an administrative staff consisting of an accountant, a computer specialist, two documentation specialists, clerical and other support personnel should be recruited.

For the most part, the support staff personnel have been recruited and have either been given training or, as in the case of the documentalists, are in the process of training. Early in 1986 a non-professional administrative assistant was also recruited.

However, since the initiation of the AID project, no professionals have been hired. The Guinean professional staff still consists of only the Director General and Mr. Foumba.

The Chemonics proposal and workplan assumed that initial professional staff recruitment would be completed by the end of the project's fourth month and that initial staff training would be completed two months thereafter. Further on-the-job training of the professional staff was to commence in the seventh month of the project, at which time work on the ATF recommendations was to commence. On-the-job training was to continue throughout the life of the project.

Recruitment of a professional staff was delayed, however, for several reasons including the June 1985 decision to establish a "Selection Committee", the appointment of a new Minister of Planning in January 1986, and the new Minister's recent decision to freeze hiring until the completion of a World Bank sponsored study of all private enterprise promotion activities in Guinea. The purpose of the World Bank study is to determine how best to "harmonize" the investment promotion and review process in Guinea. Currently, at least five GOG organizations are involved in private sector promotion, development and review. One of the apparent objectives of the study is to determine how best to centralize the investment promotion function within one GOG organization.

The World Bank representative, Jacques Toureille, is scheduled to visit Conakry in Mid-May to finalize a work plan. Bids will then be solicited from contractors with the hope that the study can be completed by the fall of 1986. Results will then be reviewed by the GOG and organizational changes made accordingly. In all likelihood, the role of CNPIP will not be known until sometime in early or mid-1987, and consequently the hiring freeze will continue for much of the balance of the APP contract period. The APP is scheduled to end in June 1987.

In view of these developments, what should be the direction of the APP during the next year? What follow-on activities should be planned, if any? As a basis for answering these questions, this report reviews the existing qualifications of CNPIP in relation to its assigned responsibilities, and the support which Chemonics can realistically provide given time and budgetary constraints.

Existing Qualifications of CNPIP

The APP contract specifies thirteen duties of the National Agribusiness Promotion Office, CNPIP. These were based on Decree 599 of December 1983. Although this Decree was subsequently modified in late 1985, the duties listed in the contract provide a basis for examining qualifications.

The principal duties of CNPIP are listed below in what the author considers their logical developmental sequence in terms of both capabilities and priorities.

1. Act as the primary contact point for visitors interested in agribusiness, arranging meetings with ministers and other officials as appropriate.

2. Assist with the identification of potential Guinean partners.

3. Prepare investment project profiles.

4. Develop and maintain an efficient communications system for disseminating information on potential opportunities to investors both within and outside Guinea.

5. Maintain and pursue working relationships with representatives of foreign embassies, regional and international organizations concerned with Guinea's economic development.

6. Invite potential investors to Guinea and assist them and others in preparing investments so they comply with relevant GOG regulations and local business practices.

7. Coordinate the activities of potential investors and various international agencies involved with Guinea's agribusiness program.

8. Develop a program of public relations.

9. Design and conduct training workshops and/or educational travel for local and/or foreign business representatives.

These nine duties have been listed in Exhibit A together with an indication of CNPIP's existing capabilities to carry them out. Suggested effort during the remaining contract period is also indicated. Rating of CNPIP capabilities is judgmental and is viewed relative to what can reasonably be expected within the context of the existing Guinean political and economic environment.

Ratings are based on interviews with businessmen and government officials in both the United States and Guinea as well as on personal observations and discussions with CNPIP, USAID, and Chemonics. The comments of eight of the U.S. participants in the OPIC mission to Guinea in March 1986 were particularly useful.

1. As a <u>primary contact point for potential investors</u> visiting Guinea, CNPIP rates fairly well. All members of the OPIC team were pleased with the assistance they received from OPIC. Although a considerable amount of assistance was received from the U.S. Embassy, Conakry, the CNPIP "team" responded in quality fashion.

   One member of the OPIC team also pointed out, that when it comes to being a central contact point, "CNPIP is the only game in town". There is room for considerable improvement, of course, especially in coordinating transportation and logistics. However, these problems are being solved as the CNPIP staff gains experience.

   The Center is extremely limited in the number of visitors it can handle at one time, however. Only three staff members plus the Resident Advisor are properly qualified to organize and manage assistance programs for visitors.

EXHIBIT A

EVALUATION OF SERVICES OFFERED BY CNPIP

SERVICES	EXISTING CAPABILITIES	COMMENTS AND PROPOSED L.O.P. EFFORTS
1. Act as primary contact point for visitors.	Good, but limited by size of management staff.	Further improvement must come from experience until hiring freeze lifted.
2. Identification of potential Guinean partners.	Fair, as a result of work in preparation for OPIC mission.	Initiate systematic survey of Guinean private firms and entrepreneurs, with the assistance of Chemonics, to identify opportunities. (See Annex A.)
3. Prepare investment profiles.	Poor. Some initial limited efforts for OPIC mission.	This should be the principal activity of CNPIP and Chemonics through the remainder of 1986. (See Investment Project Profile Format, Annex A, Attachment (1) and examples in Attachment (2).
4. Develop system for communicating investment opportunities in Guinea and abroad.	Poor. No systematic effort has been initiated although some contacts have been made by Director General.	Chemonics should initiate system for U.S. Consider use of CCIP for Europe. Private sector survey (item 2 above) will provide basis for Guinea.
5. Working relationships with representatives of foreign embassies, regional and international organizations.	Poor. Although contacts have been made, continuing follow-up needed in Guinea and abroad.	Increase emphasis by both CNPIP and Chemonics. It is important the CNPIP be viewed as Agency to assist local and international investors in joint ventures.

EXHIBIT A - (Continued)

EVALUATION OF SERVICES OFFERED BY CNPIP

SERVICES	EXISTING CAPABILITIES	COMMENTS AND PROPOSED L.O.P. EFFORTS
6. Assist potential investors in preparing investments so they comply with GOG regulations and local business practices.	Fair, but limited by lack of staff. Investment climate survey provides good knowledge base.	Continue to monitor changes in regulations and status of investment code.
7. Coordinate activities of potential investors and various international agencies.	Limited.	Implementation of item 5 above will significantly improve capability.
8. Develop Public Relations Program.	Not yet initiated as a program. Some initial ideas developed.	Premature to initiate a public relations program during L.O.P.
9. Training workshops/ educational travel.	None.	Premature to initiate during L.O.P.

2. CNPIP has a capability to identify potential local joint venture partner and introduce them to potential foreign investors. This capability is based largely on personal contacts. No systematic approach has been initiated to improve this capability. Accordingly, it is recommended that CNPIP, with the assistance of the Resident Advisor, and short-term Chemonics specialists, conduct a detailed and systematic survey of the private sector to define the types, sizes, qualifications and investment interests of all significant private sector business in Guinea. This survey should not only identify and evaluate potential Guinean partners for joint ventures, it should also describe possible investment opportunities based on the capabilities and interests of local entrepreneurs. The proposed study will require the full-time effort of the team for about eight weeks. This proposed activity should be added to the Third Six-Month Work Plan and be initiated as soon as possible. Annex A is a brief work statement for the proposed study.

3. CNPIP has not completed any agribusiness investment project profiles nor has it prepared a standard format for such profiles. Unfortunately, the term "profile" has been used in the Chemonics contract and in other documents without precision, and often refers to detailed prefeasibility studies or sectoral studies. As a result, there appears to be some confusion. A proposed format for an "investment project profile" is given in Attachment (1) of Annex A. Actual examples are given in Attachment (2). It was anticipated that similar profiles would be prepared by CNPIP for the OPIC mission to Guinea. Although summaries of several projects were included in the handouts to OPIC, these were of mixed quality and did not cover all of the items in the proposed format.

   CNPIP does not possess the capability currently of independently preparing investment project profiles, nor of conducting the research and project review necessary to identify investment

opportunities. Consequently, this important function must be carried out by Chemonics virtually independent of CNPIP. Local consulting assistance will probably be required to assist Chemonics study teams, as discussed below.

4. No systematic system has been developed for communicating information on potential opportunities to investors within and outside Guinea. Such a system could be developed for potential U.S. investors with a relatively modest direct mail program and telephone follow-up. Initial lists of potential U.S. investors are available from OPIC and AFR/PRE. A similar effort might be initiated in Europe with the assistance of the Chamber of Commerce of Paris. The private sector survey discussed in paragraph (2) above would provide a basis for developing a Guinean communications system.

5. Development of working relationships with representatives of foreign embassies, regional and international organizations is an important function of the CNPIP Director General, Resident Advisor and Home Office Backstopper. However, it has not received the attention it deserves. Several World Bank and ECC representatives with whom we met in Conakry are under the impression that CNPIP's principal function is to assist U.S. investors. The Minister of Plan has also heard similar comments from both foreign and local business and government officials. CNPIP's broad international mandate should be clarified as soon as possible through the development of closer relationships with the non-U.S. community in Guinea and elsewhere.

6. CNPIP also has fair capability to assist potential investors in preparing investments so that they comply with GOG regulations and local business practices. The Investment Climate Survey prepared by Francis Nyirjesy of Equator Advisory Services Limited (EASL) with CNPIP assistance, as part of an AFR/PRE contact, provides a guide, and the material provided by the Arthur Young group to the OPIC mission includes further detailed information on doing buiness in Guinea. However, this information

base must be periodically updated as new investment, tax, labor and other codes and regulations are introduced as part of the economic reform program. Currently, CNPIP lacks the capability to accomplish the updating functions without technical assistance from Chemonics and its EASL subcontractor.

7. If the CNPIP senior staff and Chemonics Resident Advisor and Home Office Backstopper continue to strengthen working relationships with other regional and international organization, as discussed in (5) above, they will be in an improved position to coordinate the activities of potential investors and various international agencies involved with Guinea's agribusiness program. Currently such capability is at best "limited."

8. A public relations program has not been developed by CNPIP. However, it is much too early to commence such a program. Only after the new Investment Code has been promulgated, GOG development priorities have been established, and CNPIP (or its successor) has developed the necessary capabilities to provide assistance and infomation to prospective investors, should an organized public relations program be undertaken. However, these prerequisites are not likely to occur before mid-1987, so the planning of a PR program should receive low priority for the duration of the APP. Promotion of specific opportunities, however, should be undertaken on a selective basis as suggested in (4) above.

9. It is premature to design and conduct training workshops and/or educational travel for local or foreign business representatives. CNPIP lacks the capability to carry out this type of activity, and Chemonics has more important activities to complete during the remaining life of the APP.

Evaluation of Other Services Offered by CNPIP

There are two other important CNPIP functions that were not explicitly stated in Decree 599, nor in the project design:

- o establishment of an information center (or documentation center), and
- o assistance in the conduct of studies necessary to follow-up on the ATF recommendations.

1. In late 1985, two Guineans were hired to become the core staff of the Documentation Center at CNPIP. Through a Chemonics subcontract wth the Chambre de Commerce et d'Industrie de Paris (CCIP), these documentalists are being trained. Two weeks of training was completed in late April and early May at CCIP's facilities in Dakar. Additional on-the-job training is to be provided through a technical assistance contract with CCIP. This on-the-job training will take place in Conakry during the period June through September, 1986. In October, the two documentalists will continue formal training at CCIP's facilities in Paris for another two-week period.

   In addition to training, CCIP will provide CNPIP with a library of documents on business development including literature specifically oriented toward Guinean agriculture, industry and commerce. Thus, if all goes as planned, CCIP will have established a CNPIP capability to provide short-term advisors and potential investors with useful background information for planning and conducting sector, pre-feasibility and feasibility studies by the end of 1986. CCIP will also provide CNPIP with access to their international data bases on a request basis (via cable or mail) for a one-year period. Access to the CCIP data bases can be renewed annually for a nominal subscription fee.

   Time will tell how well the training has prepared the two documentalists for the responsibility of running the information center. Neither has had university training, but both seem hard working and receptive to training. Also, both of the documentalists do speak some English.

2. Unfortunately, CNPIP has extremely limited capability to assist short-term consultants and potential investors in the conduct of studies. The principal assistance provided

will be logistical and administrative. The Director General, the Administrative Officer (Mr. Kouyate) and the Chief of Project Studies (Mr. Foumba) can be helpful in setting up appointments and arranging for transportation. Although the Wang Word-processing system is functioning, there is limited clerical assistance at CNPIP to help visiting study teams (especially if reports are prepared in English).

The only member of the CNPIP staff who can effectively assist directly on research projects is Mr. Foumba. He has a degree in veterinary medicine from a Yugoslavian Universty and has completed a year's graduate study in Holland. He has been associated with the Center since April 1984 and has developed a good network of contacts both inside and outside the government. Dr. Louis Rolland, the Chemonics poultry specialist, has found Mr. Foumba to be helpful and extremely dedicated and hard working as his assistant.

As a result of CNPIP's limited capability, Chemonics should be permitted to hire local Guinean or regional consultants to provide study team assistance.

IV. ASSESSMENT OF TECHNICAL ASSISTANCE PROVIDED

As requested in the statement of work, an assessment was made of the technical assistance provided to date by Chemonics. This assessment has been done in terms of the two major tasks to be performed during the first 12 to 15 months of the project, namely:

- o assisting the CNPIP Director General in carrying out the duties assigned to him by Decree 599, and
- o effective follow-up to ATF recommendations.

In addition to assessing the technical assistance effort, suggestions are included as to the direction and emphasis of the technical assistance effort during the remaining 14 months of the project.

Support to CNPIP

As discussed in the previous section, the Director General of CNPIP was assigned nine significant duties. These duties are summarized on Page 7. Exhibit B list these nine duties plus others of a more general nature, summarizes the contribution of the technical assistance contractor with respect to each, and suggests actions to be taken by the contractor over the remaining life of the project (L.O.P).

Principal contractor actions recommended for the balance of the project coincide with several of the recommendations in Section III above, and are as follows:

- o conduct the private sector survey as suggested in Section III and detailed in Annex A.
- o prepare and disseminate, on a targeted basis, investment project profiles as described in Attachments (1) and (2) of Annex A.
- o initiate a project to identify potential U.S. investors; consider the use of the Chamber of Commerce of Paris to identify potential European investors.

EXHIBIT B

CONTRIBUTION OF TECHNICAL ASSISTANCE CONTRACTOR IN THE SUPPORT OF CNPIP'S ASSIGNED DUTIES

DUTIES	ACCOMPLISHMENTS	COMMENTS AND PROPOSED FUTURE EFFORTS
General		
A. Establish and operate the CNPIP office.	Helped develop physical facilities. Assisted in recruiting and training support staff (clerical, documentalists, etc.). Freeze on recruitment prevented development of professional staff.	Little more can be done until hiring freeze lifted, probably mid-1987.
B. Keep President of Guinea and other key officials informed of CNPIP activities.	Quarterly progress reports and Six-Month Work Plan prepared and distributed.	Minister of Planning says he has not been kept informed. Suggest greater effort in this regard.
Duties listed in Exhibit A		
1. Act as primary control point for potential investors.	Helped develop reasonably good capability, and made capability known to many U.S. companies through OPIC mission and other activities.	Minister of Planning complains that CNPIP is considered an organization to assist U.S. investors rather than local and other foreign investors. This conception was verified at PME (World Bank Advisor) and BICIGUI (World Bank and ECC Advisors). Strong effort should be made to clarify this conception. (See (5) below.)

EXHIBIT B - (Continued)

CONTRIBUTION OF TECHNICAL ASSISTANCE CONTRACTOR IN THE SUPPORT OF CNPIP'S ASSIGNED DUTIES

DUTIES	ACCOMPLISHMENTS	COMMENTS AND PROPOSED FUTURE EFFORTS
2. Identify potential local joint venture partners.	No systematic efforts	Conduct private sector survey (See Annex A for statement of work).
3. Prepare investment project profiles.	No action.	Principal activity remainder of 1986 (See Annex A, Attachments (1) and (2).
4. Develop and maintain an efficient communications system for disseminating information on potential investors both within and outside Guinea.	No systematic efforts.	Contractor's home office should initiate project to identify potential U.S. investors. Chamber of Commerce of Paris has offered services for Europe. Private Sector Survey will identify Guinean potential investors.
5. Maintain contacts with personnel in foreign embassies, regional and international organizations concerned with Guinea's economic development.	No systematic action.	Recommend immediate initiation of contact program in Guinea and U.S., and elsewhere, as appropriate, at a later date.
6. Assist potential investors in preparing investments so they comply with relevant GOG regulations and local business practices.	No requirement to date.	Assist CNPIP in monitoring changes in codes and regulations.

EXHIBIT B - (Continued)

CONTRIBUTION OF TECHNICAL ASSISTANCE CONTRACTOR IN THE SUPPORT OF CNPIP'S ASSIGNED DUTIES

DUTIES	ACCOMPLISHMENTS	COMMENTS AND PROPOSED FUTURE EFFORTS
7. Coordinate communications with, and the activities of, potential investors and various international agencies involved with Guinea's agribusiness program.	No requirement to date.	Completion of contract program recommended in (5) above will stengthen capability to accomplish duty.
8. Develop a program of public relations.	No systematic effort.	Not recommended now. Premature.
9. Design and conduct training workshops for local and/or foreign business representatives as needed to advance the interests of Guinea's agribusiness program.	No action.	Premature. No action recommended during L.O.P.
Other Duties not Specified in Contract		
Establish Central Documentation Center to provide potential investors and planners with information needed to conduct sector surveys, feasibility studies, etc.	Documentation Center personnel recruited. Chamber of Commerce of Paris sub-contracted to provide training, basic documents and access to international data base.	Monitor Chamber of Commerce of Paris continuing efforts.

- o Strengthen liaison with foreign embassies, regional and international organizations concerned with Guinea's economic development.

- o Continue the program to upgrade the documentation center capabilities and its contents through subcontract with the Chamber of Commerce of Paris.

Follow-Up to ATF Recommendations and Other Studies

Chemonics International has completed two studies based on the recommendations of the 1983 Presidential Agribusiness Task Force to Guinea:

- o Profitable Export Potential for Guinea Fresh Pineapple Sold in Western Europe, Jack Larsen, December 1985, and

- o "A Study of Cattle Production and Investment Potential", Joe K. Feffer, January 1986.

The pineapple study, although referred to as a "Project Profile", is a detailed pre-feasibility study of a specific project. It contains considerable data which should be useful to a potential investor. Company Fruitiere of Marseille has reportedly expressed an interest in the project as a joint venture partner with an American firm. Promotion of this project opportunity should continue after an investment project profile has been developed.

The cattle survey takes the form of an informal working paper. Although the author indicates that some private sector project possibilities may exist at some future time, the lack of adequate animal husbandry practices and widespread animal sickness and disease seriously curtail production. Elimination of these two problems will require government intervention.

A private venture to export N'Dama breeding stock on a commercial basis does not appear promising for the moment as there is neither legislation nor regulation to provide guidelines for exporting cattle, nor do reliable cost and market data exist. Continued promotion of this project does not appear appropriate.

A third project study is now underway in the poultry sector. The Chemonics short-term poultry specialist, Dr. Louis Rolland, is examining the local and potential availability of poultry feed and other supplies and services necessary to support commercial poultry production, and is trying to identify constraints to successful operations. This is in preparation for a team of four potential

project investors who are scheduled to arrive in Conakry during the second half of May. The work appears to be progressing properly, although statistical and other information is difficult to obtain. Mr. Foumba of CNPIP, together with other support personnel, have displayed a willingness to work long hours in support of the project.

Preliminary investigations have been completed and a draft statement of work has been prepared for a Rice Sector Study to commence shortly. The study will involve a comprehensive analysis of the current rice market in Guinea including local production and milling, importation, storage, distribution and consumption patterns. The purpose of the study is to examine the potential for viable commercial ventures involving foreign and Guinean investment.

Additional sector studies are expected to be selected for study during the next few months. However, funding constraints may prevent completion of the nine studies originally planned. In any event, it is recommended that high priority be given to this task so that the remaining selected studies can be completed during the next six to eight months. In selecting additional sectors for analysis, the ATF recommendations should be considered, but project management should not be bound to recommendations of a study that is now over three years old, and which was conducted in a substantially different political and economic environment.

V. ECONOMIC REFORM PROGRAM

An in-depth analysis of the Investment Climate in Guinea was prepared recently by Equator Advisory Service Limited (EASL) with the assistance of CNPIP under a contract with AFR/PRE. The resulting report indicates that the investment climate has improved dramatically in recent years as a result of "a sweeping reform program to dismantle the heavy state apparatus inherited from the Toure era and to replace it with an economic, legal and administrative framework supportive of private enterprise and investment."

CNPIP, with the assistance of the Chemonics Resident Advisor, continues to monitor progress of the reform program as well as other developments of significance to potential investors. The EASL Report is on the Wang system so that it can be periodically updated as appropriate.

Discussions with the Resident Advisor and AID/Conakry, World Bank and International Monetary Fund officials indicate that the reform process is progressing satisfactorily. For example:

Foreign Exchange

- Exchange rates, established by weekly auctions through the banking system, appear to have stabilized in the range of 320 to 340 Guinean Francs (GF) to the U.S. dollar. This compares with the exchange rate of the CFA now fluctuating in the range of 345 to 353 CFA per U.S. dollar.

- Demand for foreign exchange has averaged less than the $1,000,000 weekly amount made available by the IMF/Central Bank. This is in part due to the lack of local liquidity brought about by devaluation of the GF and the freezing of GF deposits in the six government banks which were closed down as part of the reform program.

- Currently, foreign exchange is available for imports, repatriation of dividends and profits, repayment of foreign loans, and foreign travel. About 90 percent of the foreign exchange used has been for imports.

Government Budget

- Negotiations appear to be progressing satisfactorily with the bauxite producers relative to the royalties to be paid to the government. Bauxite exports continue to provide 90 to 95 percent of Guinean foreign exchange earnings and about two-thirds of government revenues.

- Programs to reduce the number of civil service workers by about 20 percent by the end of 1986 are proceeding on schedule. The census of civil service workers is expected to be completed by mid-May.

- Qualification testing to determine which civil servants to terminate will commence shortly thereafter. Termination benefits have not yet been announced, but it is expected that dismissed employees will receive 50 to 100 times their former monthly salary as a termination payment. There is concern that this will have a serious inflationary impact. How this will be avoided and how dismissed employees can be encouraged to invest their funds into private enterprise projects is still under study.

Privatization

- Programs for the divestiture or closing of parastatals are moving more slowly than planned, especially in the trading and commercial sectors. However, progress is being made with World Bank support.

- Price controls continue to exist on rice and gasoline, but prices have been raised and the IMF feels that progress is being made.

- Promulgation of the new Investment Code is scheduled for June 1986. The new code is expected to resemble that of the ECOWAS countries, thus further preparing Guinea for entry into the CFA community.

Other Aspects of the Investment Climate

Despite the economic reforms that have been achieved, many of the serious constraints to private investment noted by the ATF in 1983, and more recently by the EASL Report, continue to exist.

Principal constraints are:

- Extremely underdeveloped and antiquated infrastructure, especially transportation, communications and public services (electricity, water, etc.);

- Lack of raw materials, intermediate goods and spare parts;

- Inadequate equity capital and credit, especially medium and long term;

- Shortage of skilled labor, management and entrepreneurial talent;
- Lack of business services such as legal, accounting and business advisory; and
- The virtual absence of a private enterprise base.

These constraints to private business are widespread but they are particularly serious in the rural areas where 80 percent of the population is employed in agriculture and related agribusiness and support activities.

Foreign and local business persons have increasingly shown interest in possible investment opportunities, but this interest seldom results in the creation of a business project. As one official stated, "Guinea has opened the door to private investment, but few have walked through." A senior U.S. business executive whose company operates in Guinea says that the "Guinean government has shown a great deal of goodwill. They are on the right track, but its just too early to tell".

Another serious factor to be considered by potential investors -- especially foreigners -- is the attitude of the Guinean people toward foreign investment. There have been disturbing reports that foreign investor have been harassed, especially in rural areas. Such reports, if true, will have serious consequences with respect to investor confidence, and could undo much of what has been accomplished by the Conte administration. One French official noted that every attempt to establish plantation projects by French investors has failed. The investors have closed down their projects and left Guinea rather than put up with harassment.

In conclusion, the investment cliamte is improving in Guinea, but CNPIP and its technical assistance contractor, Chemonics are still operating in a basically poor investment climate. It would be unreasonable to expect significant short term promotional successes in this environment. Several potential investors are revisiting Guinea in May and June as a result of interest generated during the OPIC mission, and several other potential investors, both local and foreign, have approached CNPIP or have been encouraged by CNPIP with regard to project opportunities.

VI. PROPOSED DIRECTION OF THE PROJECT AND FOLLOW-ON PROGRAMS

Direction of Work During Remaining L.O.P.

In view of the decision by the Minister of Plan to request the World Bank to provide a consulting team to analyze GOG private investment promotion activities, and his subsequent decision to freeze the hiring of professional staff at CNPIP, the remaining APP effort should be redirected from institution building of CNPIP to the collection and analysis of information about Guinea's private sector and the definition and promotion of realistic private sector investment opportunities. The limited facilities and support capabilities of CNPIP should be used to the maximum extent possible. However, responsibility -- as well as commensurate authority -- for the completion of the project's objectives by June 1987 must be given to Chemonics, subject to AID Conakry and GOG overall approval and review. The recent draft of the CNPIP/Chemonics Third Six-Month Work Plan should be modified to reflect this change in work emphasis and management procedures.

The Ministry of Plan has indicated his general approval of the proposed new approach.

Specific recommendations for modification of the draft Work Plan are included in Annex C.

An extremely important aspect of the Work Plan effort (through September 1986) is the completion of the Private Sector Survey and several Sectoral Opportunity Analyses, e.g. poultry, rice, and, possibly, coffee and cocoa. The results of these surveys must provide a basis for the preparation of a Private Agribusiness Strategy by the end of September 1986 for inclusion in the PID and CDSS to be prepared in the fall of 1986.

Currently, insufficient information is available on which to base forward private sector development planning. The findings of the ATF are over three years old. The Agribusiness programs suggested therein require critical analysis and updating in the light of the extensive political and economic changes which have occurred in recent years.

In order for Chemonics to successfully complete its work as proposed in the modified Work Plan, several changes will be required including the following:

1. The Resident Advisor must be relieved of most of the tedious, time consuming administrative activities in which he is now involved at CNPIP, and devote most of his time to improving liaison with foreign embassies, regional and international donor organizations, and appropriate GOG officials; taking an active part in sector opportunity surveys; and involving himself full-time on the proposed private sector survey.

2. The home office backstopping activities must be augmented to develop and implement a communication system to systematically provide investors with information on Guinea and potential investment opportunites therein.

3. Permission must be granted by AID Conakry and the Minister of Plan for Chemonics to hire local consultants (in Guinea or regionally) to support short-term foreign consultants visiting Guinea.

4. Funds must be shifted from one budget category to another within the overall Chemonic contract budget, to support additional short-term consulting activities, including the proposed sector survey.

Follow-On Project

It is too early to begin designing a follow-on project in May and June as proposed in the draft Work Plan. If Chemonics completes the various studies and activities proposed in Sections III and IV above on schedule, by the fall of 1986 AID Conakry should have considerable information about the strengths and weaknesses of the Guinean private sector, constraints to its further development through both local and foreign investment, and opportunities for investment projects. In addition, through contacts with potental foreign investors especially U.S. and European -- considerable information will be available concerning their interest and concerns. This information should provide a solid basis for the preparation of an AID private sector development strategy. The strategy should be developed in coordination with the GOG and international and regional donor organizations.

AID Conakry's follow-on private sector programs probably should not emphasize institutional support to CNPIP or whatever new promotion organization may replace it.

Based on discussions with the Ministry of Plan and a review of the draft scope of work of the planned World Bank Study, private sector investment promotion activities are likely to be centralized by combining the promotional activities of several GOG organizations in the Ministry of Plan, Agriculture and Industry and, possibly, some functions of the newly established Chamber of Commerce.

Whatever form the new investment promotion activity takes, it will almost certainly be a GOG organization, supported through government funding. An autonomous, self-financing organization is unlikely to be suggested, nor is it feasible now.

The Ministry of Plan has indicted that organization and development of the new promotion institution will be the responsibility of the GOG. He hopes that a variety of donor organizations will provide technical assistance, as well as grant funding, for this institution. However, he is not in favor of relying on AID Conakry as the principal source of funding or technical assistance. He wants the new promotion organization to be perceived as one that encourages investment from all sources, local and international. Currently, CNPIP is too closely identfied wth U.S. AID.

After the World Bank Study has been completed and decisions have been made by the GOG regarding the form private sector promotion will take, AID Conakry will be in a better position to recommend a program of assistance.

We recommend that AID Conakry's follow-on private sector strategy concentrate on direct assistance to the Guinean private sector rather than trying to work through GOG institutions. Government institutions, such as CNPIP, are generally unable or are hampered from recruiting qualified personnel, and the institution's officials or the Ministries to whom they report slow-down or block progress. The CNPIP experience should not be repeated.

Direct assistance to the Guinean private sector can take many forms. Assisting local entrepreneurs to define and promote joint venture opportunities is certainly an important one that AID Conakry could undertake with the approval of the GOG and in cooperation with other donor organizations.

Chemonics' experience and success over the L.O.P., especially through September 1986, will provide a basis for evaluation of the "direct assistance" concept. Accordingly, it is recommended that another interim project evaluation be undertaken by the PID team and/or business consultants in October 1986. The evaluation should assess the accomplishments of Chemonics in terms of:

- o the number and quality of investment project opportunities identified and described in investment projects profiles;
- o the magnitude, quality and use of the communications systems developed to provide potential investors, local and foreign, with information on investment opportunities in Guinea;
- o the appropriateness and effectiveness of liaison activities with foreign embassies, regional and international, and appropriate GOG offcials; and
- o the extent to which contacted potential investors have responded positively to the investment opportunity information provided to them.

ANNEX A

GUINEA PRIVATE SECTOR SURVEY

- STATEMENT OF WORK -

Objectives:

1. Obtain information about Guinea's private sector to provide a solid basis for preparing a private enterprise development, strategy, and

2. Identify and vet investment project opportunities for promotion to potential and local foreign investors.

Background:

As a result of a sweeping economic reform program by the current Conte administration, Guinea has been moved from a predominately centralized state economy to a free market economy supportive of private enterprise and investment, both local and foreign. As a result, Guinean business leaders are increasingly showing interest in initiating projects.

This increased interest in private business was demonstrated during a recent visit to Guinea by an OIC trade and investment mission. Prior to and during the mission, over 100 existing and potential Guinean entrepreneurs stepped forward to announce their desire to participate in investment projects with the help and participation of foreign companies.

At the present time, however, there is insufficient information about existing and potential Guinean entrepreneurs to prepare a strategy for the country's private sector development. Although the national private investment promotion center (CNPIP) has information from local business leaders with respect to 69 potential projects, these proposed projects have not been investigated nor has the structure of the private enterprise sector in Guinea been defined.

Two major objectives of the AID Conakry Private Agribusiness Preparation Project (APP) are to:

- o identify and promote private investment project opportunities, and
- o prepare an agribusiness development strategy for follow-on implementation.

A survey of the private sector to define its structure, its strengths and weaknesses, and its interest in expanding and diversifying is essential to meeting the project objectives.

Statement of Work

In order to assist in meeting these objectives the contractor will:

1. Conduct a survey of private firms and entrepreneurs in Guinea and categorize them by product line, size, location and type of ownership;

2. Interview officials of all of the principal firms and entrepreneurs in the formal sector, as well as a sample of micro firms in the informal sector, to determine their capabilities and interest in expansion and diversification;

3. Vet investment project proposals to select out those which are most realistic from a business viewpoint;

4. Prepare investment project profiles in accordance with the format in Attachment (1) and the examples included in Attachment (2);

5. Develop a list of potential investors -- local and foreign -- who might have an interest in investing in the proposed projects;

6. Distribute project profiles and other promotional materials to these potential investors, and conduct appropriate follow-up activities; and

7. Utilize the information developed to provide a solid basis for preparation of a follow-up private enterprise development strategy.

Method of Approach

The principal source of information for this survey is the Guinean private firm and entrepreneurs. Accordingly, the contractor will conduct extensive interviews with Guinean business leaders throughout the country. Initial lists of

firms are available at CNPIP, and may be supplemented with information from PME, the Chamber of Commerce and Industry of Guinea, and other GOG organizations.

Staffing and Schedules

The survey will be conducted utilizing a five person team consisting of:

1. A short-term U.S. business development specialist, who will be team leader,

2. A short-term agribusiness specialist from outside Guinea who is familiar with the Guinean agribusiness situation,

3. The Chemonics Resident Advisor to CNPIP,

4. A CNPIP agribusiness specialist, and

5. A CNPIP administrative officer.

Work will be initiated in Washington, D.C. by the project leader to review pertinent materials on Guinea and meet with U.S. government and World Bank officials to discuss development plans in Guinea. He will be joined in Washington after one week by the agribusiness specialist who will work with him for another one-week period.

The work will be simultaneously initiated in Guinea by the Resident Advisor and the CNPIP agribusiness specialist who will collect lists of firms and files of investment project proposals from CNPIP, the Chamber of Commerce, PME and other appropriate GOG organizations.

Interviews, analysis of projects and preparation of investment projects profiles and a summary report on the private sector will be completed by the full team during a five week period in Guinea. These materials will be submitted to AID Conakry at the end of the fifth week. A revised report will be submitted to AID Conakry at the end of the sixth week in Guinea.

Follow-Up

The Project Leader and foreign agribusiness specialists will be available for up to 40 person days over a period of nine months to provide follow-up consultation services in Guinea as requested by AID Conakry.

Budget

Table I is an illustrative budget for the Private Sector Survey.

TABLE I

ILLUSTRATIVE BUDGET: GUINEA PRIVATE SECTOR SURVEY SALARIES AND BURDEN

1. Project Leader (2 weeks in U.S., 6 weeks in Guinea plus 30 days follow-up) 76 days x $550	$41,800
2. Agribusiness Specialist (1 week in U.S., 6 weeks in Guinea plus 10 days follow-up) 51 days x $450	22,950
3. Resident Advisor (Chemonics) 8 weeks in Guinea	No Charge
4. Agribusiness Specialist (CNPIP) 8 weeks in Guinea	No Charge
5. Administrative Officer (CNPIP) part-time equivalent of 4 weeks	No Charge
TOTAL PROJECT SALARIES AND BURDEN	$64,730

TRAVEL AND TRANSPORT

5 RT Washington, D.C. to Conakry @ $2,300	$11,500
4 Local trips in Guinea @ $300	1,200
3 RT NY/DC (US Air Travel) @ $300	900
Ground Transportation in Guinea 40 Days x $35	1,400
U.S. Taxi and Airport Limo	525
Excess baggage 5 x $150	750
TOTAL TRAVEL AND TRANSPORT	$16,275

ALLOWANCES

30 days Washington, D.C. @ $76/day	$ 2,250
130 days Conakry @ $148/day	19,240
TOTAL ALLOWANCES	$21,490

OTHER DIRECT COSTS

Mobilization 5 x $150	$ 750
PBA Insurance	720
Supplies, Communications, Typing, Reproduction	2,400
TOTAL OTHER DIRECT COSTS	$ 3,870
GRAND TOTAL	$106,385

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ATTACHMENT (1)

ANNEX A

INVESTMENT PROJECT PROFILE OUTLINE

An investment project profile is a promotional tool aimed at generating interest in a proposed project by potential partners, financers, and government planning and regulatory agencies. As such, it should be concise, clear explanation of the projects' current status, future direction, and benefits to the person(s) to whom it is addressed. It should not exceed ten pages, and preferably will be closer to four pages. Detailed back-up materials should be available at the request of interested parties.

The investment project profile may summarize a project opportunity study, a pre-feasibility study, a feasibility study, or a business plan.

Naturally, the format of an investment project profile must be tailored to the specific nature of each venture. For example, an agricultural project will be concerned with soil and climatic conditions whereas a manufacturing activity would probably not. It should, however, cover the following points:

A. Executive Summary

Brief history and description of proposed project summarizing the following Sections B through I.

B. Sponsorship

Brief background sketch of sponsors, includng their education, business experience, and financial status; nature and status of project, i.e., public, private, or mixed. If project is an expansion or addition to an existing business, describe the success of the business to date. State what resources the sponsors are prepared to contribute to the project and what is expected from a joint ventur partner: financial, technical, managerial, other.

C. Government Support and Regulations

How compatible is the project with GOG Economic Development Programs? To what extent has the Government been informed of and approved the project concept? What specific Government incentives and support are available? Identify regulations regarding exchange controls, repatri ation of capital and profits, limitation on imports and exports, taxes, licensing and service fees, etc., which will impact the proposed project.

D. Market and Sales

Describe products/services to be produced and how and by whom they will be used; the current structure of industry; the basic market orientation of proposed project, i.e., regional, national, export; size of market, its past growth and its projected future growth over the next five years; national and import competition in product or service and market shares of major competitors; marketing and distribution methods to be utilizd; estimated selling prices of outputs; projected market share; and total sales volume and revenue projectd out five years.

E. Production Facilities Processes, Location and Investment Requirements

Describe capacity of proposed facilities (land, plant, etc.) by product indicating future expansion plans, if any, production process and alternative technologies to be considered, if applicable; possible sources of equipment and technical know-how; proposed location, if known, rationale; and estimate of total investment costs broken down into land, construction, installed equipment and working capital.

F. Production Requirements and Cost

- Raw material rquirements: Describe available sources, unit costs and total annual costs.

- Infrastructure requiretments -- transportation, communications, power, water, fuel, etc.: identify their adequacy, unit costs and total annual costs.

- Manpower and management requirements -- broken down into production labor, marketing and administrative staff, and into major categories of skills, local/foreign; estimate unit costs by type including fringe benefits and stimated annual costs of manpower.

- Provide an estimate of total annual operating costs broken down by major components.

G. Financial and Economic Evaluation

Identify possible sources of financing and define terms of equity and debt financing. Has the sponsor contacted those sources and with what results?

I. Implementation Schedule

Estimate time scale for project preparation and completion.

ANNEX A

ATTACHMENT (2)

ILLUSTRATIVE INVESTMENT PROJECT PROFILES

SOURCE: "Project Profiles for the Cameroon Trade and Investment Mission to the United States", by Arnold F. Lessard, AID/AFR/PRE, September 1986.

CAMEROON TRADE AND INVESTMENT MISSION

PROPOSED PROJECT SUMMARY

PROJECT TITLE PRODUCTION OF CHEMICALLY TREATED PAPER AND FILMS USED IN HELIOGRAPHIC REPRODUCTION OF ARCHITECTURAL AND ENGINEERING DOCUMENTS, PLANS AND MAPS

PROJECT SUMMARY

De novo creation of a processing plant to produce diazo compound coated paper, transfer paper and coated polyester films used in heliographic reproduction of plans, drawings and maps used primarily in cartography, public works, building construction, engineering design and industrial applications. A company called PACAF HELIO S.A. located in Yaoundé, the capital of Cameroon, will be established.

The local and regional markets for the proposed range of products are expanding. All products are currently imported. There is no local production. The shelf life of the imported products is about four months and the products cannot bear the cost of air freight. Shipped by sea, the products have a short useful life and spoilage-wastage rates are high.

The project proposer is an importer-retailer currently active in the Cameroon market for these products. His market surveys indicate the possibility of capturing major market share in Cameroon and in nearby Central African countries associated with Cameroon in the UDEAC -- a customs and trading union which includes Gabon, Congo and Central African Republic.

A well-documented business proposal has been prepared.

SPONSORSHIP

The project sponsor is Mr. David YAKAP, BP 4517, Yaoundé, Cameroon. Tel: 23-28-71. He is Manager-Owner of CACIR-CAMEROON, an importer-retailer supplying 30% of the local market with heliographic materials. He is an accountant with an MA level degree in economics. Associated with him in the proposed venture are thirteen other local shareholders who will hold 34% of the shares with the remaining 66% in Mr. YAKAP's hands. The shareholders are planning to invest in a modest start-up operation aimed at the local market, but they are willing to relinquish 35% of the equity to an investor prepared to invest an additional $500,000 which would permit establishment of a larger scale operation with capacity to address the UDEAC market.

GOVERNMENT SUPPORT

A formal application for Government approval and benefits under the Investment Code has been filed and has been approved. The company will be protected from import competition under the Code once it demonstrates its ability to meet local demand, and be granted preferential tax, lending and import treatment.

PRODUCTS, MARKETS AND SALES FORECASTS

The basic production process involves the application of diazonium salt solutions to paper and film which has been initially treated with a pre-coating and back-coating. The finished products will be the normal films, papers and card stocks used in the preparation of heliographic reproductions of plans, drawings and maps.

Demand for such products is linked to the growth in the volume of private and public sector construction and industrialization which is growing at the rate of 10% pa in Cameroon. Current import levels of the three major products to Cameroon follow:

1.	DIAZO Paper	1,600,000 M2
2.	Transfer Paper	50,000 M2
3.	Polyester Film	30,000 M2

Estimates of total consumption in the UDEAC market are 3,500,000 M2.

The market is currently 100% supplied from abroad. Major problems of spoilage are encountered. A local product would have the major advantage of maximum shelf life.

Sales are forecast to grow from a year one total of 512,465,000 F/CFA (500F/CFA = 1 FF) to 1,555,000,000 F/CFA by year five -- an annual growth rate of about 30%.

CAPITAL COST SUMMARY

Initial investments are estimated at 425,000,000 F/CFA, of which 300,000,000 is for purchase of machinery and equipment and 125,000,000 for land and building costs. A detailed list of equipment and start-up supplies is available.

WORKING CAPITAL SUMMARY

The company will begin operating with a total payroll of 17 growing to 19 by year five -- 26,334,000 F/CFA to 33,601,000.

Total operating costs less depreciation will grow from a year one total of 345,715 F/CFA to 1,164,800 in year five. The proposer estimates going-in working capital needs of about 50,000,000 F/CFA.

PROFITABILITY SUMMARY

Profitability forecasts indicate net profits before taxes including depreciation of 8.6% of 130,000,000 F/CFA in year one rising to 353,000,000 in year five. Profits after taxes have been calculated on two assumptions: with and without relief from taxes which have been granted under the Investment Code.

NET PROFITS AND ROI (000 F/CFA)		YEAR				
		1	2	3	4	5
NO TAX	NPAT	130,000	82,588	145,590	371,155	353,450
	% ROI	36	22	40	102	97
TAX	NPAT	79,950	50,792	79,538	238,261	217,372
	% ROI	22	14	22	65	60

The return on investment (ROI) has been calculated on the basis of equity capital of 365,000,000 F/CFA.

FINANCIAL STRUCTURE

The financing for the proposed venture is summarized below (500 F/CFA = $1)

		F/CFA	$US
1.	Cameroon Shareholders	140,000,000	280,000
2.	US Shareholder	225,000,000	450,000
3.	Bank Credit - Medium Term	110,000,000	220,000
		475,000,000	$950,000

PURPOSE OF DISCUSSION IN US

Locate source of financing preferably with company which can source and supply raw materials and provide technical assistance.

CAMEROON TRADE AND INVESTMENT MISSION

PROPOSED PROJECT SUMMARY

PROJECT TITLE FEEDER MILL FOR POULTRY COMPLEX AND EXPANSION OF DAY-OLD CHICK PRODUCTION

PROJECT SUMMARY

The promoter is the owner and General Manager of COMAVIC, a successful poultry operation of 35,000 laying hens, incubators and hatchery producing 60,000 day-old chicks per week which are sold to chicken growers in Cameroon. He is expanding his operations and plans to install a feed mill to meet his internal needs as well as to supply the local market. He is also interested in securing a source of supply for the raw material feed inputs of corn, soya and pre-mix and breeder stocks. COMAVIC currently employs twenty-five people including two expatriates in charge of operations and marketing.

SPONSORSHIP

Mr. Georges TAGNY is the founder-owner and General Manager of COMAVIC. Following his secondary education he completed studies at the Pan African Institute of Development in business management. He spent eight years in evangelical and church affairs in rural areas. He developed a strong awareness of the dietary needs of rural populations particularly the need for sources of protein. This led him into the poultry farming business. He found that all day-old chicks were imported from Europe -- with the attendant problems of high mortality rates and costs. He has extensive first-hand experience in successfully managing modern poultry operations.

GOVERNMENT SUPPORT

The feeder mill project has obtained Government support and approval under terms of Cameroon's Investment Code which provides preferential treatment on taxes, import duties and loans. Food production is a high priority development area.

PRODUCTS AND MARKETS

No formal feasibility study has been prepared since Mr. TAGNY believes he understands the local market intimately, and that the feed mill is a logical and long-planned addition to his existing enterprise.

At current levels of production, the feed mill will annually process 4,000 tons of corn, 1,200 tons of soya and 1,300 tons of pre-mix. Shipments are normally received on a quarterly basis. The plant will be sized to permit for future internal and external demand growth.

COMAVIC estimates that it has a 12-15% share of Cameroon's day-old chick market. Holland and France continue to air-supply large quantities. While one French company exists in Gabon, there are no other competitors in Cameroon or in the nearby UDEAC countries -- a regional trading and customs union in which Cameroon participates and in which participants share a common convertible currency pegged to the French franc. Governments in all the UDEAC countries are stressing local self-sufficiency in food production and encouraging local production of growing stocks.

COMAVIC sells direct at its plant and delivers to remote areas by air and road transport.

Competing imports of chicks and frozen chicken are permitted. Recent movements of large quantities of Brazilian frozen chickens had a temporary negative effect on the local market producers, but there are indications that local consumers prefer fresh chickens and the local market is strengthening. Local producers under such competitive import threats are becoming highly competitive.

Possibilities are excellent for large-scale increases in one-day chick production. While some small local producers are in the market, there do not appear to be major new competitors entering the market.

FINANCIAL STRUCTURE

The sponsor estimates that additional investments of F/CFA 225,000,000 -- $US 450,000 (500 F/CFA = $1) will be required for the food mill. He is not seeking investment assistance since financing is available from cash flow and local bank credits.

PURPOSE OF DISCUSSIONS IN US

The sponsor believes that the US is the leader in the industry. He wishes to explore closer connections in terms of technology and sources of supply. He believes that the Cameroon and regional markets for day-old chicks are very large. He would, therefore, be willing to enter discussions for the sale of 25% of the equity in a major new facility to address this market. The preferred investment partner would bring technical and management expertise and sources of supply for breeding stock and feeds -- in addition to capital investments. He would also like to discuss the possibilities of longer term expansion into frozen chicken products, regional cold stores and smoked chicken products.

Mr. TAGNY is primarily interested in contacts with small and medium sized family-type businesses which operate on a scale and under conditions similar to those in Cameroon. He has little interest in visiting large-scale, industrial-scale operations.

CAMEROON TRADE AND INVESTMENT MISSION

PROPOSED PROJECT SUMMARY

PROJECT TITLE SPRAY DRIED SOLUBLE COFFEE PLANT

PROJECT SUMMARY

World consumption of soluble coffee was 270,800,000 kilograms in 1983. The U.S. led the major consuming countries with 95,000 tons. World markets continue to be strong with world consumption increasing. The markets are dominated by Brazilian producers, Nestle and General Foods. This project proposes to establish a soluble coffee plant - and later a decaffeinization line - to produce 850 tons of soluble coffee per year based on Cameroon-produced coffee beans. The sponsor's contacts in the market indicate that this level of production will find a ready market.

SPONSORSHIP

The project sponsor is Mr. Francois BELIBI-ONANA. President Director General designate for the proposed company, SOCATOM S.A., B.P. 2994, Tel: 42 78 28, Telex: 5254 KN. Mr. BELIBI-ONANA pursued his secondary and university studies leading to a degree in economics. He received his MBA from INSEAD in Switzerland. He served as a sales engineer for Sperry Rand France prior to joining IBM-France where he held positions of increasing managerial responsibility in both marketing and operations. He is currently Director General for DIANA-SICAC, a major Cameroonian importer of agricultural chemicals.

GOVERNMENT SUPPORT

This project is seeking Government support as a "Regime D" project under The Investment Code, a category reserved for large scale projects which have strategic importance for the national plan. The sponsor is also seeking the deferment of coffee taxes on exports of coffee beans as a primary means of financing the project. For details see the proposal document developed by the sponsor.

PRODUCTS AND MARKETS

The cost estimates are based on the use of broken and rejected beans from local Cameroon production at an estimated cost at factory of 320 F/CFA per kilogram - $US 71 (450 F/CFA = $1) - a level competitive with raw material prices of Brazilian producers. The production process uses 2.7 kilograms of coffee beans to produce 1 kilogram of soluble coffee with a current market price of $6.50. The sponsor's contacts in the market indicate several potential buyers willing to take the plant output.

INVESTMENT AND PROFITABILITY PROJECTIONS

The capital cost of an 850 ton plant has been estimated at $US 8,705,000. The sponsor has detailed estimates available of site preparation, process plant equipment and utilities costs. Construction will be carried out over an 18-month period with a 6 month commissioning period.

Profitability is closely tied to the purchase price of raw materials. The sponsor believes that negotiations for the purchase of Cameroon produced coffee beans - broken and rejects - can successfully obtain a local purchase price competitive with Brazilian producers. Provisional estimates of profitability are available concerning the first five years of operation.

PURPOSE OF DISCUSSIONS IN THE U.S.

The sponsor is familiar with U.S. soluble coffee operations. He has also had close contacts in developing the project with European and Asian equipment suppliers and buyers of soluble coffee. While he is primarily interested in contacting buyers, he is willing to discuss "package" deals involving financing, equipment supply, technical assistance and product off-take. Equity participation is a possibility. Used equipment would be considered.

UNITED STATES GOVERNMENT

memorandum

ANNEX B

DATE: May 9, 1985

REPLY TO ATTN OF: Mr. Mark Wentling, AAO

SUBJECT: Evaluation of the Agribusiness Promotion Project (675-0212)

TO: John D. Schneider, REDSO/WCA

I. Background

In June 1982, Ahmed Sekou Toure, then the President of the People's Republic of Guinea, visited the United States to meet with President Reagan and to participate in a seminar sponsored by the Chase Manhattan Bank on investment opportunities in Guinea. President Sekou Toure's visit generated considerable excitement in Washington for two reasons: it represented first an oblique but unequivocal admission that the increasingly extreme course of Guinean socialist development had not worked and, more importantly, it also represented an explicit turn to the West for assistance.

As a result of this visit, a U.S. Presidential Task Force was formed to identify opportunities for U.S. private sector agribusiness investment and technology transfer in Guinea to improve agricultural productivity for both domestic and export markets. The Task Force, composed of six agribusiness executives, visited Guinea for twelve days in February 1983 and evaluated the potential for six products (vis, pineapples, coffee, marine fishing, sugar, cereals and vegetables and N'dama cattle, as well as some specialty crops) and identified constraints to private sector investment.

The Task Force essentially concluded, in its report, that with one exception — a marine fishing project — the investment climate in Guinea would not attract private investors. Problems cited included, inter-alia, depressed market conditions, currency exchange and price controls and inadequate internal infrastructure, services and supplies. The report continued, however, that while foreign investment might not be immediately attracted to present opportunities, there were certain areas — e.g., coffee, pineapple and N'dama cattle production — that, with appropriate donor technical and financial assistance, could be developed to a point where future private participation might be possible. The Task Force also acknowledged that the Government had created an agribusiness promotion unit — then part of the Presidency — but made no recommendations regarding its development beyond suggesting that an early objective of the unit should be to launch a public relations campaign to familiarize U.S. investors with Guinea.

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO. 10
(REV. 7-76)
GSA FPMR (41 CFR) 101-11.6
5010-112

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II. Project Description and Progress

Within the context of the task force report, which subsequently served as an AID project identification document, a modest and vaguely defined $800 thousand project was proposed which attempted to balance the as yet uncertain possibility of attracting private U.S. investment with the more immediate needs of developing an indigenous private sector base. The objective of the project was basically to provide long-term technical assistance to support the new agribusiness promotion unit in unspecified ways and to prepare pre-feasibility and feasibility studies consistent with the task force report recommendations. While not clearly stated in the project paper, the focus of the studies appeared to be on identifying a series of basic activities suitable for soft financing by development agencies rather than for direct private investment. Once the studies were completed, the steps necessary to solicit donor or private interest in these activities then would be established and the process begun.

In December 1983, the former investment promotion unit attached to the Presidency was formally re-established by Presidential decree as the Office National de Promotion des Agro-Industries (ONPAI). ONPAI was placed under the Prime Minister's Office, with the former Guinean Ambassador to the United States, Mamady Condé, named as Directeur Général. ONPAI was subsequently designated Guinean project implementing agency and guaranteed two years of funding when the project Grant Agreement was signed the following January 1984.

In November 1985, ONPAI was reconstituted, again by Presidential decree, as the Centre National des Investissements Privés (CNPIP). CNPIP was placed under the general auspices of a conseil de surveillance (which has never met) composed of a number of interested ministers as well as the AID Affairs Officer (a significant and surprising explicit role for a foreign government in a national agency), but was to report directly to and be controlled by what is now the Ministry of Planning. Although the establishing ordinance confirms CNPIPs role in the AID Agribusiness Project, its responsibilities were substantially expanded at this time to include promotion of all foreign investment, not only that related to agribusiness.

In retrospect, it is evident that this type of business-oriented project with only partially elaborated objectives needed considerable post-approval AID attention to further define, activate and then monitor project activities and objectives. It also became apparent, however, that the small AAO Conakry staff has not had the time or the appropriate skills necessary to provide adequate direction either to CNPIP or Chemonics. Although the initial project was approved in January 1983, it was not until December 1984 (after considerable initial delay due in part to a change in Government) that a contract was subsequently signed with Chemonics to provide the planned technical assistance and March 1985 that the first resident advisor arrived. During the first two years of project activities (1984-86), virtually nothing of programmatic substance

was accomplished beyond the hiring of some staff. The single greatest achievement during this period, as noted in the October 1985 impromptu evaluation, was the renovation of an imposing (by Conakry standards) office building.

A project amendment in June 1985 reconfirmed the validity of project objectives, noted the improved state of the Guinean economy and increased project funding by $1 million, largely to complete the originally scheduled activities. Since January 1986, two dormant pre-feasibility/feasibility studies and an unexecuted CNPIP action plan have been completed and a poultry study is under way. No foreign private investment has been solicited. Neither the original project paper nor the amendment set numerical targets or attempted to quantify proposed accomplishments.

III. Evaluation

This present report represents a portion of the first regularly scheduled yearly project evaluation. As requested, the purpose of my participation in the evaluation and the objective of my report is to review project progress from an AID perspective. As such, my report is largely anecdotal and does not attempt to analyze the specific details of project actions which are being reviewed from a business perspective by a consultant from Dimpex Associates. Accordingly, I have addressed three basic questions regarding the Guinean counterpart organization, the AID-financed technical assistance and the direction in which the project is headed.

1. Has the Centre National de Promotion des Investissements Privés effectively served as project implementing agency?

To date, two years after the signing of the Grant Agreement and fourteen months after the arrival of the first Chemonics resident advisor, CNPIP with a Directeur Général, a full-time veterinarian and miscellaneous support staff does not have the organizational structure to maintain a sustained effort to accomplish its functions. CNPIP, as the Guinean counterpart agency, was expected to play a fundamental role in the management and direction of the agribusiness project. To help accomplish this, CNPIP was to be energized by Chemonics as a coherent organization capable of administering both project activities and its mandated functions.

Three broad sets of functions, loosely based on the establishing ordinance, the project paper and the Grant Agreement, were defined for CNPIP and incorporated in the Chemonics contract as part of the scope of work. These functions essentially related to identifying and then promoting private foreign investment opportunities in Guinean agribusiness projects; providing logistical, administrative and advisory support to visiting businessmen; and, developing a private agribusiness

strategy for Guinea. It is significant to note, however, that by designating a foreign investment promotion unit as the Guinean counterpart agency for all project activities, project emphasis was inevitably and effectively shifted (in a way that was not entirely justified by the task force report) to the promotion of private foreign investment rather than mobilizing and developing local investment. Consequently, CNPIP has not worked with the Guinean private sector to develop opportunities for investment and a major project objective has been overshadowed.

A substantial shortcoming in identifying and maintaining relevant objectives, in fact, has been continued reliance by CNPIP and Chemonics on the agribusiness task force report as their principal program guidance. Although the Guinean economy has undergone major structural changes since 1982, there has been no subsequent independent assessment and confirmation that this four year old report resulting from a twelve day visit remains a credible document on which to base a $1.8 million activity.

An unresolved early difficulty that has had substantial subsequent consequences has been ONPAI/CNPIPs inability to establish (regardless of the availability of staff and financial resources) a viable institutional framework with clearly defined management responsibilities and objectives, administrative policies and procedures, and program priorities and strategies. It was not until January 1986 — one year after Chemonics services became available — that an elaborate and impractical "Plan D'Exploitation Pour Le CNPIP" was commissioned by CNPIP and completed by Equator Advisory Services under a Chemonics subcontract. This plan appears to have been accepted by CNPIP but not critically reviewed by AID, the Ministry of Planning or CNPIP itself. As a result, the new Minister of Planning was sufficiently concerned by a perceived lack of direction at CNPIP that he has not approved the hiring of additional CNPIP staff until the role of CNPIP vis-a-vis the other organizations involved in business development (notably, PME and the Chambre de Commerce) has been resolved by a World Bank study scheduled for this summer.

A minor but indicative example of CNPIPs lack of priorities has been the concentrated effort to organize, as a cornerstone activity, a Documentation Center. CNPIP proceeded to hire two documentalists even though seemingly critical program staff positions remained unfilled. The Directeur de Cabinet of the Chambre de Commerce et d'Industrie de Paris which (through the Chemonics contract) is supplying material and training, the two CNPIP documentalists conceded that CNPIP has no archive policy and requests costly, sophisticated or otherwise inappropriate texts.

Considerable emphasis is placed on CNPIPs successful role in supporting the OPIC visit in March 1986 by providing office space, secretarial support, drivers and associated assistance. CNPIPs greatest strength, in fact, continues to be its ability to provide business services and

logistical support. The Directeur Général, in this regard, sees himself as something of an hôtelier and runs a small establishment for visiting businessmen in an apartment located for that purpose in the CNPIP building. While providing this type of service has been a designated secondary function of CNPIP, in the absence of other accomplishments, it does not justify the level of project support we have provided.

The CNPIP Directeur Général and others have suggested the possibility of spinning CNPIP off as an independent, self-sufficient organization. In this scheme, CNPIP would provide both investment identification and promotion services, including the preparation of studies and administrative support to visiting investors. CNPIPs fees for these services would be expected to cover operating expenses. Although the Equator Advisory Services "Plan d'Exploitation" has been encouraging in this approach, it does not appear to be practical: CNPIPs greatest asset, its building, would revert to the Government; it is unlikely that foreign investors would pay for promotional studies; logistical support activities alone would not generate sufficient revenue; and, investment promotion, in any event, is generally and properly a Government function.

As a final note, the Minister of Planning generally is not supportive of the CNPIP activity. In a frank, critical yet amicable meeting, the Minister stated that he believed CNPIP to be inappropriately structured to carry out its mandate to promote investment. He is concerned that CNPIP has weak ties to the Guinean business community and, as a result, that Guinean businessmen are reluctant (and may not be even encouraged) to enter the CNPIP building or use its services. He indicated, largely through gestures and indirect comments, that he did not have great personal confidence in the CNPIP Directeur Général and expressed marked annoyance that the principal advocates of the project appeared to be the AID-financed consultants (mentioning the Chemonics President) who presented CNPIP positions to him without additional commentary from Mr. Condé. He continued that he is opposed in principle to the present unique relationship between a Government agency and a single bilateral donor which he believes is inappropriate, characterizes CNPIP as an American organization and discourages other nationality investors from using CNPIP services. The Minister further noted that there were a number of Ministries and Government agencies involved in investment promotion in Guinea, often with conflicting responsibilities. He felt that it was important for the Government to streamline investment procedures for which a single national structure — either in Planning or in another Ministry — should be designated responsibility regardless of the investment sector. He did not know at this time how such a structure might be organized or what the role of donor agencies might be in its development and was waiting for the completion of the World Bank study for advice in this area. Referring to the substantial funds remaining in the Agribusiness Project, I questioned what role he anticipated for the project in this context and how it might, if necessary, be restructured to meet immediate needs. The Minister responded, in an offhand and disinterested way, that Chemonics and CNPIP could continue to complete

feasibility studies. He concluded the meeting by emphasizing that he has been under pressure to hire additional professional staff for CNPIP, but that whatever work is eventually undertaken would have to be at CNPIPs present staffing level.

2. Has Chemonics provided appropriate technical services?

Chemonics has not provided the appropriate technical services necessary to successfully implement this project. As part of its contract scope of work, Chemonics was expected to undertake three basic tasks: development of CNPIP as a coherent, effective organization; project identification and investment promotion; and, delineation of a Guinean agribusiness development strategy. During the first year of the Chemonics contract there was virtually no substantive progress in any of these tasks.

The major initial difficulty, as alluded to in the six month evaluation, appears to have been associated with the first Chemonics resident advisor who was not skilled in institutional development and management and apparently did not make adequate use of Chemonics headquarters for needed support and short-term assistance in those areas. While some of the early institutional development problems also can be attributed to a mutually contentious relationship with the CNPIP Directeur Général, it appears that the resident advisor did not readily turn to either AID or Chemonics for guidance. The quarterly reports for this period are short (often not more than five pages), concentrate on what could not be done rather than what had been done and make no effort to propose solutions to existing problems. There was no critical attempt to establish priorities (either for Chemonics or CNPIP) and the ambitious and impractical workplans did not adequately elaborate when and how various actions were to be accomplished and made no distinctions between the importance of individual tasks. Consequently, the establishment of a Documentation Center (a secondary function) received greater emphasis than developing an agribusiness strategy (a primary function).

As noted above, Chemonics has not been able to vitalize CNPIP as a viable institution. Only two pre-feasibility/feasibility studies have been completed -- one on pineapple production and the other on N'dama cattle breeding. These studies did not follow any agreed standard format for investment profiles, go into an unnecessary level of technical detail for promotional purposes and do not seem to have provoked, as the bottom line, much investment interest. The agribusiness development strategy has not been completed. Finally, even when it became evident that project implementation was not proceeding as planned, Chemonics did not propose or suggest an alternative action plan. In fact, without considerable guidance from AID and business development experts, I am not confident that Chemonics, at this stage, can effectively develop such a plan.

3. Do the Agribusiness Project objectives remain valid?

The Agribusiness Project's de facto emphasis on identifying opportunities for foreign investment in Guinea by establishing an organization whose primary function is to attract foreign investment and by preparing studies from a foreign investment perspective does not appear to remain valid. This evolutionary and largely undirected emphasis on promoting foreign private investment rather than on mobilizing domestic resources was not initially justified by the task force report or the subsequent 1986 Equator Advisory Services assessment of the investment climate in Guinea which noted (p.1) that "there is a substantial gap between the decidedly positive investment climate...and actual investment conditions" and that "many foreigners who have recently visited Guinea found their experiences to be inconclusive".

The personal impression of the new private bankers and businessmen seems to be, at best, one of guarded optimism that any significant levels of foreign investment will be attracted in the immediate future. It is believed that foreign investment will follow a process of initial experimental interest in trade activities; then limited investment in export production facilities as experience and confidence is gained; and, eventually more extensive industrial investment as the economic and political environment becomes demonstrably more stable. Three examples are popularly cited which illustrate that direct foreign investment opportunities will continue to be viewed cautiously in Guinea: a recently established and profitable, French-owned pineapple plantation which was expropriated following a land dispute with the local prefect (and purportedly after the owners refused to pay any bribes); restaurant owners who routinely find it expedient to feed gratuitously the entire civil service population if they plan to remain open; and, the interested American investor who, following his participation in the OPIC visit, was told there would be a $40,000 registration fee for each trawler he planned to use in a proposed marine fishing project.

There does, however, seem to be considerable potential for effectively promoting Guinean domestic investment in appropriate agribusiness and other private sector activities. With the proposed démission of fifteen-eighteen thousand civil servants, there are now increased imperatives for identifying investment opportunities which can be exploited to absorb this sudden, major increase in the workforce. Further, as a result of recent economic and political reforms, confidence in the economy has risen and private Guineans have begun visibly investing primarily in banking (SBG) and trade activities but also in construction, transport and other service industries where the initial capital requirement is relatively low and the turnover is rapid. Investment resources, nevertheless, continue to be limited by lack of medium and long-term financing and appropriate business experience and skills. While a number of donor agencies, including the World Bank and EEC, are involved in this area, there would still appear to be a role for CNPIP in assisting Guinean entrepreneurs, directly and possibly through PVOs, to gain access to Government, donor agency and private bank supported financial and technical assistance programs.

IV. Conclusion

Although I do not recommend eliminating all CNPIPs foreign investment promotion activities, in light of the Minister's lack of support for this activity and the problems and prospects of establishing CNPIP as an effective and useful foreign investment promotion office at this time, project activities must be redirected into potentially more productive areas. As suggested above, one area that conceivably warrants further investigation is the potential role for CNPIP in the mobilization of domestic resources for investment in agribusiness ventures. This shift in CNPIPs emphasis, in turn, would serve to promote the development of an indigenous private sector and assist the absorption of released civil servants. It would seem that CNPIP, if its management remains flexible, even with present staff limitations, could be successfully reconstituted in this way with clearly revised and precise objectives. In any event, the next logical step is to reassemble a project design team, in conjunction with Chemonics and business development experts, to further identify and assess revised project activities. While project revision may not require formal project paper and grant agreement amendments, some action plan, acceptable to the Government, which documents and justifies any changes in project objectives, activities and associated budget should be approved by the AAO.

JDSchneider:REDSO/WCA:5/7/86:WPJDSEVAL

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