PD-ABE-443

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: 7 — DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Guinea

3. PROJECT NUMBER: 675-0221

4. BUREAU/OFFICE: AFR

5. PROJECT TITLE (maximum 40 characters): Agricultural Marketing Investment

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 97

7. ESTIMATED DATE OF OBLIGATION (Under 'B', below, enter 1, 2, 3, or 4): A. Initial FY 92 B. Quarter 4 C. Final FY 96

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 92 B. FX	C. L/C	D. TOTAL	LIFE OF PROJECT E. FX	F. L/C	G. TOTAL
AID Appropriated Total						
(Grant)	(1,000)	(-0-)	(1,000)	(12,500)	(-0-)	(12,500)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country	312	-0-	312	7,500		7,500
Other Donor(s)						
TOTALS	1,312		1,312	20,000		20,000

9. SCHEDULE OF AID FUNDING ($000)

APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE 1 Grant	2 Loan	D. OBLIGATION TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
1) DFA	DFA			-0-	-0-	1,000	-0-	12,500	-0-
2)									
3)									
4)									
TOTALS				-0-	-0-	1,000	-0-	12,500	-0-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	PSD	SPE	DRG	PVL	INS		
B. Amount	100%	25%	50%	50%	50%		

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the project is to promote growth and increased efficiency in agricultural markets.

Controller's Clearance 8/7/92

14. SCHEDULED EVALUATIONS: Interim MM 03 YY 95 MM YY Final MM 03 YY 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [ ] 000 [ ] 941 [ ] Local [X] Other (specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY — Signature: William G. Kaschak — Title: Dir. Kaschak, William G. — Date Signed: MM 07 DD 16 YY 92

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

AID 1330-4 (3-89)

USAID/GUINEA

Agricultural Marketing Investment
Project Paper
(675-0221)

July 15, 1992

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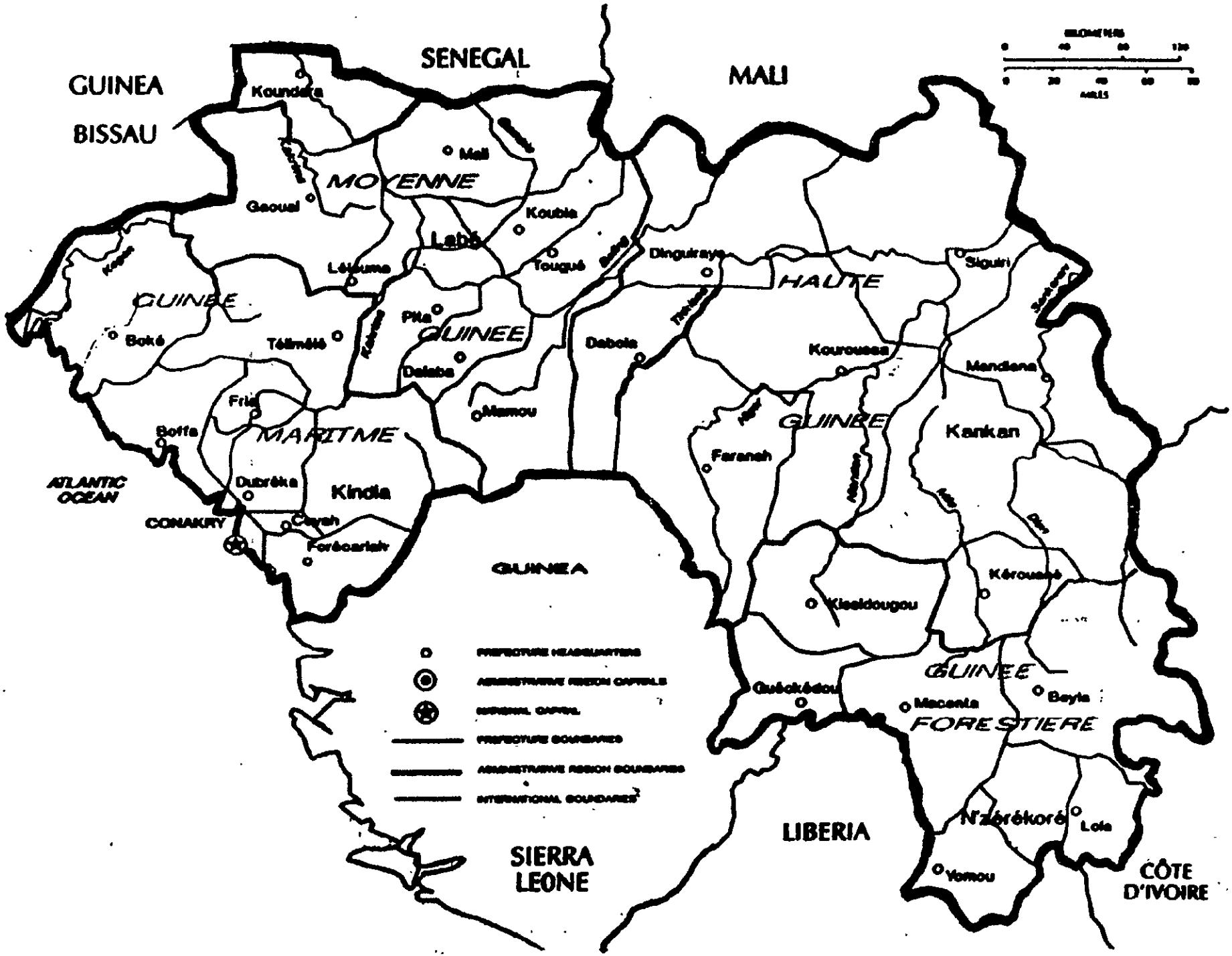
ACRONYMS

ADO	Agricultural Development Officer, USAID Guinea
AFR/ONI	Africa Bureau Office of New Initiatives
AGRIFEL	L'Agro-Industriel de Fruits, Fleurs et Legumes
AID	AID/Washington (Headquarters)
AID/PRE	AID Bureau for Private Enterprise
AMF	Agricultural Marketing Foundation
AMLGF	Agricultural Marketing Loan Guarantee Fund
AMIP	Agricultural Marketing Investment Project
APDF	African Project Development Facility, Abidjan
BCRG	Banque Centrale de la Republique de Guinee
BOD	Board of Directors
BOT	Board of Trustees
BPVO	Business Oriented Private Voluntary Organization
CCCE	Caisse Centrale de Coopération Economique
CCDE	Center For the Creation and Dev. of Enterprises, GOG
CF	Counterpart Funds
CFDT	Compagnie Française de Development du Textile
CFMS	Counterpart Fund Management System
CLIFFEL	Comite de Liaison Interprofessionnel de Fruits, Fleur et Legumes
CNPIP	National Center For Promotion of Private Investment
CP	Condition Precedent
CPSP	Country Program Strategic Plan
DFA	Development Fund For Africa
EEC	European Economic Community
ESAF	Enhanced Structural Adjustment Facility
FAA	Foreign Assistance Act
FAC	Fond d'Aide et de Coopération
FAO	Food and Agriculture Organization
FED	European Development Fund (EEC)
FSN	Foreign Service National
GDP	Gross Domestic Product
GEXPRONT	Non-Traditional Exporters Guild, Guatemala
GF	Guinean Franc
GOG	Government of Guinea
GREDP	Guinea Rural Enterprise Development Project
HB	Handbook (AID)
HRDA	Human Resources Development Assistance
IDA	International Development Agency (World Bank Group)
IESC	International Executive Service Corps
IMF	International Monetary Fund
IQC	Indefinite Quantity Contract
LC	Local Currency
LDCS	Less Developed Countries
LOC	Letter of Credit

LOP	Life of Project
LPDA	Lettre Politique De Development Agricole
LTC	Land Tenure Code
MAPS	Manual for Action in the Private Sector
MARA	Ministère de l'Agriculture et des Ressources Animales
MCTT	Ministère du Commerce, Transport et Tourisme
M&E	Monitoring and Evaluation
MIPME	Ministère de l'Industrie, Petites et Moyennes Entreprises
MT	Metric Tons
MYP	Multi-Year Plan (PL 480)
NFA	Non-Federal Audits
NGO	Non-Governmental Organization
NRMS	Natural Resource Management
ONAGH	l'Organisation Nationale des Horticulteurs de Guinee
PACD	Project Assistance Completion Date
PAGEN	Technical Assistance Project for Economic Management
PCPEA	Projet De Commercialisation et de Promotion Des Exports Agricole
PID	Project Identification Document
PILS	Project Implementation Letters
P.L. 480	Public Law 480
PNIR	Projet National pour l'Infrastructure Rurale
PP	Project Paper
PSC	Personal Services Contractor
PVO	Private Voluntary Organization
PY	Project Year
RDO	Rural Development Office (USAID/Guinea)
REDSO/WCA	Regional Economic Development Services Office/West and Central Africa (AID regional office in Abidjan)
REFLEG	Le Regroupement des Exportateurs de Fruits, Fleurs et Legumes de Guinee
SAF	Structural Adjustment Facility
SO1	Strategic Objective One
SOGUIPAH	Société Guinéenne de Palmier à Huile
SOW	Scope of Work
TA	Technical Assistance
UNDP	United Nations Development Program
USAID	USAID/Guinea (AID Field Mission)
USDH	United States Direct Hire


GUINEA
BISSAU
SENEGAL
MALI
Koundara
Mali
MOYENNE
Gaoual
Koubia
Labé
Tougué
Lélouma
Dinguiraye
HAUTE
Siguiri
GUINEE
Boké
Télimélé
Pita
GUINEE
Dalaba
Dabola
Kouroussa
Mandiana
Mamou
Fria
Boffa
MARITME
GUINEE
Kankan
Faranah
ATLANTIC OCEAN
Dubréka
Kindia
CONAKRY
Coyah
Forécariah
GUINEA
Kérouané
Kissidougou
GUINEE
Guéckédou
Macenta
Beyla
FORESTIERE
N'zérékoré
Lola
LIBERIA
Yomou
SIERRA LEONE
CÔTE D'IVOIRE
PREFECTURE HEADQUARTERS
ADMINISTRATIVE REGION CAPITALS
NATIONAL CAPITAL
PREFECTURE BOUNDARIES
ADMINISTRATIVE REGION BOUNDARIES
INTERNATIONAL BOUNDARIES

PROJECT AUTHORIZATION

Name of Country: Guinea

Name of Project: Agricultural Marketing Investment

Number of Project: 675-0221

1. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Guinea Agricultural Marketing Investment Project (675-0221), involving planned obligations of not to exceed Twelve Million, Five Hundred Thousand United States Dollars ($12,500,000) in grant funds ("Grant") over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The Project Assistance Completion Date ["PACD"] is September 30, 1997, except as A.I.D. may otherwise agree in writing.

2. The project ("Project") purpose is to promote growth and increased efficiency in agricultural markets. AMIP will will fund the financial and technical assistance activities required to establish: (a) an agricultuaral marketing foundation, which will be managed by and for the private sector in Guinea; and (b) an agricultural marketing loan guarantee fund.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have countries included in A.I.D. Geographic Code 935, as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States or countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing.

b. CONDITIONS PRECEDENT AND COVENANTS

The Project Agreement for the Agricultural Marketing Investment Project shall contain, in substance, the following Conditions Precedent and Covenants:

1. Conditions Precedent to Disbursement

First Disbursement. Prior to the first disbursement under the grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.3. of the Project Amendment, and or any additional representatives, together with a specimen signature of each person specified in such statement;

Disbursement for Technical Assistance. Prior to the first disbursement under the grant for technical assistance, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

[a] A memorandum, certified by the Grantee, including legal counsel, setting forth all requirements, necessary documentation, or any other prerequisites for the registration of the Agricultural Marketing Foundation as a local non-governmental organization pursuant to the laws and regulations in effect in the Republic of Guinea.

Disbursement for Commodity Procurement for the Grantee. Prior to the first disbursement under the grant for commodity procurement for the Grantee, or to the issuance by A.I.D.of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

(a) Evidence that within ninety (90) days of receipt of an application for registration of the Agricultural Marketing Foundation as a local non-governmental organization, pursuant to the documentation submitted under section 4.2 above, the Grantee has issued a registration of the Foundation as a local non-governmental organization; and

(b) Evidence that the Grantee will provide local currency for the operating expenses of the Agricultural Marketing Foundation for three years in the amounts specified in Annex I (Amplified Project Description) of the Project Agreement embodied

in approval of such funding under the 1992 Counterpart Fund Management Agreement.

Conditions Precedent to Disbursement for the Agricultural Marketing Loan Guarantee Fund. Prior to the first disbursement under the grant for the Agricultural Marketing Loan Guarantee Fund for $2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the BCRG has established a separate, non-commingled account with the Federal Reserve Bank of New York into which grant funds will be deposited for the AMLGF reserve, together with written terms and conditions governing operation of the account; and

[b] The Statement of Operating Procedures (SOP) for the AMLGF, which will, inter alia, specify the responsibilities and authorities of all actors (USAID, Credit Committee, BCRG, Facing Bank, and Participating Bank(s)] as well as eligiblity criteria for loans, reporting and audit requirements, penalties for non-compliance, procurement restrictions, including source/origin and cargo preference, and all other rules and procedures.

Condition Precedent to Second Disbursement for the Agricultural Marketing Loan Guarantee Fund. Prior to the second disbursement under the grant for the Agricultural Marketing Loan Guarantee Fund for $2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the AMLGF is being administered in accordance with the terms and conditions of the SOP for its operation, including administration of the blocked account by the BCRG.

Condition Precedent to Third Disbursement for the Agricultural Marketing Loan Guarantee Fund. Prior to the third disbursement under the Grant for the Agricultural Marketing Loan Guarantee Fund for $2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the AMLGF is being administered in accordance with the terms and conditions of the SOP for its operation, including administration of the blocked account by the BCRG.

2. Special covenants

Post-PACD Loan Guarantees. The Grantee shall agree, except as A.I.D. may otherwise agree in writing, that it will utilize any and all funds remaining in the AMLGF after the PACD to guarantee loans for agricultural marketing activities in accordance with the procedures and criteria established under this project.

Agricultural Marketing Foundation Endowment. The Grantee shall agree, except as A.I.D. may otherwise agree in writing, that it will provide the local currency equivalent of US $6 million for the establishment of an endowment for the Agricultural Marketing Foundation as further specified in Annex I (Amplified Project Description) to this Agreement, within 36 months after signing this Agreement.

William G. Kaschak

William G. Kaschak
Mission Director
USAID/Guinea

7/16/92
Date

Clearance:
REDSO/RLA:MAKleinjan: MAK Date: 7/9/92
Other Clearances as Shown on Action Memorandum

draft:mess:7/9/92

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: PPDO, David Hess

SUBJECT: Project Authorization - Guinea Agricultural Marketing Investment Project (675-0221)

I. Problem

Your approval is requested to authorize US $12,500,000 from the Development Fund for Africa Appropriation Account for a five-year project designed to provide financing for (a) the creation and start-up costs of an agricultuaral marketing foundation, which will be managed by and for the private sector in Guinea; and (b) an agricultural marketing loan guarantee fund. The planned FY 1992 obligation is $1,000,000.

II. Discussion

A. Background

Following independence in 1958, Guinea adopted a highly centralized development strategy supported by and modeled after the East Bloc countries. This strategy essentially sought to modernize and industrialize the predominantly agrarian economy under the guidance of the State. By 1964 the GOG had nationalized all private sector activity outside of mining. The only legal private sector activity that was allowed was small-scale rural production and minor services. However, this activity was severely constrained by price and wage controls, marketing quotas, lack of credit, the predominance of inefficient collective farms, and persistent official harassment. Guinea's abundance of water resources, fertile soils, rich ecological diversity, and a favorable climate gives it a potential comparative advantage in several agricultural commodities including: coffee, cocoa, tropical fruits, rubber, oil palm, and cotton. Guinea's mineral and agricultural resources make it one of Africa's resource-rich countries. The country has one-third of the world's known bauxite resources and considerable reserves of gold, diamonds, iron ore, and granite.

Since the death of Sekou Toure and the establishment of the Second Republic, significant reforms have been implemented to foster economic growth based on private sector activity. Guinea now enjoys a substantially liberal economy, albeit with a nascent private sector and a weak infrastructural base. Between 1985 and 1991, the Mission's development strategy was characterized by support for GOG policy reforms leading to liberalization of agriculture-related markets and the development of private enterprise. A liberalized policy framework and an environment more conducive to private sector growth was expected to stimulate a significant production response as farmers increased the amount of land under production and channeled more output into Guinean markets. Therefore, between 1985 and 1990, USAID invested in a number of projects and policy reform activities which focused on reducing the role of government and promoting the private sector, for example the Private Agribusiness Promotion Project, which started in early 1985 and continued through 1988. During this time the project helped promote

domestic and foreign agribusiness investment by establishing the National Center for Private Investment Promotion (CNPIP) and preparing profiles of various potential agribusiness ventures. Although no specific ventures or enterprises were initiated as a direct result of this project, awareness of Guinean agribusiness investment potential was heightened, and CNPIP became an acknowledged point of Guinean investor interest and support for foreign investors when visiting Guinea.

Since independence, the fate of the Guinean economy has been largely dependent on the fortunes of the mining industry, particularly exploitation of bauxite deposits. While mining will continue to be critical to the economy's well-being, it is clear that the economy must be diversified if growth is to be sustained and benefits shared by Guineans at large. Interventions in the agricultural sector are the key to helping Guineans meet the need for economic diversification and it offers Guinea's best hope for sustainable and equitable economic growth.

Although the Government of Guinea (GOG) has made significant progress in the implementation of political, economic, financial, legal and administrative reform, constraints to increased economic growth continue, particularly in the agricultural sector. Among the principal impediments to the development and expansion of agricultural markets in Guinea are (a) a defective policy and regulatory environment; (b) ineffective financial intermediation and investment services in the agricultural sector; and (c) the high costs of agricultural marketing.

While many of the policy and regulatory constraints are already being addressed by USAID and other donors, there is a need for further assistance in the other areas. For example, Guinean agricultural traders, exporters, importers, and entrepreneurs, have indicated that they encounter serious difficulties when they seek financing for small, medium and large-scale agricultural enterprises. Banks are very reluctant to make loans and extend credit and for those that do receive loans, there is a lack of follow-up services. They acknowledge that, among themselves, there is a lack of both management skills and expertise to conduct enterprise feasibility analysis. In addition, there is general confusion among enterprise promoters about the role and nature of the private sector in a market economy. Consequently, there is a critical need to assist the private sector to play a larger role in policy formulation and to improve financial and business services, particularly in the agricultural marketing sector. This requirement cannot be met by existing public sector institutions. By supporting the creation of a foundation that will be led and managed for and by the private sector, and by establishing a loan guarantee fund, the Agricultural Marketing Investment Project will be the vehicle through which these contraints will be addressed.

B. Project Description

The Guinea Agricultural Marketing Investment Project (AMIP) is a five-year, $20 million project ($12.5 million AID Grant and $7.5 million in local currency counterpart equivalent) that will serve as a catalyst to stimulate and galvanize Guinea's private sector to invest in agricultural export and marketing. The Goal of AMIP is to increase per capita income from non-mining sources. AMIP's Purpose is to promote growth and increased efficiency in agricultural markets.

To achieve its purpose, AMIP will have two components, the Agricultural Marketing Foundation (AMF or "The Foundation") and the Agricultural Marketing Loan Guarantee Fund (AMLGF or "The Fund"). The AMF will be formed, led and managed by and for private economic actors and will function to: (a) assist the Guinean private sector to increase domestic and export marketing; (b) promote increased investments in agricultural production, processing and related activities; and (c) provide a range of business services. Moreover, the Foundation will serve as a forum for policy dialogue between the GOG and the private sector in order to bring about changes in the policy and regulatory environment that are essential for ensuring increases in agricultural exports and marketing.

The AMLGF will improve access to financial resources for potential investors. While there are already various sources of short-term credit financing available at this time, greater innovation is required in risk sharing in order to broaden the depth and the base of private sector activity in agricultural marketing. The Fund will provide needed resources to financial institutions to increase short, medium and long term credit for agribusiness activities. Collectively, the Foundation and the Fund will serve as intermediary between commercial banks and potential, but inexperienced investors, by strengthening the advisory, financial, and information services and by improving access to financial resources necessary for investment. In so doing, the resources and dynamism of the commercial sector to expand agricultural production, processing, and marketing will be harnessed.

An important aspect of AMIP will be institution building, which involves (a) the development of an autonomous and sustainable private sector business institution; and (b) the strengthening of commercial banks' capacity to increase lending to agribusiness sector. Institution-building will be achieved through training and long term technical assistance to AMF and commercial banks participating in the loan guarantee program.

C. Financial Summary

1. Financial Plan

The life-of project funding will be $12.5 million, including (a) $6.5 million to finance technical assistance, training, project management, commodities, audits, and evaluations; and (b) $6 million for the Loan Guarantee Fund. The project will be obligated as follows ($ millions):

FY 92	FY 93	FY 94	FY 95	FY 96	Total
1.0	4.0	3.0	3.0	1.5	12.5

2. Funding Mechanism

Obligations will be by project grant agreement. Procurement for technical assistance, commodities, project management, audits, and evaluations ($6,500,000 of the $12,500,000), will be implemented directly by USAID/Guinea. Financing will be through the use of direct payment or letter of credit. The remaining $6,000,000 of grant funding will be used for the loan guarantee fund account, which will be set up at the Federal Reserve Bank in New York.

3. Host Country Contribution

The GOG will provide an estimated $7.5 million in counterpart funds from the FY 1992-94 PL 480, Title III Program. This will include $1.5 million for operating expenses during the first three years of project implementation, as well as $6 million for the establishment of an Endowment for the AMIP Foundation.

D. ECPR Issues and Recommendations

The Executive Committee for Project Review (ECPR) met on July 2, 1992 to: (a) identify, discuss and formulate recommentations on outstanding issues for the Project Authorization and PP; and (b) determine whether project authorization can take place as scheduled o/a July 15, 1992.

The ECPR meeting was chaired by the Mission Director. In attendance was the Project Committee, which included representatives from the RDO, PPDO, CO, and EXO. Based on a review of the draft project paper, the following issues were identified and recommendations developed:

Issue 1: Financing Level of the GOG Counterpart Contribution

Discussion: The GOG contribution is to be used for the operating costs of the Foundation for the first three years of the Project and for the funding of the Endowment for the Foundation. In some sections the PP indicated this amount to be $7.5 million, in other sections, $6.1 million. At the PID stage of project development, it was estimated that the operating costs of the Foundation would be $2.5 million and over the life of the project and that the Endowment would require $5 million. ECPR discussion of the costs of AMF operations identified needs for $ 1.5 million for AMF operating costs for the first three years of project implementation and concluded that $6 million is the amount which will provide necessary financing of the Endowment.

Recommendation: That the GOG contribution will remain at $7,500,000, in equivalent Guinean Francs to provide $1.5 million for AMF operating costs for the first three years of project implementation and $6 million for the Endowment. These amounts will be indicated in all final documents.

Issue 2: Cross-Conditionality with the FY1992-1994 P.L. 480 Title III Multi-Year Agreement

Discussion: There were two areas of cross-conditionality discussed at the ECPR. The first area is the need to secure the GOG's obligation to approval of registration of the AMF as a non-governmental organization. Given the importance of this action for AMIP project implementation, the FY1992-1994 P.L. 480 Title III Multi-Year Agreement will be amended to include that action as a Performance Indicator which must be achieved prior to USAID approval of the commodity shipment for FY1993. The second area is the need to ensure GOG commitment to provide counterpart funding for the Endowment for the AMF in the third year of project implementation. The decision on providing that funding will be made jointly with USAID on the basis of results of the evaluation to be carried out near the end of the second year of implementation or no later than eighteen months after arrival of AMF technical assistance. If the decision is positive, then the funding will be provided in one disbursement no later than the end of the third year of the project.

Recommendation: That the additional Performance Indicators discussed above be included in an amendment of the FY1992-1994 P.L. 480 Title III Multi-Year Agreement.

Issue 3: Maximum and Minimum Size of Loans Eligible for Coverage under the AMLGF

Discussion: The maximum and minimum size of loans eligible for coverage under the AMLGF was discussed. Concerns included: 1) keeping the number of loans to a reasonable number in light of management burden for all actors in the project; and 2) allowing equal and open access to guarantees for the kinds of Guinean and foreign investors who are participants in agricultural marketing and who meet the eligibility requirements of the Project Paper. Various levels of funding and kinds of typical potential investment projects were discussed based on experience in Guinea and information collected and reviewed during the intensive review period for PP development.

Recommendation: That the minimum loan eligible for coverage under the AMLGF be $100,000 and the maximum be $300,000. These limits may be waived by issuance of a PIL.

Issue 4: AMLGF Guarantee Coverage of Bank Risk

Discussion: Discussions with Guinean entrepreneurs, banks, and MARA officials during the intensive review period raised the question of whether the AMLGF guarantee would be applied to the total loan, ie. including the investor's capital (25 percent of the loan) as well as the particpating bank's loan principal (75 percent of the loan). The ECPR concluded that the AMLGF existed as a guarantee of 50 percent of the participating bank's loan principal (its' "exposure"), as specified in the Project Paper, or 50 percent of the 75 percent which the participating bank will lend to the investor. The AMLGF explicitly does not provide a guarantee for the investor. If it did so, the committee commented that it would be an insurance program as well as a bank guarantee fund.

Recommendation: That the AMLGF be defined as it is in the Project Paper and all other project documents, as a fund to provide a 50 percent guarantee of the participating bank's loan principal which will be no more than 75 percent of the total investment.

III. Environmental Assessment

The Bureau Environmental Officer (BEO) has determined that AMIP qualifies for a categorical exclusion based on the applicable criteria contained in Section 216.2 of AID Environmental Procedures. The BEO's determination is contained in Annex F).

IV. Waivers

No waivers are anticipated at the present time.

V. Congressional Notification

Per STATE 92 061729, no Congressional Notification is necessary to authorize this project. Paragraph 2 states that "CN's must be submitted for: (1) all new projects for which a Planned Program Summary Sheet (PPS) was **not included in the Congressional Presentation (CP)...** or new projects for which a PPS was included in the CP **but whose purpose has substantially changed or the life-of-project cost has increased by $ 5 million or more**". The AMIP PPS was included in the FY93 CP and neither of the two conditions relative to project purpose change or budgetary increase apply.

VII. Recommendation

That you sign the attached (a) PP Data Sheet and (b) Project Authorization, thereby authorizing financing of up to $12.5 million for the Guinea Agricultural Marketing Investment Project.

Clearances:

RDO:S.K.Reddy Date: 7/10/92
PPDO:SHaykin Date: 7/13/92
EXO:GRender Date: 7/14/92
CO:MRocha Date: 7/13/92
RLA:MAKleinjan Date: 7/9/92

Attachments:
Project Data Sheet
Project Authorization
Project Paper and Annexes

drafted:dhess/cmorgan:rdo:7/09/92
c:/amip/pp/actmemo

I. PROJECT SUMMARY AND RECOMMENDATIONS

A. PROJECT SUMMARY

1. Project Goal and Purpose

The Guinea Agricultural Marketing Investment Project (AMIP) is a five-year, $20 million project ($12.5 million AID Grant and $7.5 million in local currency counterpart equivalent) that will serve as a catalyst to stimulate and galvanize Guinea's private sector to invest in agricultural export and marketing. The Goal of AMIP is to increase per capita income from non-mining sources. The project's Purpose is to promote growth and increased efficiency in agricultural markets.

2. Relationship To USAID Strategic Program Objectives

The project goal corresponds to Sub-Goal One of the USAID/Guinea Country Program Strategy, which is: to increase per capita income from non-mining sources. Since independence, the fate of the Guinean economy has been dependent on the fortunes of the mining industry, particularly exploitation of bauxite deposits that are among the richest in the world. While mining will continue to be critical to the economy's well-being, it is clear that the economy must be diversified if growth is to be sustained and benefits shared by Guineans at large. To contribute toward helping Guineans meet the need for economic diversification, the purpose of AMIP, which is the same as Strategic Objective One (SO1) of the Mission's Country Program Strategy, is to promote growth and increased efficiency in agricultural markets. The agricultural sector offers Guinea's best hope for sustainable and equitable economic growth and AMIP will be the flagship of USAID/Guinea's economic growth strategy.

3. The Problem and Constraints

Although the Government of Guinea (GOG) has made significant progress in the implementation of political, economic, financial, legal and administrative reform, constraints to increased economic growth continue. Many of the critical constraints identified in sectoral analyses are already being addressed by USAID and other donors. Policy dialogue and public sector institutional strengthening efforts to address macroeconomic, policy, judicial and social constraints are supported by USAID, the World Bank and France, against the backdrop of an IMF Enhanced Structural Adjustment Facility. Similarly, the World Bank, European Community, France and others will provide assistance to address agricultural production constraints, particularly for horticultural products and tree crops. Several donors, including USAID, are engaged in road construction and rehabilitation projects, while the World Bank is leading an effort to improve port and airport facilities.

Among the principal constraints to the development and expansion of agricultural markets in Guinea are (a) a defective policy and regulatory environment; (b) ineffective financial intermediation and investment services in the agricultural sector; and (c) the high costs of agricultural marketing. Some of these constraints include lack of financing for rural small-scale enterprises, deficient follow-up services for

those who do receive loans, and lack of skills to conduct enterprise feasibility analysis as well as management skills among entrepreneurs. In addition, there is a general confusion among enterprise promoters about the role and nature of the private sector in a market economy. There is a critical need to assist the private sector to play a larger role in policy formulation and to improve financial and business services, particularly in the agricultural marketing sector. This requirement cannot be met by existing public sector institutions.

On the basis of this assessment, USAID considered various options that would address the constraints to growth and efficiency in agricultural markets. By supporting the founding and initial operations of a private sector foundation and by establishing a loan guarantee fund, the Agricultural Marketing Investment Project is the vehicle through which these constraints will be addressed.

4. Project Components

To achieve its purpose, AMIP will have two components, the Agricultural Marketing Foundation (AMF or "The Foundation") and the Agricultural Marketing Loan Guarantee Fund (AMLGF or "The Fund").

The AMF will be formed, led and managed by and for private economic actors and will function to: (a) assist the Guinean private sector to increase domestic and export marketing; (b) promote increased investments in agricultural production, processing and related activities; and (c) provide a range of business services e.g., loan proposal and application preparation, proposal feasibility analysis, etc. Moreover, the Foundation will serve as a catalyst for policy dialogue between the GOG and the private sector in order to bring about changes in the policy and regulatory environment that are essential for ensuring increases in agricultural exports and marketing. The AMLGF will improve access to financial resources for potential investors. While some short-term credit financing is available at this time, greater innovation is required in risk sharing in order to broaden the depth and the base of private sector activity in agricultural marketing. The Fund will provide needed resources to financial institutions to increase short, medium and long term credit for agribusiness activities. Collectively, the Foundation and the Fund will serve as intermediaries between commercial banks and potential, but inexperienced investors, by strengthening the advisory, financial, and information services needed and by improving access to financial resources necessary for investment. In so doing, the resources and dynamism of the commercial sector to expand agricultural production, processing, and marketing can be harnessed.

5. Summary of Project Outputs and Inputs

Important outputs of the project will include:

(a) approximately 15 agricultural marketing and agribusiness loan proposal feasibility studies will be conducted by the AMF with participation by the prospective entrepreneurs.

(b) approximately 25-30 agribusiness and agricultural export loans guarantees will be provided, which will in turn create or revitalize 25-30 agricultural export enterprises, agribusinesses, and/or agricultural marketing support ventures;

(c) at least 500 new jobs will be created in the agricultural production, marketing and processing sub-sectors as a direct result of increased marketing, export and processing activity;

(d) improved quality, reliability and availability of a range of agro-services and market information, including: the sale of agricultural inputs; equipment hiring services; the development of storage, packing, specialized transport, and shipping and handling services.

(e) approximately 10 commercial banking staff will be trained to increase their capacity to review project proposals for financial economic and technical viability.

Another important feature of AMIP will be institution building. This will involve (a) the development of an autonomous and sustainable private sector institution (the Foundation); (b) strengthening the commercial banks capacity to increase lending to agribusiness sector; and (c) strengthening the BCRG's capacity to manage funds to promote private sector growth. Institution-building will be achieved through training and long term technical assistance to AMF and commercial banks participating in the loan guarantee program.

Inputs for AMIP include 144 person/months (4 years) of long-term technical assistance to the AMF for the services of an Organization Development Specialist; a Business and Financial Management Specialist; and a Market Information and Research Specialist. In addition, the AMLGF will be provided with 60 person/months (5 years) of assistance from a Banking and Trade Finance Specialist. The TA team will be responsible for the development, structuring and operations of the AMF and will also advise the local staff on the day-to-day management of the Foundation. In the case of the Banking and Trade Finance Specialist, s/he will ensure that sound lending and trade finance practices are followed by the banks and will to assist in training bank staff and to ensure the viability of the loan guarantee program. Under the supervision of the USAID/RDO, a PSC project manager and two FSNPSC project assistants, will be responsible for the day-to-day management of both the Foundation and the Fund. The Banking and Trade Finance Specialist will work directly with the FSNPSC AMLGF staff.

Approximately forty (40) person-months of short-term TA will be provided to AMF and the participating banks' staff in preparation of project loan proposal feasibility studies; record keeping, accounting; business management; and loan and credit appraisal. Short-term TA from the African Project Development Facility (APDF) located in Abidjan, Cote d'Ivoire, will be sought for its expertise in these areas of business training. Both in-country and overseas short-term training opportunities on the above mentioned topics, will also be available to the AMF staff, private sector business individuals, the AMLGF staff and to bank personnel participating in the

AMLGF. There will also be some training for GOG officials on a selective basis.

The AMIP Project will establish a $6 million Loan Guarantee Fund (AMLGF) for agricultural marketing, processing and export activities, as well as for transport, storage and packaging services. Grant monies will be used to incrementally fund the AMGLF in Project Years (PY) 2, 3 and 4.

The GOG will provide to AMIP a total of approximately $7.5 million equivalent in Guinean Francs (GF) out of its PL 480 Counterpart Fund. $1.5 million of this amount will be used to support the operations of the AMF and to meet its recurrent costs in PYs 1, 2, and 3. In addition, to ensure the long term viability and sustainability of the Foundation, the GOG will provide approximately $6 million (equivalent in GF) to set up the Foundation's Endowment in PY 3 , contingent upon agreement with USAID that the results of the project evaluation indicate that the Foundation is successful and likely to sustainable. This evaluation is scheduled for the end of PY 2. Interest earned from the Endowment will support the recurrent costs of the AMF in Pys 4 and 5, and would be available to support those costs after project completion.

Vehicles, office furniture, computers, a photo copier and fax machine will be provided to AMF as an element of technical assistance. A modest amount of support commodities will be provided for project monitoring to the GOG entity associated with project implementation.

6. Summary Project Budget

The following table summarizes the AMIP Budget by component:

AMIP Budget By Fiscal/Project Year (millions)						
	FY 1992 PY 1	FY 1993 PY 2	FY 1994 PY 3	FY 1995 PY 4	FY 1996 PY 5	TOTAL
A. **AID Funding**						
▸TA/Mgmt/Com	$ 1.0	$ 2.0	$ 1.0	$ 1.0	$ 1.5	$ 6.5
▸AMLGFund	----	2.0	2.0	2.0		6.0
Sub-Total A	$ 1.0	$ 4.0	$ 3.0	$ 3.0	$ 1.5	$12.5
B. **GOG Funding**						
▸Recurrent Costs	$ .5	$ .5	$ .5	-----	----	$ 1.5
▸Endowment Fund	----	----	6.0	-----	----	6.0
Sub-Total B	$ .5	$ .5	$ 6.5	-----	----	$ 7.5
PROJECT TOTAL (A+B)	$ 1.5	$ 4.5	$ 9.5	$ 3.0	$ 1.5	$20.0

B. RECOMMENDATION

It is recommended that AID approve a $12,500,000 grant to fund the proposed Guinea Agricultural Marketing Project (675-0221) from the Development Fund for Africa. The AMIP Project will be implemented over a five-year period beginning with a $1,000,000 obligation in FY 1992.

II. PROJECT BACKGROUND, RATIONALE AND DESCRIPTION

A. BACKGROUND

1. Country Setting

a. Economic Setting

Guinea's mineral and agricultural resources make it one of Africa's resource-rich countries. The country has one-third of the world's known bauxite resources and considerable reserves of gold, diamonds, iron ore, and granite. Guinea also has an abundance of water resources; fertile soils, rich ecological diversity, and a favorable climate giving it a potential comparative advantage in several agricultural commodities including: coffee, cocoa, tropical fruits, rubber, oil palm, and cotton. Unfortunately, largely as a result of the economic policies of the First Republic under Sekou Toure, the agricultural sector (agriculture, livestock, fisheries, and forestry) represents only 30 percent of GDP even though nearly 80 percent of the economically active population is engaged in this sector.

Since the death of Sekou Toure and the establishment of the Second Republic, significant reforms have been implemented to foster economic growth based on private sector activity. Guinea now enjoys a substantially liberal economy, albeit with a nascent private sector and a weak infrastructural base. Since 1986, GDP has grown at an average rate of 4.0 percent per year. Per capita income now stands at $435 (though this likely understates non-recorded activity).

b. Social, Cultural, and Political Setting

Guinea's population is growing at an annual rate of 2.8 percent. One sixth of the country's 7.3 million people live in Conakry, where population is increasing at a rate of 5 percent per year. Forty-five percent of Guineans are under 15 years of age. Ethnic, family and religious ties are strong. The three main ethnic groups are the Sousou, Malinke and Fulbe. Ethnic rivalries affect many aspects of cultural, political, and economic life. There are also large numbers of refugees from Sierra Leone and Liberia. Islam is the religion of over 90 percent of Guineans.

Social conditions are poor. Health and sanitary status is among the worst in Africa. Life expectancy at birth is only 43 years. Child (under five) mortality is 235 per 1000 and access to potable water and health care is extremely deficient. In education, the legacy of the First Republic is still evident: only 28 percent adults (17 percent of females) are literate and school enrollments are low. A further cultural legacy from the First Republic is a distrust of the private sector in general and a perception of people involved in trade and commerce as predatory. However, it is important to note that this view is becoming more positive as more and more Guineans become involved in market-oriented activities.

In the political realm, the Second Republic's military regime has established a rapidly accelerating calendar for permitting full functioning of national democratic political

institutions such as political parties and a representative national assembly. National elections for the assembly are scheduled for December, 1992. National presidential elections are scheduled for early 1993. Political parties are legal and since March, 1992, 34 parties have registered and are active on the political stage.

The regime has initiated a program of reorganization of the territorial administration from the ground up. Within this decentralization program, it is replacing centrally run sub-prefectures with popularly elected local government, Rural Development Communities (CRDs) in the countryside and urban communal councils in the cities. These local government bodies will play increasingly important roles in the generation and management of local revenues to support local economic development, particularly in the provision and maintenance of infrastructure for agricultural market growth.

c. Agricultural Sector Setting

For domestic markets, rice is the single most important agricultural commodity in Guinea, with about seventy percent of total rice consumption supplied by domestic production. Rice, furthermore, constitutes about one-third of the value of all food imports. Fonio, a coarse grain, is also produced in significant quantities, and livestock, fish, maize, cassava, groundnuts, cola nuts, coffee, shea butter nuts and fruit make important contributions to the domestic market. Internal marketing channels in Guinea still closely follow those established before and during the colonial period.

Guinea has been and continues to be an important trading partner in regional markets (eg. Senegal, Mali, Cote d'Ivoire, Guinea Bissau) mostly through informal exports of cola nuts, coffee, shea butter nuts, red pepper, coconuts, palm oil and citrus. Coffee and palm-oil are mainly produced in the Forest Region, but the plantings are old and yields are poor. Even though efforts are being made at rehabilitation of those tree crops, trade in those products is limited in relation to their potential. The volume of informal regional trade is significant but formal export trade is limited.

Guinea produced relatively large quantities of exports for overseas markets prior to independence. In the 1950's, Guinea exported 100,000 metric tons (MT) of bananas and 20,000 MT of coffee per year; by 1984, banana exports had ceased and coffee exports had diminished to 300 MT. Agricultural marketing for exports to Western and Eastern Europe has made a notable comeback since the beginning of the Second Republic. Formal or recorded agricultural exports are currently valued at $30 million. Formal exports are primarily limited to coffee (which increased from negligible amounts in 1985 to approximately 13,250 MT in 1990), cotton, palm kernel (which increased from 77 MT in 1985 to 3,300 MT in 1988) and small quantities of fruit. Cotton grown in Upper Guinea is another potentially important cash crop. Initial efforts to develop export trade of horticultural crops have produced some market success but long term growth in this area is constrained by many of the factors which this project will address.

d. Financial Sector Setting

At the beginning of the Second Republic, the state-owned banking system was insolvent and services were virtually non-existent. In 1985, the GOG liquidated existing banks and vested authority for management of the financial system in the Central Bank of the Republic of Guinea (BCRG). The formal financial sector now consists of the BCRG, six commercial banks (with partial Guinean ownership) and two insurance companies. In addition, there are traditional savings and credit institutions, as well as a handful of donor-supported, non-bank, credit schemes (Credit Rural, Credit Mutuel, the Peace Corps Revolving Credit Program, and the Guinea Rural Enterprise Development Project, 675-0215).

Credit is very difficult to obtain from the major commercial banks except for short term loans for trade, almost exclusively limited to imports of food and other consumer goods. Banks are weak, the investment climate is risky, and borrowers can offer only limited real collateral and have little experience with the formal financial sector.

e. Agricultural Private Sector Setting

Despite all the existing constraints on growth of agriculture in Guinea, there are investors who are attempting to develop opportunities to expand export and domestic markets. The market niches are only beginning to be identified for such investments. Foreign capital and expertise have combined with Guinean entrepreneurship for several export ventures for the Western European market. Guineans have maintained and expanded production for regional and domestic markets.

USAID has identified a contact group of more than 25 business and community leaders including horticultural exporters, major transporters, bankers and former government officials engaged in agribusiness activities. Their reaction to AMIP's project objectives, specifically the institutional and financial support discussed below, has been quite positive. In addition, on the basis of USAID-funded surveys of the private sector and numerous inquiries from entrepreneurs seeking investment support for agricultural marketing and export operations, USAID has developed an inventory of potential investors. The salient characteristics of this group appear in Section Annex B.

Real opportunities and entrepreneurial spirit are not lacking in Guinea. However, Guineans and foreign entrepreneurs alike have identified the absence in the investment environment of a private sector institution which actively represents the private sector's needs and views and effectively supports access to finance and services required for successful private investment.

2. Relationship To GOG Development Strategy

As described above, since 1984 and the beginning of the Second Republic, the GOG has implemented a series of major economic, social, and political reforms. These reforms are geared towards the liberalization of Guinea's economy and the improvement of the living standards of the Guinean people. The GOG's commitment to the structural adjustment process was reaffirmed in its 1991 agreement with International Monetary Fund (IMF) on an Enhanced Structural Adjustment Facility (ESAF).

The GOG recognizes the importance of diversifying the economy and sees agriculture as an engine for growth. Thus, the GOG is committed to policies that promote growth of private agricultural production and marketing as part of an overall economic policy reform program aimed at achieving broad-based and sustainable growth.

In order to revive agricultural production and marketing, the GOG decided to liberalize agricultural-related markets and support the development of private enterprise in agricultural marketing and processing. Central to this strategy is the promotion of exports to increase incomes and internal demand for domestic products. Specifically the GOG: (a) abolished forced sales of produce to the state; (b) closed state-owned produce marketing agencies; (c) eliminated fixed producer prices and decreased internal road blocks; and (d) allowed private sector trade in agricultural commodities.

Accordingly, the GOG has developed an agricultural development strategy, which is embodied in a government policy paper called *Lettre Politique De Development Agricole* (LPDA). The LPDA is based on rural income increases which:

- targets increases and diversification of household incomes;
- enhances local and national food security;
- promotes growth in agricultural production;
- promotes growth in agricultural exports;
- reduces reliance on agricultural imports;
- removes the public sector from production and marketing in agriculture and encourages private sector initiatives in these areas; and
- removes trade barriers and liberalized prices.

The AMIP project directly addresses the majority of these LPDA targets.

3. Relationship To USAID Country Program Strategy

The Agricultural Marketing and Investment Project (AMIP) is the key activity in the Mission's Country Program which will contribute to the achievement of Strategic Objective One (SO1), **growth and increased efficiency of agricultural markets.** The other two Strategic Objectives are: **increased enrollment in primary schools, with emphasis on rural female participation** and **increased ability of families to determine household size.**

The AMIP will be the flagship of the Mission's economic growth strategy. Its purpose is the same as SO1: **growth and increased efficiency of agricultural markets.** The synergism between AMIP, and the other activities in the portfolio will maximize the attainment of SO1 (see Table 1).

To realize the first target, **improved policy and regulatory environment for agricultural marketing,** the Mission is implementing the Economic Policy Reform Support Project (675-0218), the FY 1992-1994 Multi-Year P.L. 480 Title III Program. The most important aspects of public sector policies and regulations to be affected by these activities are land tenure, informal taxation of transport, bank regulation, balance of payments, and governance improvement. Performance of the Ministries of Agriculture, Plan and Finance, and Foreign Relations and International Cooperation, as well as the Central Bank, will be improved through assistance provided under these activities. AMIP will create a mechanism for clear and direct expression of positions in the dialogue concerning these policies and regulations.

AMIP will be the Mission's most important activity to achieve the second target under SO1, **effective financial intermediation and investment services in the agricultural sector.** The Guinea Rural Enterprise Development Project, GREDP (675-0215) will also contribute to the achievement of this target. In addition, counterpart funds are programmed through a Central Bank rediscount line of credit for rural and small town producers and processors.

The third target, **lowered costs of agricultural marketing,** is being achieved through the following projects: the Agricultural Infrastructure Project (675-0213), the Rural Roads Project (675-0216), and the Farm-to-Markets Project (675-0224). The first investment provides for improvement of a key link of 104 kilometers in Guinea's national highway system. The second initiative is rehabilitating approximately 1,200 kilometers of the secondary system. The third activity will improve almost 200 kilometers of farm-to-market roads and 15 to 20 bridges in what may very well be the first phase of Mission-supported activities related to this category of roads. AMIP will contribute to the achievement of this target by providing marketing information and representing private sector needs for provision and maintenance of infrastructure to support agricultural marketing.

The Natural Resources Management Project (675-0219) is a complementary component of the Mission Country Program which will achieve a Target of Opportunity, **sustainable management of natural resources for marketed agricultural**

TABLE 1: CPSP Strategic Objective One Targets and USAID Interventions

ACTIVITY	TARGET ONE: IMPROVED POLICY AND REGULATORY ENVIRONMENT FOR AGRICULTURAL MARKETING	TARGET TWO: EFFECTIVE FINANCIAL INTERMEDIATION AND INVESTMENT SERVICES IN THE AGRICULTURAL SECTOR	TARGET THREE: LOWERED COSTS OF AGRICULTURAL MARKETING
675-0213: AGRICULTURAL INFRASTRUCTURE DEVELOPMENT			XXXXX
675-0215: RURAL ENTERPRISE DEVELOPMENT		XXXXX	
675-0216: RURAL ROADS PROJECT			XXXXX
675-0218: ECONOMIC POLICY REFORM SUPPORT	XXXXX		
675-0219: NATURAL RESOURCES MANAGEMENT			
675-0221: AGRICULTURAL MARKETING AND INVESTMENT PROJECT	XXXXX	XXXXX	XXXXX
675-0224: FARM-TO-MARKET ROADS			XXXXX
FY 91 TITLE III	XXXXX		XXXXX
FY 92-94 TITLE III	XXXXX		XXXXX
698-HRDA	XXXXX	XXXXX	XXXXX

products in selected areas. Sustainable production strategies must be found for Guineans to be able to continue and deepen advances in market expansion.

Training of private sector entrepreneurs is an enduring aspect of USAID/Guinea's program for strengthening human resources to take advantage of opportunities for achieving SO1. Hundreds of these key actors have been provided business analytical and management skills in the last four years through the Human Resources Development Assistance Project, 675-HRDA, and many more will benefit in the next several years. Women entrepreneurs represent nearly 50 percent of the beneficiaries. In addition, the GREDP has launched an entrepreneurial training program focused on small and micro rural enterprises.

4. Relationship to Other Donor Programs

Since the beginning of the Second Republic, support provided by donors has focused on reforms for economic restructuring and increasing investment and trade. Improved management of foreign exchange rates, fiscal resources, and public expenditures for investment and recurrent costs have been points of concentration. They have been embodied in the successive Policy Framework Papers negotiated by the IMF and the World Bank. Control of corruption and creation and maintenance of a legal and regulatory environment supportive to private sector growth have also been central to the IMF Structural Adjustment Facility and ESAF programs as well as the World Bank's Structural Adjustment Loan and other programs (e.g., Technical Assistance Project for Economic Management - PAGEN; Private Sector Promotion Project).

It has become increasingly apparent that success of private sector development efforts has been hampered by the weak judicial environment for commercial and financial contract enforcement. To address this problem, France and the World Bank are developing projects to train, equip and inspect magistrates, and to evaluate future performance of the judicial system. These activities will build on past projects which have helped to strengthen legal texts. One of these texts, the Land Tenure Code (LTC), was recently made into law by the GOG, which meets a Performance Indicator under the FY 1992-94 PL 480 Title III Program. The LTC will help to improve the climate for contract enforcement as well as expand access to credit. In this context, USAID will support the judicial reform effort by training magistrates on land tenure law and its application.

Clearly there is a consensus among donors that Guinea can no longer solely rely on the mining sector for economic growth and must therefore develop its very rich agricultural resource base in an attempt to diversify its economy. Since 1985, most donors have emphasized agriculture, infrastructure, and human resources. To that end, the majority of donor project and finance activity addresses the need to expand agricultural production by introducing improved agricultural technologies for long-term, sustainable growth and by improving access to credit for agricultural producers, processors, and marketers. The infrastructure sector, insofar as it increases access to both domestic and export markets, is undoubtedly a necessary element of this equation. Efforts currently being implemented include: (a) the National Program for

Rural Infrastructure (PNIR), a multi-donor effort of which USAID's Rural Roads Project (675-0216) provides about one third of the financing; (b) the Fourth Highway Project for which USAID's Agriculture Infrastructure Project funds over $23 million; and (c) various other projects funded by the European Economic Community, the World Bank, the French Caisse Central and Germany. Human resource development, with its focus on training (both private and public sectors) and the provision of technical assistance directed toward enhancing Guinea's institutional capacity, is also very important for most donors.

Specifically related to the AMIP, the World Bank plans to launch a complex, $25 million agricultural export intervention which will provide support for horticultural crop export development and institutional strengthening for both the private and government sectors. The centerpiece of this effort will be the "nucleus plantation" which organizes and contracts to buy output from surrounding, small-scale producers. Public sector capacity in agricultural research and extension will also be enhanced. In addition, the project will seek to promote medium and long term credit. A temporary project management unit will be created for the duration of the project. USAID will maintain close coordination as the AMIP is implemented. (For details of this coordination, see Section II.C.5).

Related agricultural commercialization activities are also being provided through other public sector projects supported by other donors (French foreign assistance, the Central Fund for Economic Cooperation, and the African Development Bank). Three major projects in the public sector focussing on increased production and marketing (both domestic and export) are the palm oil and rubber project (SOGUIPAH), Cotton Development Project (CFDT) and coffee recovery project (RC-2). All three projects are funded by grants and loans from the multilateral and bilateral donor agencies and have been on-going since 1986. The public sector focus of these projects is not in conflict with the AMIP and maximum coordination will be maintained during the latter's implementation.

The objectives of SOGUIPAH project are to improve the production and the exportation of palm oil, rice, and rubber. Under the completed phase one of the project, 1500 ha of palm plantations have been established. Production is estimated at 15 tons per ha. The first harvest campaign will begin in Feb. 1993. SOGUIPAH has ordered a processing plant expected to be in place within six months. This plant will be able to process about two tons of oil per hour. In addition the project is seeking financial assistance to purchase a bigger processing plant capable of processing 10 tons of oil per hour. The project is experiencing problems in transporting palm oil to domestic and export markets. The only available transporter does not have sufficient trucks to take the oil to market on time. SOGUIPAH has also 300 ha of irrigated lowland for rice production. The projected production is 1800T. Within the next two years, SOGUIPAH plans to market 5000T of rice in Guinea and in neighboring countries.

Implementation of coffee and cotton development projects has been going on since 1989. Project sites are located in the forest region (N' Zerekore, Macenta, Lola, and Yomu). Over 2000 ha of cotton plantations have been developed and, in order to

revamp the old coffee plantations, about 900 ha have been brought under improved management. Coffee nurseries have also been setup. Coffee producers are being trained in planting and quality improvement techniques and in price negotiation. Increased quantities of coffee and cotton are expected to be marketed in 1993.

5. AID Experience With Private Sector Strengthening Programs

In the eighties, strengthening the competitiveness of the private sector in developing countries became an explicit priority for AID worldwide. Innovative approaches were developed to assist private entrepreneurs and governments, related to their role in private sector promotion.

One such approach was the introduction of a new type of institution, a business-oriented Private Voluntary Organization (BPVO), in several developing countries. This model is new to Africa, however examples from Latin America are relevant. The BPVO retains its not-for-profit status, while assisting its member clients in profit-making activities. Several BPVO's emerged in Central America and the Caribbean.

The most important lesson from those experiences is that BPVOs accelerate investment, production, and export expansion. This conclusion has been demonstrated by: CINDE/Costa Rica in manufacturing and horticultural exports; FPX/Honduras in aquaculture and citrus; the Nontraditional Exporters Guild/Guatemala (GEXPRONT) in vegetable and offshore assembly industries; and FUSADES/El Salvador on light manufacturing and agricultural production. However, almost without exception, to achieve meaningful results, gestation periods of some length (3-4 years) were required. Other lessons from these experiences were:

- BPVO's must be designed and established with strict performance indicators.

- Sustainability and cost effectiveness should be stressed from the project's beginning.

- BPVO's place a heavy management burden on AID in terms of project tracking and monitoring during their first years.

- Initial support is rarely forthcoming from powerful business groups or key central government entities. The BPVO can be perceived as a threat to their status quo.

- Solid local leadership and management are indispensable for long-term sustainability. Local participation in decision-making from the outset cannot be provided by expatriate consultants.

- BPVO's functions and operations should be expanded only gradually in order to allow them to gain legitimacy in their environments and to avoid ineffective use of resources.

- Initially, the BPVO's role in policy dialogue should be limited to constructing a positive environment and the provision of logistical and business services. Eventually the BPVO may become a key player in the policy area (e.g., CAEM/Guatemala on export legislation) or even by providing key public sector leaders who arise from the BPVO (e.g., FUSADES in El Salvador).

B. PROJECT RATIONALE

1. Problem Statement

As noted above, Guinea has substantial, unrealized agricultural potential. Prior to independence in 1958, Guinea was largely self-sufficient in food, and agriculture was the leading export sector. However, the economic mismanagement of the First Republic was costly. Private production and marketing were repressed. As a result, food imports grew steadily, while exports declined drastically. Economic reforms in the mid-1980s resulted in an initial burst of growth in the agricultural sector. Rice production increased from 374,000 MT in 1975 to 600,300 MT in 1989. Similarly, agricultural exports increased, from $4 million in 1981 to $30 million by 1988. In the last few years, however, this expansion has slowed. Consequently, the central development problem addressed by the Agricultural Marketing Investment Project is the sluggish response of private operators to production, marketing and investment opportunities in Guinea's agricultural sector.

2. Agricultural Marketing and Investment Constraints

a. Macroeconomic and Policy Constraints

As noted above, the GOG has made significant progress in policy reform since the economic and social liberalization process began in 1985. The present challenge is to put these more liberal policies into practice. Further effort is required to reduce economic costs and risks facing the private sector.

First, the public sector leadership must contain inflation and market disruptions by continued emphasis on sound fiscal and monetary management. With respect to revenue generation, the GOG must increase collections and reduce its dependence on the mining sector. Concerning expenditures, most of the basic procedures for sound financial management have been established. However, these measures must be internalized and consistently implemented. For example, there is much room for improving the allocation process for public investment expenditures. In addition, overall expenditures must be kept in line with resources to avoid recourse to inflationary monetary financing. The GOG must also continue to permit the exchange rate for the Guinean Franc to reflect market forces. Considerable progress in implementing the macroeconomic stabilization plan has been demonstrated in the second quarter of 1992.

Second, additional progress is required in civil service reforms, to contain GOG

expenditures, to better serve a market-oriented economy, and to eliminate interference of public officials in the affairs of the private sector.

Third, policy reforms to promote private sector activity must be implemented. Onerous authorization requirements and fees still burden agricultural traders and investors, especially when they seek to engage in international trade. The activities of private producer and trader associations and cooperatives are constrained by ambiguous legislation on their formation and status. Inconsistent application of customs and investments codes, while providing incentives such as customs exemptions to some businesses, actually penalize others. GOG treatment of investors must be made more equitable and transparent. Supportive land tenure and property ownership legislation and registration procedures are only beginning to be implemented to improve credit availability for investment and commercial activity. However, a poorly functioning judicial system to apply property laws and to enforce contractual obligations continues to inhibit commercial lending.

b. Agricultural Production Constraints

Experience since the mid-1980s demonstrates that Guinea's agricultural production responds to improvements in market signals. As a general rule, production is not currently constrained by shortages of labor or land. Recent production growth has come through increases in area cultivated. In the future, however, farming must become more land-intensive. Yet, access to inputs such as fertilizer is still limited. In addition, production of export crops, such as bananas, pineapples, and tree crops, is constrained by a lack of investment in plant quality. This could limit export growth in the long run.

Sustained production will require improved natural resource management. Short term gains take precedence over continued profitability. As a result, deforestation, erosion, salinization and pollution are potentially important problems for Guinea. In the areas of soil and water conservation and management, the transfer of technologies for profitable and sustainable production for the market needs to be made.

c. Infrastructural Constraints

A forbidding constraint to growth in agricultural marketing in Guinea is the poor state of the country's roads. Only 1,300 of 12,000 km of roads in Guinea are paved, while 6,500 km (as well as many bridges) are impassable during the rainy season. The poor state of Guinea's roads also contributes to the high unit costs of transport. Trucking capacity is limited. Most trucks are old and in poor condition. While road infrastructure is clearly a critical issue, the situation is improving through the efforts of A.I.D. and other donors catalogued above.

Limited storage facilities present another obstacle to trade even though some improvements are being made. Much agricultural production spoils before it can be processed or transported to domestic and external markets because of inadequate storage facilities in rural areas. Storage capacity in Conakry for export commodities is also deficient. Despite recent investments, the Port of Conakry still has little of the

cold storage space that will be needed for perishable goods. Port loading capacity is also limited. As in the case of the Port, Conakry's airport has little cold storage space and air cargo space is limited to only 70 tons per week. Investment for expansion of storage facilities will be eligible under AMIP's Loan Guarantee Fund.

Guinea rates among the most poorly served countries in the world for energy supply. Transport fuels are unavailable in many production areas and industry has to provide its own electricity to assure adequate supply. Existing public electricity services suffer from prolonged, daily outages and widely varying voltage output. This poor service is produced at high cost and extremely low efficiency. The World Bank is leading a multi-donor effort to address the energy constraint. Similarly, Guinea's telecommunications infrastructure and services are inadequate.

d. Private Financial Intermediation Constraints

Guinea's private financial sector is fragile. Low (until recently, negative) real interest rates discourage savings and credit. Savings mobilization is weak. There is little savings through the banking system because of the high administrative costs of serving small savers. Cooperative and mutualist savings organizations are few and often experimental.

Four of the six commercial banks are in financial difficulty. This has resulted from inadequate credit management and compounded by poor banking supervision and claims adjudication. In addition, foreign banking partners tend to limit their capital exposure in the Guinean banks.

Paradoxically, there is excess liquidity in the banking system. Bankers in Guinea have assumed a conservative posture and banks are not lending commensurate with their resources. The base of clients with access to credit is limited. Banking services are predominantly for short-term import and commercial financing. Banks are not providing significant medium to long term credit and even short-term export financing is well below current demand levels. The AMLGF has been designed to address these fundamental constraints.

e. Social, Cultural and Institutional Constraints

The principal cultural constraint to private sector led growth in agriculture is the persistence of a world view, spawned under Sekou Toure, of centrally controlled economic and social processes. The impact of this cultural constraint is manifest in: generalized corruption; institutional inertia and poor performance seen in inability to make decisions; difficulty in collaboration in business ventures, particularly exacerbated by inter-ethnic rivalry; inefficient use of scarce resources; and lack of confidence necessary to become private sector actors and to make long-term investments.

This world view is changing slowly as emerging institutions and new kinds of behavior provide the means for Guineans to build a demand economy in place of a blend of centrally planned and a repressed informal economy which prevailed during the First

Republic. The atmosphere of uncertainty and high risk is now beginning to change to enable Guineans to feel sufficiently confident to invest in the medium and long term.

Since formal rules and functioning institutions are nascent, personal and ethnic ties are still critical to success in business and official transactions. The resulting informality and lack of transparency of rules and procedures result in corruption and a general lack of confidence in formal institutions. It also raises the transaction costs of doing business in Guinea to the extent that many foreign and domestic entrepreneurs are reluctant to invest in the country. The pace of change toward a level playing field within a society and economy characterized by the rule of law is picking up speed in Guinea and requires active and vocal intermediation by the private sector to protect their interests in modernization.

Social tension between ethnic groups further constrains development. The end of the First Republic heralded the eclipse of Malinke political domination in favor of the Sousou. Fulbe are important in commerce but do not have commensurate political clout. Despite government attempts to overcome ethnic rivalry, it continues to be expressed in social tensions, prejudiced applications of rules and procedures, and occasional incidence of violence. There are indications that the ethnic divisions in society are lessening in importance.

There is also a widespread lack of trust and understanding of profit-making activity. As a legacy of the First Republic, many Guinean's continue to look towards the state for employment opportunities. Traders are seen as manipulating the markets, enriching themselves through other peoples' suffering. However, the private sector has started to gain recognition as a legitimate actor based on the growth that has occurred since the adoption of a demand economy in place of the bankrupt command economy.

The weakness of the banking sector may also have a cultural basis. It is often difficult for banks to assure repayment of loans through use of collateral. Strong family ties in the interior of the country make it difficult for banks to repossess and resell real property used as collateral as there may not be any buyers.

Low rates of literacy and numeracy among traders and exporters limit their effectiveness in commerce. This results in poor accounting and business planning and reinforces a tendency towards quick profit-taking. It also limits the dissemination of business information to largely verbal means. Current interventions in primary education will improve this situation in the long run while shorter term gains are made with adult literacy, numeracy, and management training.

3. Options Considered

In designing AMIP, USAID considered various options to promote growth and efficiency in agricultural markets. As noted above, most of the critical constraints in this sector are being addressed by USAID and other donors' projects. Policy dialogue and public sector institutional strengthening efforts to address macroeconomic and policy constraints are supported by USAID, the World Bank and France, against the

backdrop of an IMF Enhanced Structural Adjustment Facility. Similarly, the World Bank, European Community, France and others will provide assistance to address agricultural production constraints, particularly for horticultural products and tree crops. Several donors, including USAID are engaged in road construction and rehabilitation projects, while the World Bank is also leading an effort to improve port and airport facilities.

Despite these multi-donor efforts, there remains a void, the lack of a catalyst to stimulate and galvanize Guinea's private sector to invest in agricultural export and marketing. There is a clear need to work with the private sector, to assist it to play a larger role in policy formulation and to improve financial and business services.

USAID has considered the alternative of strengthening existing public sector institutions to support the private sector. These institutions include the Ministry of Commerce and Small and Medium Enterprises, the Guinean Chamber of Commerce, the Center for the Creation and Development of Enterprises (CCDE) and the National Center for the Promotion of Private Investment (CNPIP). CNPIP was originally established with USAID assistance, but support was ultimately withdrawn as the organization lost its autonomy from the GOG. These institutions are receiving assistance for restructuring from other donors. However, since each of these institutions is in the public sector, restructuring efforts are tantamount to privatization programs. There are significant vested interests on the part of the "old guard" that will slow efforts to make them responsive to the private sector.

Consequently, USAID has identified the **need to support the founding and initial operations of a truly private sector organization, one that will be formed, led and managed by and for private economic actors to develop medium and large enterprises involved in agricultural exporting and marketing.** Such an organization will also promote participation of the private sector in the public debate over policies affecting agricultural businesses, and it will help the private sector to improve business services.

In addition, there is a critical need for improvements in financial intermediation. While there are already various sources of credit and equity financing available at this time, greater innovation is needed in risk sharing, to broaden the depth and the base of private sector activity. In considering the options, USAID has selected a phased approach, beginning with a short-term loan guarantee fund, while introducing support for longer term investments to be guaranteed under the Fund.

C. PROJECT DESCRIPTION

1. Goal and Purpose

The goal of the Agricultural Marketing Investment Project (AMIP) is **to increase per capita income from non-mining activities.** Its purpose is **to promote growth and increased efficiency in agricultural markets.**

The critical assumptions for the achievement of the project goal are: (a) minimal civil unrest will accompany transition to a more participatory government in Guinea; (b) current economic stabilization and adjustment efforts will be sustained; and (c) international economic stability and growth in world markets will sustain the demand for tropical agricultural products.

The Project will have two components to achieve its purpose, the growth and increased efficiency of agricultural markets. The two components will be the Agricultural Marketing Foundation (AMF of "The Foundation) and the Agricultural Marketing Loan Guarantee Fund (AMLGF or "The Fund"). Both the Foundation and the Fund will be overseen by a Board of Trustees (see Section II.C.4 below).

2. The Agricultural Marketing Foundation Component

a. Functions of the Foundation

The purpose of the Foundation (AMF) will be to achieve growth and increased efficiency of agricultural markets. Growth is defined as increased volume of marketed agricultural commodities and increased production, processing, and related activities. The AMF will: (1) assist the Guinean private sector to increase domestic, regional, and overseas export marketing; and (2) promote increased investments in agricultural production, processing and related activities. Further, the AMF will provide a range of business services and serve as a forum for policy dialogue between the government and private sector in order to bring about GOG policy changes required for increased marketing of agricultural exports.

The general functions of the Foundation will be to:

(1) promote the development of private enterprise, taking an aggressive and proactive stance in advancing the private sector's marketing of agricultural sector outputs and inputs and other related non-mining products; and

(2) stimulate and galvanize Guinean agribusiness enterprises and associations to identify and take advantage of export marketing opportunities, both regional and overseas.

Specific actions to be undertaken by the Foundation will include:

(1) promoting a dialogue between the GOG, the private sector, and the donor

community, on policies, programs, rules and regulations that impact on the Guinean private sector and potential foreign investors, e.g., policies relating to enforcement of contracts, the implementation of commercial codes, and the increased role of the private sector in enforcing standards of quality, weights and measures etc.;

(2) supporting activities that will augment the capacity of producer groups, and associations, and marketer, trader and exporter associations, e.g., providing reliable marketing information to producers, processors and exporters, on foreign market product prices, tariffs, demand, quality requirements; and providing overseas market exposure etc.;

(3) providing access to training, for entrepreneurs, in a variety of subject areas of interest to the Guinean agribusiness and marketing communities. For example, providing training opportunities in accounting, financial record keeping requirements of banks; sponsoring seminars on export finance requirements;

(4) conducting project proposal feasibility studies, on behalf of Foundation clients, to enhance the prospect of a loan proposal being accepted by the bank, and providing assistance in the preparation, review and analysis of dossiers to determine if a project is "bankable" in advance of a loan request. (This will be done on a fee-for-service or cost-sharing basis);

(5) serving as a facilitator of communication between Foundation clients (who are seeking credit) and the lending institutions. For example, by being knowledgeable about the requirements of the lender and the borrower, the AMF will serve as a conduit of information to both;

(6) providing access to a variety of key business services on a cost-recovery basis, e.g., telephone, fax, typing, and computer services; and

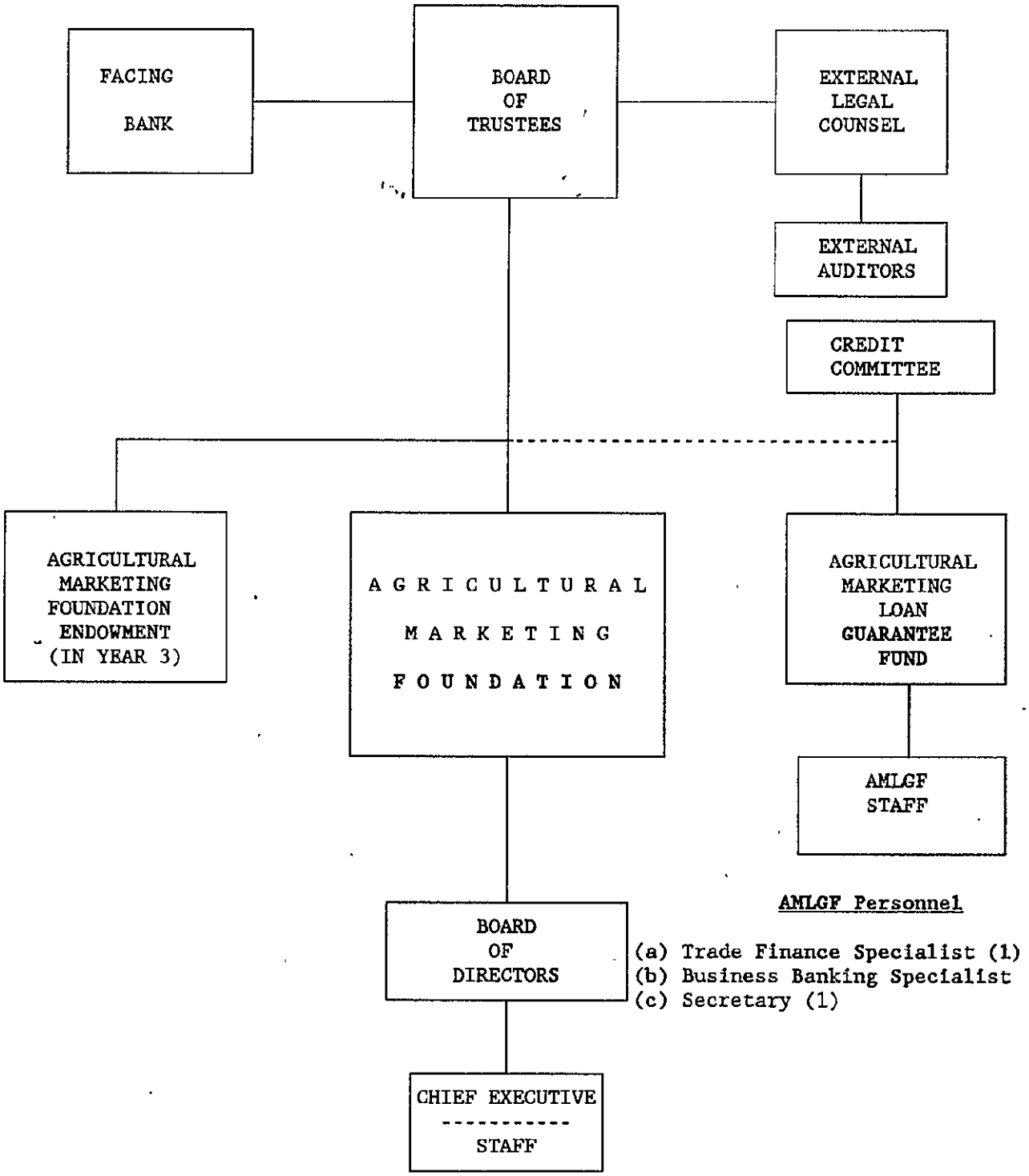
(7) conducting outreach activities and self-promotion activities to solicit and encourage participation in AMF by agribusiness entities located outside of Conakry, e.g., sponsoring agricultural fairs and workshops for information dissemination and to publicize the role of the Foundation in supporting agribusiness activities.

b. Structure of the Foundation

The Foundation (see Figure 1) will be a private sector institution whose membership will be comprised of businessmen and businesswomen, planters, producer associations (e.g. potato-growers associations, federation of horticulturalists), agribusinesses, and trade-marketing associations, (e.g., CLIFFEL and Transporter Associations), involved in agricultural production, processing and marketing activities. A strong effort will be made to involve pro-business PVOs such as the Guinean Association of Business Women. There will be two categories of membership: charter members and regular

FIGURE 1

ORGANIZATION OF AGRICULTURAL MARKETING FOUNDATION AND AGRICULTURAL MARKETING LOAN GUARANTEE FUND

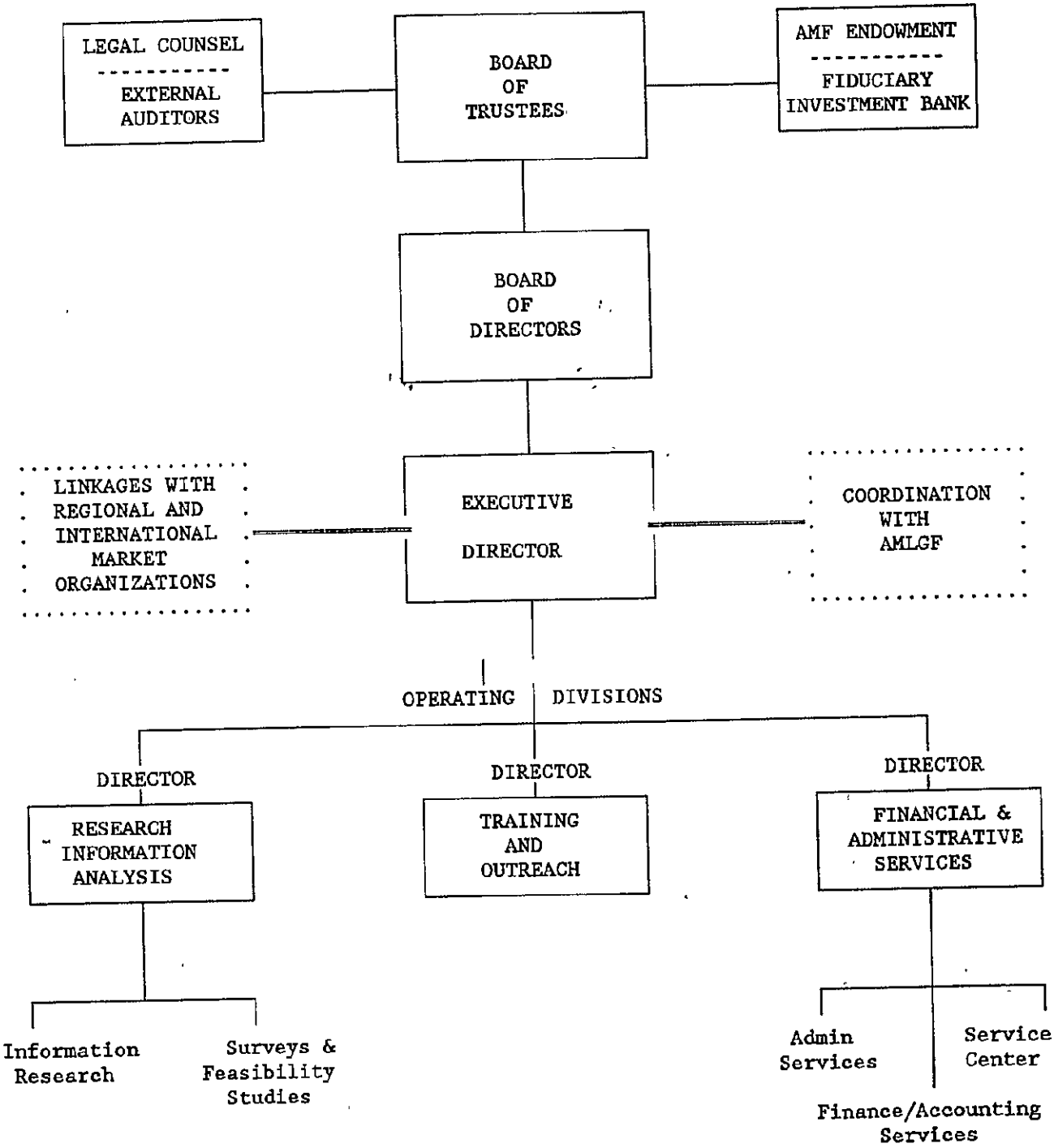


AMLGF Personnel

(a) Trade Finance Specialist (1)
(b) Business Banking Specialist
(c) Secretary (1)

FIGURE 2

ORGANIZATION OF AGRICULTURAL MARKETING FOUNDATION



Foundation Personnel

Research/Information/Analysis
(a) Director (1)
(b) Specialist (2)
(c) Secretary (2)
-- Planton (2)

Training & Outreach
(a) Director (1)
(b) Specialist (1)
(c) Secretary (1)
-- Drivers (2)

Financial/Admin Services
(a) Director (1)
(b) Specialist (1)
(c) Secretaries (2)
(d) Accountants (2)
--Guards (2)

members. Charter members will be individual entrepreneurs, enterprises and associations which make a one time contribution of significant size and also pay annual membership dues. Regular members pay annual membership dues only. They can also become Charter members anytime upon payment of required contributions.

A 9-member Board of Directors (BOD) will be elected principally from the Foundation's membership. Election to the Board of Directors will be held every two years. Members of the BOD will elect a chairman and a vice-chairman. Terms of chairman and vice-chairman will be co terminus with the duration of the Board of Directors.

It is anticipated that 3 seats on the BOD will be reserved for charter members to ensure that experienced agribusinesses (individuals/institutions/Firms) are represented on the BOD and to provide incentives for experienced firms and individuals to become charter members. Charter member will be selected to sit on the Board on a rotating basis. Their duration will be the same as that of the Board of Directors. Methods or procedure for selection will be specified in the Foundation charter.

The Foundation will be a lean and a streamlined institution. It will be headed by an Executive Director and structured around three operational units: (1) Information, Research and Analysis; (2) Training and Outreach; and (3) Finance and Administrative Services.

The role of the Information, Research and Analysis unit will be to provide the membership with information on regional and overseas markets on demand, supply, quality, prices and import regulations. This information will be collected through existing published sources or through special efforts to assist the membership in planning and conducting projects feasibility analyses. This unit will also be responsible for developing a data bank on the Guinean agricultural marketing and export sector, including information on commodity flows (regional and overseas). The unit will also conduct research on special information needs based on specific demands from the membership.

The role of the Training and Outreach unit will be to: (a) identify training needs of the AMF members (b) plan and implement specific training programs drawing upon the resources of TA and expertise available in local institutions (Banks, university, training centers, technical institutions and professional institutions); (c) develop and implement outreach activities to increase the level of support and participation in the Foundation from individuals and organizations, especially outside Conakry and (d) communicate regularly with the AMF membership, public at large, GOG institutions and donors, on progress and achievements of the AMF.

The Finance and Administration unit (FAU) will be responsible for operational management of support personnel, logistics, procurement, support services etc. and for financial management. This will include responsibilities for budgeting, accounting, financial management and control systems and procedures. Additionally, the FAU

will also be responsible for the management of the Business Services Center to ensure its sustainability as an economically viable unit.

The Executive Director will be an employee of the Foundation and will be selected by the Board of Directors from among qualified Guineans on the basis of full and open competition. He/she will be responsible for the day-to-day management and operations of the Foundation and will serve as Secretary to the BOD. The three operational units will be staffed by a Director, a specialist and support staff. The Finance and Administrative Services unit will also include two accountants. (Figure 2 shows the organization and structure of the Foundation.). In addition, these units will be reinforced by the TA team, who will provide each unit with on-the-job and other appropriate training in required skill areas. Training to be conducted by the AMF will draw upon the African Regional and International institutions (e.g., the APDF), and other USAID project activities, e.g. HRDA.

With the assistance of a Guinean law firm, contracted by USAID, a small working group, composed of several key actors in the agricultural marketing and export sector, are in the process of: (a) developing a charter which details the appropriate statutes and by-laws of the Foundation and delineates its structure, functions and operational procedures; and (b) establishing the legal framework for launching the foundation, including its registration, under the Guinean law, as a non profit NGO. The Foundation will be launched during the interim period between the signing of the Project Authorization and initial project implementation. The Foundation's formal registration will be a condition precedent to disbursement for the AMLGF. c.

c. Recurrent Costs of the Foundation

The following sources will provide funds for the recurrent costs of the Foundation, with the objective of building financial self-sufficiency by the PACD.

- During the first, second, and third project implementation years, the GOG will provide operating costs of the Foundation from PL 480 counterpart funds.

- During Project Year (PY) 3 the GOG will provide approximately $6 million equivalent local currency from PL 480 counterpart funds to establish an Endowment, if the project evaluation, scheduled for the end of PY 2, so recommends. The interest income from the Endowment will pay operating costs beginning in PY 4. The Endowment will be managed by a Guinean private sector bank in a fiduciary role. During project implementation, other donor grants-in-aid will be canvassed and added to the Endowment.

- Charter membership and annual membership fees will be collected.

- Fees from services rendered to the membership will be charged.

As appropriate, the Foundation will actively seek financing from other donor organizations to expand its base of financial support.

3. Agricultural Marketing Loan Guarantee Fund Component

a. Introduction and Principles of the AMLGF

The purpose of this component is to provide resources to stimulate financial institutions to in turn provide short, medium and long term credit. This credit facility will leverage private sector resources. It will also provide the BCRG with experience in managing funds to enhance the long term sustainability of such operations in Guinea. USAID grant funds will provide $6 million to establish the AMLGF. Initially, the AMLGF will provide guarantees for short term financing for agricultural marketing (trade and export) activities. Over time, project actors will emphasize medium and long term financing through increasing the proportion of such investments approved for inclusion for project support. Guarantees for financing of agricultural marketing activities will include loans for investment capital, plant and working capital, and pre-export and post-export finance. As the operations of AMLGF accelerate and demand for credit increases, the project will canvas other donors to contribute to the AMLGF, while maintaining the separation of the $6 million in a blocked account as described below.

The AMLGF, standing alongside the Agricultural Marketing Foundation, is an essential component of the overall project concept. Without such a fund, credit constraints to agricultural exports, marketing, and agro-industrial investments cannot be adequately addressed.

The level of guarantee to be provided by the Fund will never surpass 50 percent of any bank loan, whether short, medium, or long term. As indicated in the economic analysis in this document, establishing the Fund is a feasible option for leveraging the financial resources of the banking and the private sectors.

Careful preparation and review of project proposals, based on reliable information provided by AMF and close monitoring of loan utilization by the lending bank(s) are expected to minimize risk. The loans will be made on the basis of prevailing market rates of interest. The AMLGF is based on the following overarching principles:

- Private sector participants, not the government, will be encouraged to foster and protect private sector interests, even though the business and legal environment in Guinea is difficult.

- Access to the benefits of a guarantee program will be controlled by private sector participants with the help of AID. Once the decision to pay the guarantee has been taken, subject to explicit criteria, payment to the bank will be rapid.

- Payment of the guarantee will not come easily. Private banks will have to demonstrate a good faith effort to collect a delinquent credit, even though the legal regime is rudimentary at best.

- The guarantee will be a means of increasing the volume of credit available to bankable transactions in the agricultural marketing sector, not of reducing the risk

related to essentially uncreditworthy proposals.

▸The extent of guarantee coverage will be such as to encourage utilization by the commercial banks without weakening their obligation to share risks or relieving them of the responsibility for their own credit decisions.

▸The guarantee fund reserve will be put in place before the AMLGF program goes into effect and will be protected from diversion to other uses.

▸The fund will be administered so that anticipated guarantee claims will not exceed the existing guarantee reserve. As the AMLGF will be funded incrementally by three successive disbursements from the overall incremental obligations provided by USAID/Guinea, the guarantee claims will be limited to existing disbursed funds. To make this goal more easily achievable, the fund will be available to cover loan principal only, not interest.

b. Form and Structure of the AMLGF

The AMLGF will be created as a part of the overall USAID grant for the AMIP to the GOG, to be incrementally funded over three USG fiscal years. The BCRG will submit to USAID, in form and substance satisfactory to USAID, a Statement of Operating Procedures (SOP) for the AMLGF, prior to disbursement of the first tranche of the $6 million. This SOP will, *inter alia*, require that the grant disbursements for the AMLGF, which are anticipated to be $6 million, be placed in a blocked, interest bearing account with the Federal Reserve Bank of New York for use as a reserve for the guarantee fund. Withdrawals will only be allowed to pay certain local bank administration fees and to liquify drawings for guarantee claims. The BCRG will have a management role for the blocked account, but, for all other purposes, will perform primarily as a conduit for guarantee payments. The SOP will lay out the roles, responsibilities, and authorities of all actors (USAID, Credit Committee, BCRG, Facing Bank, and Participating Banks) as well as eligibility criteria for loans, reporting and audit requirements, penalties for non-compliance, procurement restrictions as to source/origin and cargo preference, and all other rules and procedures. This Project Paper, the Project Agreement and its Annexes, and other relevant texts will be used in developing the SOP.

The plan includes considerable incentives for the Guinean government to perform its obligations. The program will have a life of 5 years, after which any funds remaining in the reserve account will be available for continuation of the guarantee program, as stipulated in a covenant to the Project Agreement. If during the life of the program the government or BCRG does not perform as expected, the granting of new guarantees will be suspended until the BCRG or the GOG honors its commitments.

The guarantee mechanism starts with the BCRG, runs in favor of an intermediate bank chosen to administer the program, which, in turn, issues its guarantee in favor of the participating banks. The payment mechanism starts with a claim by a participating bank, requires pre-funding by the BCRG to the administering bank, and ends with payment by the administering bank to the participating bank.

An administrative bank is included in the structure in order to reduce the administrative role of the BCRG in managing the guarantee program. In addition, the structure provides the participating banks a measure of reassurance because the administering bank will be required to pay a guarantee claim by a bank even if the BCRG does not honor its undertaking to pre-fund the administering bank. Such an outcome is considered to be highly unlikely, given the BCRG's commitment to private sector development. Local banks will be given the choice to bid competitively for the GOG contract to be the administering bank, and will be paid a fee for their services to include an agreed risk premium. The system and how it functions is described in graphic form in Figures 3, 4 and 5.

c. Operating Procedures of the AMLGF - How It Works

The guarantee mechanism is based upon the idea of secured stand-by letters of credit (a "stand-by" or "stand-by LOC"). This is a familiar form used in banking for performance guarantees of all kinds, and is used in any situation where a financial undertaking is sufficient to backstop a contractual commitment. Implicit in the arrangement is the understanding of the contracting parties that any absence of performance can be reduced to a payment of money. Drawings under stand-bys are honored by financial institutions according to a simple statement of fact, or the providing of documents. No verification or inquiry by the paying financial institution is required. The AMLGF will be used initially to secure and backstop up to $5 million in loan guarantees. The total funding will be $6 million so the program will have a total backing of 120 percent when fully funded.

The AMLGF will be incrementally funded in three tranches and will not reach its total financing until after the third disbursement is made. No commitments of the AMLGF will be made above the amounts disbursed in each tranche. Therefore, at any time during the life of the project, no more than 83 percent of the amount disbursed to the account in the Federal Reserve Bank will be available for guarantees (based on a 5/6 ratio of the total fund). The 5/6 ratio is initially necessary both to provide a reserve for the foreign exchange risk, discussed below, and because certain fees will be funded from the account. If, toward the end of the project, it becomes clear that the $1 million, or any portion of it, is not needed for these purposes, the GOG may propose for USAID approval that some or all of the remaining funds be used for loan guarantees.

FIGURE 3

AGRICULTURAL MARKETING LOAN GUARANTEE FUND

Diagram of
Operating Agreements

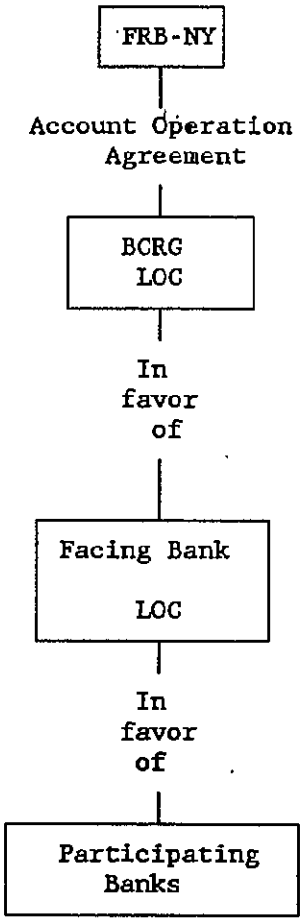


FIGURE 4

AGRICULTURAL MARKETING LOAN GUARANTEE FUND

Diagram of
Flow of Documents

Direction of Flow: Upwards

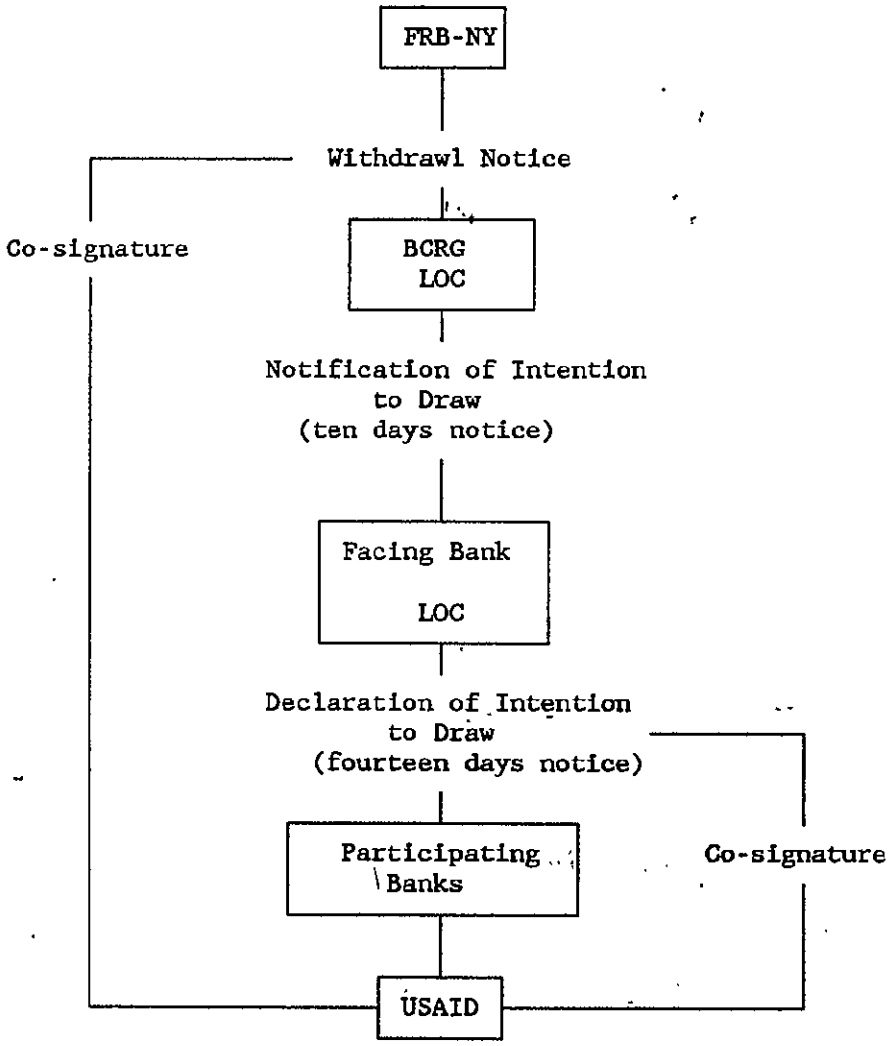
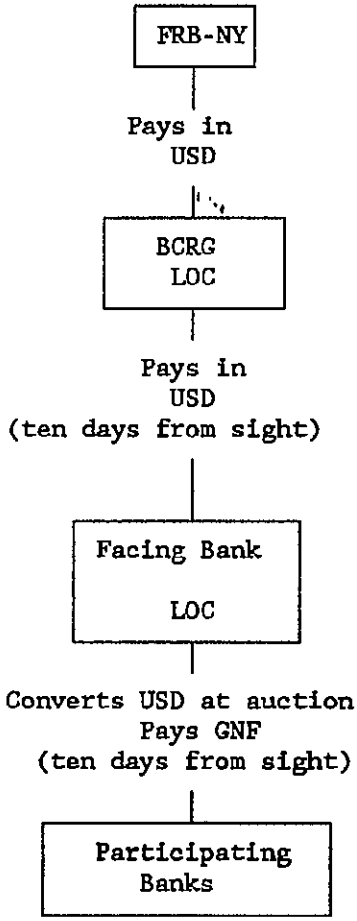


FIGURE 5

AGRICULTURAL MARKETING LOAN GUARANTEE FUND

Diagram of
Flow of Payments

Direction of Flow: Downwards



The program will guarantee the commercial risk taken by private banks that lend to the Guinean agricultural sector. Borrower defaults in repayment of guaranteed loans will result in claims against the fund that will reduce total resources available for future guarantees. On the other hand, earnings from investment of fund resources will increase amounts available for future guarantees. The GOG will covenant in the Project Agreement for this project that it will continue the operations of the AMLGF after the terminal date of the Project with remaining funds.

The guarantee will be available to cover 50 percent of bank loans entered into the program, and each bank that chooses to participate will be allocated a portion of the $5 million guarantee fund available for guarantees ($1 million to be reserved initially for foreign exchange risk and not available for guarantees), known as the "Guarantee Limit". For example, a bank with a $1 million Guarantee Limit could place a maximum of $2 million of loans under the program at any one time (its "Maximum Guaranteed Portfolio"). The criteria for selection of participating banks and for allocating the Guarantee Limits between participating banks are provided below.

If the rate of claims paid from the guarantee fund exceeds the rate at which the fund is replenished from investment of its resources, a level will be reached at which either no new loans can be accepted for guarantee coverage or, if fully utilized at the time, the Guarantee Limits allocated to the banks will have to be permanently reduced as claims are paid.

As long as total outstanding guaranteed loans, and pending claims, do not surpass 83 percent of existing guarantee backstop funds, new loans can be accepted into the program for coverage (assuming the participating banks have not used up their Guarantee Limits). This ratio will have to be calculated in relation to the incremental obligation and disbursement schedule of USAID in funding the AMLGF in three tranches.

→Role of the AMLGF Staff

A key aspect of the AMLGF is the provision of technical assistance at all stages in the life of a Qualifying Loan. Descriptions of donor-sponsored loan guarantee funds usually refer to the need for technical assistance in putting together loan proposals; the need to "follow" a loan after funds are disbursed is not made a service to be provided, nor is assistance in restructuring credits in difficulty or collecting bad loans usually a part of the program.

It is proposed that the AMLGF be administered by a staff of experienced people (see Figure 1). A Trade Finance Specialist and a Business Banking Specialist will be supported by a secretary. **These personnel will be contracted by the institutional contractor and will report to the long-term Banking and Finance advisor.** The background of the specialists will be in commercial banking and trade financing with an emphasis on business lending in West Africa. Individuals are needed who can follow their customers closely, and who have the personal skills needed to work with entrepreneurs on a cordial, confidential basis. Since so much of Guinea's agricultural marketing is done informally, either domestically or to neighboring countries,

specialists with such experience are most likely to have the experience needed to understand the credit needs of the AMLGF's most likely clients. The Guinean personnel may continue in their roles related to the AMLGF under a different institutional structure after the project is completed.

The emphasis of AMLGF is on productive enterprise in Guinea's agricultural marketing private sector without regard to term of credit or size of the borrower. Persons with an investment banking background have valuable skills which are useful in putting together proposals for larger projects that need medium or long term loans, or require finding a source of equity. While during at least during the early stages of the implementation of the AMLGF, few large projects are expected to be found, the services of trade finance and business banking will meet the variety of needs of potential investors using the guarantee fund.

The AMLGF staff will administer the AMLGF. This will involve working with local entrepreneurs, with or without foreign participation, and with the local commercial banks and relevant AMF staff, in preparing proposals for Qualifying Loans, either for ongoing businesses or for new ones, that are bankable and creditworthy but which could benefit from the extra protection of a loan guarantee. The long term Banking and Financial Advisor will supervise the AMLGF staff.

The AMLGF staff will be responsible for following, with the Participating bank, each Qualifying Loan in order to insure proper loan administration and to anticipate difficulties. The staff will be available and expected to participate actively in any request to restructure a loan should the need arise, and will actively assist a Participating bank in collection of delinquent loans.

It is expected that the AMLGF staff will develop a cordial working relationship with the local banking community. However, it is crucial to the success of the guarantee program that the staff should **function independently.** The need for independence will be greatest at the time decisions to grant guarantees are taken, but will be necessary during all phases of the staff's work. **Thus, they will be contracted by the institutional contractor for technical assistance.**

The AMLGF staff will also assist the staff of the Facing Bank in the administration of the Facing Bank LOC, and will keep parallel records of all transactions.

The operating costs for the AMLGF staff will be funded under the institutional contract for technical assistance.

→Destination of AID Grant

The $6 million budgeted for the AMLGF will be a component of the overall grant to the Guinean government for AMIP and will be funded in three tranches which will be made subsequent to satisfaction of specific Conditions Precedent. The funds will be held in a special Guinean government account at the Federal Reserve Bank of New York, to be operated by the Central Bank (BCRG). The BCRG is also the GOG entity that manages the account in the Federal Reserve Bank which receives cash

transfers under the Education Sector Reform Program, 675-0222, as non-project assistance. An A.I.D. assessment concluded that it was fully capable to do so.

The GOG and the BCRG will agree that these funds will not be commingled with the country's general foreign exchange reserves, and that their sole use will be as a source for payment of claims and administrative costs of the administering bank under the guarantee program. This agreement will be registered in the SOP governing the AMLGF.

The funds will be used to backstop a stand-by LOC whose purpose will be to mobilize the guarantee fund at the national level. BCRG will agree to honor drawings under the stand-by LOC to pre-fund the payment of claims under the guarantee program as required. Failure of BCRG to perform within a reasonable time will result in written warning from USAID that the payment must be honored within 30 days. If the payment is not made, USAID will not agree to any issuance of additional guarantees.

The life of this project is 5 years. After the PACD, the GOG, pursuant to a covenant in the Project Agreement, will continue the operations of the AMLGF with remaining funds. If, however, the GOG and AID jointly determine at the PACD that the continuation of the AMLGF is not appropriate, any remaining funds will be used to otherwise support the objectives of the project, pursuant to mutual agreement of AID and the GOG.

Additionally another important aspect of the AMLGF is its likely sustainability and continuity after the PACD. Accordingly, one of the purposes of this component is to assist the BCRG to learn to manage and invest the AMLGF funds. In so doing the BCRG will gain essential capacity in promotion of private sector growth in Guinea. Thus in accordance with the Comptroller General's decision concerning the Basic Village Services Project in Egypt, since AID's purpose is accomplished upon disbursement into the Federal Reserve Bank account, the GOG may invest the AMLGF funds and retain the interest earned on that investment. The interest will be programmed for the same purposes as other AMLGF funds. The sustainability of the AMLGF is one of the important features of this disbursement mechanism. Any FRB fees will be paid from Fund principal or interest earnings at the FRB.

→<u>BCRG Letter of Credit</u>

The Central Bank will issue a master letter of credit (the "BCRG LOC") in the face amount of the existing amount in the AMLGF account in the Federal Reserve in favor of a local commercial bank (the "Facing Bank" or "administering bank"). The Facing Bank will be chosen by the BCRG, subject to concurrence by USAID, according to the following criteria: (1) the BCRG will certify that the Facing Bank's Net Capital divided by Risk Weighted Assets (the Solvency Ratio) is equal to or greater than 10 percent and that anticipated resource inflows (next 3 months) divided by anticipated resource outflows (next 3 months) [the Liquidity Ratio] must be equal to or greater than 110 percent; (2) the BCRG will certify that, on a comparative basis, the staff and related technical capacity of the bank chosen score highest with

respect to overall ability to account for and process transactions related to letters of credit or a guarantee agreement; and (3) fees charged by the Facing Bank do not exceed the pre-established limit. USAID will approve the selection of the Facing Bank via PIL. The Facing Bank will serve as issuer of other standbys (the "Facing Bank LOCs"). Drawings under the BCRG Letter of Credit will be paid by BCRG in U. S. Dollars.

The language in the BCRG LOC to be satisfied for release of funds will refer to a document, signed by an authorized representative (called a "Notice of Intention to Draw"), stating that the Facing Bank has received a written request (called a "Declaration of Intention to Draw") to draw funds in an certain amount pursuant to one or more Facing Bank LOCs which it has issued in favor of other commercial banks participating in the guarantee program.

Each Notice of Intention to Draw will be accompanied by the Facing Bank's draft drawn on BCRG to be paid within ten (10) days from sight (or within such other time period as may be needed for BCRG to draw on the reserve account). BCRG will agree to make payments to the Facing Bank without questioning or inquiring into the underlying transactions resulting in the drawing, and without delay.

BCRG may refinance any drawings under the BCRG LOC through drawings on its special account with the Federal Reserve Bank of New York for the AMLGF, or it may pay directly from its own reserves. Authority to refinance any drawings under the BCRG LOC will be provided in writing by designated representatives of both BCRG and approved by USAID, in consultation with the project management of the guarantee fund. USAID approval will be provided in a Project Implementation Letter.

Drawings on the special account to pay Agency and Drawing fees to the Facing Bank will be handled in the same manner.

-Facing Bank Letter of Credit

The Facing Bank will issue the Facing Bank LOCs in favor of the commercial banks in Guinea that apply for and are accepted into the guarantee program. The Facing Bank will issue as many LOCs as there are local banks participating in the guarantee program, as long as the sum of the amounts of the LOCs does not exceed the total amount on deposit of the AMLGF and not to exceed $5 million.

The Facing Bank LOCs will be available for drawing to satisfy the claims of local banks participating in the guarantee program in local currency.

A drawing pursuant to a Facing Bank LOC in favor of a Participating bank will occur upon receipt of a document (the "Declaration of Intention to Draw") signed by the designated authorities of both the Participating bank and the AMLGF staff requesting a drawing and certifying that the conditions of making a claim under the guarantee program have been fulfilled.

Each Declaration of Intention to Draw will be accompanied by the Participating Bank's draft drawn on the Facing Bank to be paid within ten (10) days from sight (or within such other time period as may be reasonably needed for the Facing Bank to draw U. S. Dollars under the terms of the BCRG LOC, convert them to local currency and pay them to the Participating Bank).

The maximum claim to be paid under a Facing Bank LOC with respect to a single credit will be the countervalue in Guinean Francs of 50 percent of the principal of the original U.S. Dollar value of the credit granted by the Participating bank.

The Facing Bank will provide USAID and the BCRG with monthly statements of financial activity under the loan guarantee fund, including guarantees provided, guarantee limits, claims, fees paid, outstanding balances for the Fund and for its participating, facing and central banks.

The Facing Bank will be remunerated for its services through an annual Agency fee. These fees will be paid by the BCRG from interest earnings of the BCRG deposit of AMLGF funds in its non-commingled account in the Federal Reserve, and from Utilization fees paid by the banks participating in the program ("Participating bank(s)"). A separate interest-bearing local currency account will be established at the Facing Bank for collection of Utilization fees paid by the Participating banks.

→Participating Banks

Each Participating bank's Guarantee Limit will be determined at the time its application is accepted according to the following criteria: **a Participating Bank will be a commercial bank, incorporated in Guinea and recognized by the BCRG, involved in making commercial loans.** Money changers and other "Agreed Intermediaries" recognized by the BCRG for foreign exchange control purposes are ineligible. Solvency will not be an issue because the Participating bank is the guarantee beneficiary and risk is taken on the borrower. Guarantee Limits will be allocated proportionately based on a bank's total loan portfolio as measured by the BCRG. Guarantee Limits will be reviewed annually by the AMLGF staff.

With a total of six commercial banks presently operating in Guinea, it is expected that Guarantee Limits will be allocated among the banks in the range of $1.5 million, the maximum permissible, to a low of $500,000, except that, at no time will total guarantees exceed 83 percent of the available funds disbursed in tranches to the Federal Reserve Bank GOG account for the AMLGF. Amounts will vary depending on how many banks apply to be covered under the program.

With a norm of 50 percent guarantee coverage, banks will be permitted to insure a loan portfolio (the "Maximum Covered Portfolio") of twice the amount of their allocated Guarantee Limit. A bank allocated the maximum Guarantee Limit will be able to insure a loan portfolio of $3 million.

The system will result in total Guarantee Limits of $5 million and a global Maximum Covered Portfolio of $10 million, after all tranches have been disbursed to the

Federal Reserve Bank GOG account for the AMLGF.

As consideration for the coverage of the guarantee, a Participating bank will pay a Utilization fee equal to a percentage of the average outstanding U. S. Dollar value of all of its outstanding loans subject to the guarantee ("Qualifying Loans") during a six-month Guarantee Period. The exchange rate used to calculate the U. S. Dollar value will be the highest legal exchange rate on the first day of each Guarantee Period. The Utilization Fee may be passed on to the bank's borrowers under the AMLGF. The Facing Bank may be a Participating Bank.

→Qualifying Loans

Guarantees shall be available to insure loan principal only. Participating banks may include under the AMLGF only those extensions of credit that have been the subject of independent examination and three-way discussions among the Borrower/Promoter, the staff of the Participating bank charged with the Borrower's account, and the AMLGF staff. Each credit to be guaranteed must be approved by the AMIP Credit Committee.

The AMLGF staff, which includes the 2 Guinean specialists supervised by the long term technical assistance advisor in Banking and Finance, will provide technical assistance in preparing the credit application to both the borrower and the Participating bank in order to facilitate sound credit decisions.

Qualifying Loan(s) shall be approved independently by each Participating bank.

The decision to grant the loan guarantee shall be taken independently by the AMIP Credit Committee on the advice of the AMLGF staff, including the long term TA advisor in Banking and Finance. The AMIP Credit Committee will be composed of the Governor of the BCRG or his designate, AMF Executive Director, a senior representative of the private sector to be approved by USAID, and the USAID Director or his/her designate as an ex-officio member. USAID must concur in all decisions to approve funding of guarantees under the AMLGF.

The guarantee will be available to cover short, medium, and long term credit. The criteria for eligibility will be established in the SOP governing the operations of the AMLGF which will be approved by USAID.

The total investment in which the credit covered by the guarantee is a part must possess an equity component of no less than 25 percent of the total projected cost from the borrower. The guarantee will cover only up to 50 percent of bank loan financing, which is a maximum of 75 percent of the total investment. The borrower must demonstrate to the satisfaction of the AMLGF staff that the transaction being financed contains this equity component, and that availability of the equity does not depend on honoring another obligation for borrowed money to be repaid from the cash flow generated by the investment being financed. The guarantee will only be available for coverage of loans not already covered by another donor's guarantee, or by the guarantee of a Guinean government loan guarantee program.

Source/Origin

Loans benefitting from this guarantee are subject to normal statutory and regulatory requirements, since appropriated funds would be used if the guarantee is called.

No more than 50 percent of each loan (62.5 percent of each investment since the investor(s) will provide 25 percent of the equity) should be for foreign exchange costs, except as AID may otherwise agree in writing on a case-by-case basis. While AID geographic code 935 (any Free World country including the participating country) is authorized for DFA funds, cargo preference requirements apply to foreign procurement (as distinguished from shelf items already in-country). Thus, irrespective of the code 935 source/origin authorization, if foreign procurement exceeds the portion of the loan (50 percent) or investment (62.5 percent) attributable to non-AID financing, cargo preference would have to be complied with. Loans which are tied to only a portion of code 935 (other than U.S. or Guinea), for example tied to France, are ineligible.

Ineligible Activities

Loans for the following activities are also ineligible to benefit from AMLGF guarantees:

- the production, processing, or marketing of palm oil, sugar, cotton, or citrus for export, except as AID may otherwise agree in writing in accordance with Policy Determination 71 procedures;

- the purchase, manufacture, importation, distribution, or application of pesticides;

- the production, processing. or marketing of luxury goods or gambling equipment;

- activities related to abortion or involuntary sterilization;

- police other law enforcement, or military activities;

- the production, processing, or marketing of materials for explosives, surveillance equipment, or weather modification equipment;

- any activity which would result in any significant loss of tropical forests or involve the extraction of industrial timber in primary tropical rainforests.

- activities involving production, processing, or manufacture of leather goods, textiles, or footwear for export, except as USAID may otherwise agree in writing;

- activities involving production or processing of agricultural commodities for export which USAID may designate as Bumpers-sensitive commodities, except as USAID may otherwise agree in writing.

Size of Loans

The total principal amount of Qualifying Loan(s) made to any one borrower may not exceed the equivalent in any currency of at the time the loan is made. At the present time in Guinea local banks are permitted to make loans in Guinean Francs only. The minimum investment to be financed under the AMLGF will be $100,000 or its equivalent in Guinean Francs at the time of approval and the maximum investment will be $300,000.

Qualifying Loans may be placed under and removed from guarantee coverage as long as the total principal amount of loans, including outstanding claims, under coverage does not exceed a Participating bank's Maximum Covered Portfolio, in other words, new Qualifying Loans may be accepted from any Participating Bank for guarantee coverage up to 83 percent of the total amount disbursed to the AMLGF account of the BCRG in the Federal Reserve Bank.

As a condition to participating in the AMLGF, Participating Banks will agree to cooperate in lending seminars, training programs, and promotional programs (including evaluations of the overall developmental impact of loans made/guarantees extended under the AMLGF) which are conducted, sponsored or supported by USAID, AMF, and/or AMLGF. Cooperation shall include making staff available to participate in these events.

Claims

A Participating bank may submit a claim on a Qualifying Loan when:

(a) it has written off all principal and interest (the entire outstanding balance) as a bad debt expense; and

(b) it has made a specific provision in its allowance for bad debts.

Prior to submitting a claim on a Qualifying Loan:

(a) the total outstanding principal must have become immediately due and payable;

(b) the Participating bank must have made a demand for full payment upon the Borrower while the guarantee was effective; and

(c) the Participating bank must have exercised due diligence (exhausting all legal recourse) in making all reasonable efforts to collect the entire amount due.

The Participating bank will be advised in its effort to collect delinquent credits by the AMLGF staff.

An affidavit certifying that the above conditions have been satisfied must be signed by the designated authorities of both the Participating bank and the AMLGF before a

drawing under a Facing Bank LOC may be requested.

Upon determination of the amount of its guarantee claim in U.S. Dollars, the Participating bank will be eligible to receive 50 percent of the full countervalue of the original Dollar loan principal amount in local currency, calculated at the highest current rate of exchange which is not illegal, when the claim is paid, provided that the total amount of local currency paid does not exceed outstanding principal plus accrued interest, fees, and other sums owing with respect to the credit in question.

→Foreign Exchange Risks

There are two types of exchange risk associated with the guarantee: currency availability risk and rate change risk. Since the deposit backing the guarantee fund will be kept offshore, and since BCRG re-financing of drawings under its LOC will be authorized by government and USAID authorities acting in concert, the availability risk will be mitigated.

The currency of reference will be the U. S. Dollar, and USAID will not bear any exchange rate change risk since claims paid will be based on the portion of the Qualifying Loan guaranteed in U. S. Dollars, using the rate of exchange in effect at the time the loan is made.

Participating Banks will bear a rate change risk, since the amount paid by way of guarantee claim in U. S. Dollars may not translate into the full amount of the currency originally loaned in case that currency appreciates strongly. On the other hand, there will be a gain on conversion in case of depreciation. The risk is not major presently because guarantee claims are expected to be paid in local currency, since Qualifying Loans will be Guinean Franc loans. In fact, given the continuing gradual depreciation of the Guinean Franc, it is expected that Participating banks, on conversion of the proceeds of their claims in U.S. Dollars, will be able to recuperate some, if not all, of any past due interest as well as principal. However, the program does not guarantee this.

4. The Board of Trustees

The functioning of both the Foundation and the Fund will be overseen by a 5 member, over-arching Board of Trustees (BOT) (see Figure 1). Membership on the BOT is permanent and will reflect the diverse nature of both public and private sector entities in Guinea. The five permanent members of the BOT will be one representative from each of the following entities: (a) USAID (in an ex-officio capacity); (b) BCRG; (c) Ministry of Plan and Finance; (d) AMF Board of Directors Chairman; and (e) a senior management representation of private industry. Other members may be designated subject to approval in writing by USAID.

The key functions of the Board of Trustees as they relate to the Foundation and the Fund are to:

(a) provide independent overview of the activities of the Foundation and the Fund;

(b) review and approve recommendations of the AMF Board of Directors relating to the operations of the Foundation;

(c) approve plans, budgets and annual reports of the AMF;

(d) safeguard the integrity of Endowment and Fund capital;

(e) recommend dissolution of the Endowment, the Foundation and the Fund for non-performance; and

(f) formulate any and all other policies necessary for the functioning of the AMF and AMLGF in accordance with the objectives of those organizations.

In the performance of the oversight responsibilities, the Board of Trustees will be advised by three bodies. They will be: (a) the entities managing the Endowment and the Fund; (b) a legal counsel; and (c) an external auditor. The legal counsel and auditor will be contracted on a retainer basis. The external auditors will be contracted on an "as needed" basis and will conduct financial audits and management reviews and analyses of the Foundation and the Fund as requested by the BOT. The funds for the legal and audit services will be provided by the AMF operating budget. Further details on the functions of the Foundation and the Fund are presented in Annex B.1.

5. Project Coordination

A number of interests need to be closely coordinated with the proposed project, e.g. the Guinean agricultural marketing entrepreneurs, traders, and other participants in agricultural marketing; the Guinean private banking sector; the Guinean Government (Ministry of Agriculture and Animal Resources; Ministry of Commerce, Transport and Tourism and the Ministry of Industry, Small and Medium Enterprise (SME) Promotion); and other donor financed projects designed to promote agricultural exports (notably the World Bank-supported *Projet de Commercialisation et de la Promotion des Exports Agricole (PCPEA)*, slated to be approved June, 1992 and EEC's *Relance Fruitiere*, to be approved January, 1993). Therefore the following two tier mechanism of project coordination will be implemented.

(a) The first tier of coordination will be at the project level. AMIP will form a five member Project Coordination Committee (AMIP-PCC) which will include two members from AMF (a representative of the foundation and the TA team chief of party), two representatives of PCPEA and a representative of USAID. As other important export promotion/marketing projects come on line, they will be invited

to participate in the deliberations of the AMIP-PCC. Because of the close relationship and significant areas of complimentarity between the two projects (AMIP and PCPA), especially in the area of loan guarantee fund.

(b) The World Bank-financed PCPEA will establish a coordination committee called "*Comite de Pilotage*" consisting of representatives drawn from the following public and private sector entities:

---Public Sector: GOG Ministry of Agriculture and Animal Resources; Ministry of Industry and SME Promotion; Ministry of Commerce, Transport and Tourism and Ministry of Plan and Finance; Department of Customs; Department of Shipping and Transport.

---Private Sector Organizations: Associations of Fruit and Vegetable Producers; Agricultural Exporters and Agro-Product Processors Association; Transport companies, e.g., the airlines; truckers association; shipping agents;

---The Federation of Chamber of Commerce; and representatives from the commercial banking community.

To ensure close coordination and avoid conflicting approaches, AMIP will participate in the "*Comite de Pilotage*" and will be represented by AMF and USAID. It is anticipated that AMIP will be allocated two places on the "*Comite de Pilotage*" whose final structure will be determined once PCPEA is launched.

In addition to the two principal mechanisms of coordination, a bi-annual review of the two projects will be organized at the level of USAID Mission Director and the Resident Representative of the World Bank. The principal purpose of this review/exchange of information, will be to assess and improve coordination as needed between the two projects. The reviews will be held alternately in the offices of USAID and the World Bank. This may ultimately include two other donors, FAC and the EEC.

6. Project Outputs

Successful implementation of the project will result in the following outputs.

(a) Establishment and functioning of a sustainable private sector institution: "Agricultural Marketing Foundation".

(b) Establishment and functioning of a loan guarantee fund.

(c) Increased number of private sector operators trained in agribusiness and marketing. Approximately 150 private sector operators will be trained during the life of project.

(d) Increased availability of reliable and timely market information on: key export commodities; location of demand; supply sources and competition;

prices; quality, shipping and packing requirements, availability of cargo/shipping; cost effectiveness of packaging; importing country policies and requirements.

(e) Increased capacity of private commercial banks to review loan proposals for financial, economic and technical viability. Approximately 10 banking staff will be trained during the life of project.

(f) Increased number of agricultural marketing and agribusiness investment feasibility studies conducted with participation (financial and otherwise) by the prospective entrepreneurs. Approximately 15 such studies will be conducted during the life of project.

(g) Increased number of new or revitalized agricultural export enterprises; agribusiness; and agricultural marketing support ventures (e.g. transport and packing etc.) launched. Approximately 25-30 during the life of project are expected to be launched.

(h) Approximately 25 agricultural export loans guarantees provided.

(i) Increased employment opportunities in the agricultural production, marketing and processing sub-sectors. At least 500 new jobs are expected to be created as a direct result of increased marketing, export and processing activity.

(j) Improved quality, reliability and availability of a range of agro-services, including: the sale of agricultural inputs; equipment hiring services; the development of storage, packing, specialized transport, and shipping and handling services.

Another important feature of AMIP will be institution building. This will involve (a) the development of an autonomous and sustainable private sector institution (the Foundation); (b) strengthening the commercial banks capacity to increase lending to agribusiness sector; and (c) strengthening the BCRG's capacity to manage funds to promote private sector growth. Institution-building will be achieved through training and long term technical assistance to AMF and commercial banks participating in the loan guarantee program.

6. Project Inputs

To achieve the project purpose and outputs described above, the following inputs will be provided.

a. Technical Assistance

Long-Term. Approximately 144 person months of long-term TA will be provided to AMF through an institutional contract. The TA team will consist of: an Organization Development Specialist; a Market Information and Research Specialist; and a

Business and Financial Management Specialist. These three long term technical assistants will be located at the AMF and will be responsible for the development, structuring and operations of the AMF. They will not only serve as advisors but will also be responsible for managing the AMF on a day-to-day basis until the AMF, its structure and staff are fully established and trained.

Also included in long-term TA will be 60 person months for the services of a Banking and Trade Finance Specialist, who will be work with the AMLGF staff and with the commercial banks, whose loans are guaranteed by the Fund. The primary responsibility of this position will be to ensure that sound lending and trade finance practices are followed by the banks, to assist in training AMLGF staff and to ensure the viability of the loan guarantee program. (The responsibilities of all long-term TA positions are detailed in Annex K). Two Guinean specialists will be contracted for 60 person months each and will have backgrounds in trade/finance and business/banking, respectively. They will constitute the AMLGF staff, together with a Guinean secretary to be contracted for 60 person months. The long-term Banking and Finance Trade Specialist will supervise the AMLGF staff.

Short-Term. Approximately forty (40) person-months of short-term TA will be provided to the AMF and the participating banks in areas to be identified and defined during implementation. Areas for AMF staff training will be: preparation of project proposal feasibility studies and analysis; record keeping, accounting and business management; For AMLGF staff: loan and credit appraisal. Short-term TA from the African Project Development Facility (APDF) located in Abidjan, Cote d'Ivoire, will be sought for its expertise in these areas of business training.

Feasibility studies will be financed on the basis of cost-sharing between the project (through financing of short-term TA), the ADPF, the AMF, and the Guinean investor involved. It is anticipated that the market related information (demand, supply, prices, and quality requirements) on various commodities will be provided free of cost to the AMF membership. However, product/commodity specific feasibility studies will be financed on the basis of cost-sharing between the project and Guinean private sector. Among the principal initial tasks of the TA team will be to develop a policy in this regard in consultation with AMF. The policy to be developed will be based on a study of similar practices followed by APDF and other institutions in the region.

b. Training

The project will provide short term training both in-country and off-shore locations in U.S., Europe and West Africa region. Training will be open to the AMF staff, private sector business individuals, and to bank personnel. There will also be some training for GOG officials on a selective basis.

Off-shore training will be funded in the amount of $337,000, by US grant funds and will be available to both private sector entities participating in the foundation and banking staff participating in the implementation of AMLGF and will consist of market exploration trips, participation in agricultural trade fairs, and observation tours of successfully operating private sector agricultural marketing institutions in

other LDCs. Costs of training will be shared on a sliding scale. Policies and procedures related to sharing of costs, for short term overseas training, between the project and participant entrepreneurs will be developed by the TA team in consultation with the AMF board of directors. It is anticipated that at least 35 percent of the cost of such training will be borne by the participant entrepreneurs. Eight to ten private sector participants per year will benefit from short-term overseas training.

In-country training, in the amount of $134,000 (FG equivalent), will be funded by the project budget. Three to four in-country training sessions will be conducted per year, benefiting a total of 20-35 private sector participants per year. Both Guinean and expatriate consultants will be used to conduct in-country training. Topics will be selected for immediate relevance to credit, marketing and export activities, including: small business management practices; developing business plans and proposals; trade finance instruments and procedures; credit and contracting terms for sale and shipment of products; and basic accounting and record keeping.

c. Commodities

Under the Commodities budget line item, the project will provide following commodities, estimated to cost approximately $237,000: vehicles, office furniture, computers, photo copier and fax machine. These commodities will be provided to AMF as an element of technical assistance. A modest amount, $126,900, of commodities (line item: Commodity Support) will be provided for project monitoring to MARA, which will be the GOG entity initially associated with project implementation.

d. The Foundation

AMF Operating Costs: The project will provide funding for the recurrent costs (including personnel, operations and service center costs) for the Foundation. To support the operations of the AMF, and meet its recurrent costs, GOG will provide, from PL 480 counterpart funds, approximately $1,500,000 equivalent in local currency for Pys 1, 2, and 3. AMF recurrent and operating costs for Pys 4 and 5 will be provided by the interest income earned by the Endowment and for other revenues, such as membership fees and user fees.

AMF Endowment Fund: To ensure the long-term viability and sustainability of the Foundation, the GOG will provide approximately $6 million equivalent in local currency from counterpart funds, to set up an Endowment in PY 3. **It is important to note that the establishment of the Endowment will be contingent upon the results of a project evaluation at the end of PY 2, which will determine if the Foundation is well-established operationally and if its track record, at that point in time, is credible and indicates that is likely to succeed or continue as a viable entity.** Interest earned from the Endowment will provide resources for the recurrent costs of the AMF in Pys 4 and 5. GOG allotment of these funds for the AMF endowment from P.L. 480 counterpart funds will be a Covenant in the AMIP ProAg as well as a Performance Indicator for the shipment of commodities in the third year of the 1992-1994 PL 480

Title III Multi-Year Program.

AMF Development and Support Costs: Approximately $50,000 will be provided for the initial costs of development and organization of AMF. It is anticipated that following the registration of AMF as an NGO, a number of activities need to be implemented to make the AMF operational. These costs will supplement the AMF operating costs to be provided by the GOG counterpart funds.

e. Loan Guarantee Fund

The Project will establish a $6.0 million Agricultural Marketing Loan Guarantee Fund (AMLGF) for agricultural marketing, processing and export activities, as well as for transport, storage and packaging services. Grant monies will be used to incrementally fund the Loan Guarantee Fund in Pys 2, 3 and 4 in disbursements of $2 million in each year.

f. Project Management Support

To manage the implementation of the project at USAID level, the project will fund, under personal services contracts, a full time expatriate project manager, 2 FSN assistant project managers and a secretary. The project manager will work under the supervision of the USAID Rural Development Officer. S/he will have qualifications and proven experience in implementing private sector development projects in one or more of the following areas: agribusiness and marketing; banking and finance; and institutional development. S/he will be responsible for the day-to-day implementation actions of the project and will closely monitor: the technical assistance team; progress in establishing the AMF, AMF Endowment and AMLGF; and coordination with other donor-funded projects in the agricultural marketing/export sub-sector. A scope of work and qualifications of the Project Manager are presented in Annex K.

g. Audits and Evaluations

The project will provide $300,000 for audits and evaluations to be conducted during the LOP. (see Section IV.B.3.).

h. Bumpers and Lautenberg Amendments

The Lautenberg Amendment (currently Sec 521 (c) of the FY 91 Foreign Assistance Appropriations Act) prohibits the use of project funds directly for: (a) feasibility studies; (b) prefeasibility studies; (c) project profiles; or (d) assisting in the establishment of manufacturing facilities, for the manufacture for export to the U.S. or third countries in direct competition with U.S. exports, of certain "import-sensitive articles." Such articles are essentially leather goods, textiles, and footwear. Since USAID will retain approval rights for the loan guarantees, any loan which will be guaranteed which includes these items will require specific USAID review to determine if it is prohibited by Lautenberg. Similarly, if USAID decides to retain approval rights over technical assistance activities such as feasibility studies or training (eg. market exploration visits) such a review will also occur for activities including

these commodities.

The Bumpers Amendment (currently Sec 521 (b) of the FY 91 Foreign Assistance Appropriations Act) prohibits the use of project funds for a variety of assistance interventions in connection with the growth or production in Guinea for agricultural commodities for export that would cause significant injury to a similar commodity grown or produced in the United Sates. Prior to implementation of the AMLGF, TA or training components, USAID will determine if there are any such agricultural commodities grown or produced in Guinea. If there are any such commodities, the project will not provide loan, guarantees, TA, or training for their production unless USAID establishes on a case-by-case basis that the assistance will not violate the Bumpers amendment.

III. PROJECT FEASIBILITY: SUMMARY OF ANALYSIS

A. TECHNICAL/INSTITUTIONAL ANALYSIS

1. Agricultural Marketing Foundation

The purpose of the Foundation (AMF) will be to promote growth and increased efficiency of agricultural markets. The AMF will: (1) assist the Guinean private sector to increase domestic and export marketing and (2) promote increased investments in agricultural production, processing and related activities. Further, the AMF will provide a range of business services and serve as a forum for policy dialogue between the government and private sector in order to bring about GOG policy changes required for increased marketing of agricultural exports.

General functions of the Foundation will be to:

(1) Promote the development of private enterprise, taking an aggressive and proactive stance in advancing the private sector's marketing of agricultural sector outputs and inputs and other related non-mining enterprise; and

(2) Stimulate and galvanize Guinean agribusiness enterprises and associations to identify and take advantage of export marketing opportunities, both regional and overseas.

Specific actions to be undertaken by the Foundation will include:

(1) Fostering dialogue between the government, donors, and private sector on policies, programs, rules and regulations affecting Guinean private sector and potential foreign investors.

(2) Activities to increase the capacity of producers' groups and associations, and marketing, and traders, and exporter associations.

(3) Train entrepreneurs on relevant topics and conduct outreach activities to strengthen especially the participation (in the Foundation) of agribusiness entities located outside Conakry. Overseas training will be provided.

(4) Undertake feasibility studies on behalf of entrepreneurs. This will be done on a fee-for-service or cost-sharing basis;

B. Organization and Structure of the Foundation

The Foundation will be a not-for-profit private sector institution and will be registered as a Guinean NGO its membership will be comprised of businessmen and businesswomen, planters, producer associations (e.g. potato-growers associations, national association of horticulturalists), agribusinesses, and trade-marketing exporter associations, (e.g., CLIFFEL) and Transporter Associations, involved in agricultural production, processing and marketing activities. A strong effort will be made to involve pro-business PVOs such as the Guinean Association of Business Women.

Membership of the Foundation will be open to any interested individuals; associations and private enterprises. A broad based membership, representing various sectors of ag. marketing activities (production, trade and export, processing transport and storage will be the ultimate goal of the Foundation. There will be two categories of membership: charter members and regular members. Charter members will be individual entrepreneurs, enterprises and associations which make a one time contribution of significant size and also pay annual membership dues. Regular members pay annual membership dues only. They can also become Charter members anytime upon payment of required contributions. The purpose of providing for charter membership is to encourage experienced and dynamic members of the private sector to take a leading role in the Foundation. However it should be ensured that charter members do not monopolize the Foundation to the neglect of regular members. Election and participation on the proposed board of Directors will ensure this. It is anticipated that annual membership dues will be in the range of 50,000-75,000 GF for both regular and charter members. In addition, charter members will pay a one time fee in the range of 1.0 million GF.

The functioning of both the Foundation (and also the Fund) will be overseen by a 5 member, over-arching Board of Trustees (BOT). Membership of the BOT will include both public and private sector entities in Guinea. The five members of the BOT will include a representative from each of the following entities: (a) BCRG; (b) Ministry of Plan and Finance; (c) Chairman of BOD, AMF; (d) a senior management representation of the private Industry and (e) USAID (Ex-Officio).

The key functions of the Board of Trustees as they relate to the Foundation will be to:

(a) Safeguard the integrity of Endowment and Fund capital;

(b) Formulate any policies necessary for the functioning of the AMF and AMLGF in accordance with the objectives for which they were set up.

(c) Review and approve recommendations of the AMF Board of Directors relating to the operations of the Foundation;

(d) Approve plans, budgets and annual reports of the AMF;

(e) Provide independent overview of the activities of the Foundation and the Fund;

(f) Recommend dissolution of the Endowment, the Foundation and the Fund for non-performance; and

In the performance of the oversight responsibilities, the Board of Trustees will be advised by three entities. They will be: (a) the entities managing the AMF Endowment and the Guarantee Fund; (b) a legal counsel; and (c) an external auditor. The legal counsel will be contracted on a retainer basis. The external auditors will be contracted on "as needed" basis and will conduct financial audits and management reviews and analyses of the Foundation and the Fund as requested by BOT from time to time. The funds for the legal and audit services will be provided by the AMF operating costs.

A 9-member Board of Directors (BOD) will be elected principally from the Foundation's membership. Election to the Board of Directors will be held every two years. Members of the BOD will elect a chairman and a vice-chairman. Terms of chairman and vice-chairman will be co-terminus with the duration of the Board of Directors. It is anticipated that 3 seats on the BOD will be reserved for charter members to ensure that experienced agribusinesses (individuals/institutions/Firms) are represented on the BOD and to provide incentives for experienced firms and individuals to become charter members.
Charter member will be selected to sit on the Board on a rotating basis. Their duration will be the same as that of the Board of Directors. Methods or procedure for selection will be determined during the elaboration of the Foundation charter.

Principal function of the Board of Directors will be to oversee and guide the operations of the Foundation for the benefit of membership.

The Foundation will be a lean and a streamlined institution. It will be headed by an Executive Director and structured around three operational units: (1) Information, Research and Analyses; (2) Training and Outreach; and (3) Finance and Administrative Services Unit.

The role of the Information, Research and analysis unit will be (1) to provide the membership with information on regional and overseas markets on demand, supply, quality, prices and import regulations. This information will be collected through existing published sources or through special efforts (2) to assist the membership in planning and conducting projects feasibility analysis.

This unit will also be responsible for developing data bank on Guinean ag. marketing and export sector including information on commodity flows internally and externally

(regional and overseas) and (3) researching special information needs based on specific demands from the membership.

The role of the training and outreach unit will be to (1) identify training needs of the AMF members (2) plan and implement specific training programs drawing upon the resources of TA, expertise available in local institutions (Banks, university, training centers, technical institutions and professional institutions); (3) develop and implement outreach activities to increase the level of support and participation in the Foundation of individuals and organizations, especially outside Conakry and (4) communicate regularly with the AMF membership, public at large, GOG institutions and donors, on progress and achievements of the AMF. Two types of training will be organized by the Foundation. In-country training and overseas training to provide opportunities for exposure to overseas markets, participation in trade fares, and observation tours of successful export operations. Cost sharing arrangements for feasibility studies as well as overseas training will be finalized in the Foundation charter and operating procedures of the Foundation.

In-country training will be offered free of cost to the membership. However, overseas training will be on a cost sharing basis*. The Foundation would provide a percentage of the overall cost of training subject to a maximum limit of $3,000 equivalent in local currency. Foundation may also coordinate with donors to obtain training funds to supplement Foundation's resources allocated for this purpose.

The finance and Administration unit (FAU) will be responsible for two basic functions (1) administering the day-to-day operations of the foundation, management of support personnel, logistics, procurement, support services etc. and (2) financial management of the Foundation.

The Executive Director will be an employee of the Foundation and will be selected by the Board of Directors from among qualified Guineans on the basis of full and open competition. He/she will be responsible for the day-to-day management and operations of the foundation and will serve as Secretary to the BOD. The three units will be staffed by a Director, a specialist and support staff. The Finance and Administrative Services unit will also include 2 accountants. (Figure 2 shows the organization and structure of the Foundation.). In addition, these units will be reinforced by the TA team, who will provide each unit with on-the-job and other appropriate training in required skill areas.
Foundation staff will be recruited on the basis of advertisements in local media and open competition. A selection committee will be established. For each position a job description qualifications, and experience levels will be assigned. Candidate found acceptable will be recommended by the Executive Director to the Board of Directors for appointment.

C. Financing the Foundation

A major concern in establishing an institution such as AMF would be its long term financial viability, especially in a least developed country like Guinea. Membership dues alone cannot provide sufficient resources to support the operations of the

Foundation. Private sector in Guinea, especially the agribusiness sector, is not strong enough to provide financial support on its own. Therefore it is recommended that USAID provide an "Endowment Fund" whose interest earnings would provide the recurrent costs of operating the Foundation. It is further suggested that PL-480 counterpart funds be employed to establish an Endowment for the AMF. The AMF Endowment Fund will be managed by a commercial bank which will pay interest on the Fund balances. The capital of the endowment will not be drawn down for any activities. A board of trustees will be responsible for overseeing the management of the Endowment and its income.

In addition to the income provided by Endowment Fund, (a) annual and other membership due will be collected and (b) a schedule of fee for certain services offered by the Foundation will be established. It is estimated that an endowment of $5 to 6 million equivalent in local currency, earning an average interest rate of 15-20 percent would provide sufficient income to meet the operating costs of the foundation estimated to average $400,000 per year during the first five years of the project.

There is a shortage of experienced and qualified individuals in Guinea to organize, operationalize and manage the proposed Foundation. The local staff to be recruited will need training and supervision in managing the Foundation and implementation its activities. Therefore long term technical assistance is critical for establishing and operationalizing the Foundation. It is recommended that long term technical assistance he provided in the following critical areas during the first four (4) years of the project: a) Organization development; b) Market Research and Trade Information; c) Financial and Business Management. In addition, short term technical assistance in training, preparing project feasibility studies and other areas will be needed from time to time.

2. Commercial Lending Institutions

There are six commercial lending institutions in Guinea. Based on interviews with the officials of these six institutions an overview of the financial sector in Guinea is presented below.

The six commercial banks are: (1) BICIGUI, (2) UIBG, (3) SGBG, (4) BIAG, (5) Bank Moroco-Guinea, and (6) Islamic Bank. Brief description of each of these institutions is provided in Annex B-1, Exhibit-5.

Guinea's banking system consists of the Banque Centrale de la Republique de Guinee (BCRG), the country's central bank which reports directly to the office of the President; six commercial banks; and several donor supported pilot credit cooperatives.

Non-bank financial institutions are relatively unimportant in Guinea. The two insurance companies reinsure practically all their policies with affiliated French companies. Financial services outside the commercial banking system such as the following do not exist: stock exchanges, discount houses, government bond dealers,

stockbrokers, installment sales finance companies, leasing companies, savings and loan associations, and mortgage banks.

The only agricultural credit available is from several donor supported pilot project attempting to establish mutualist or cooperative credit structure. USAID has provided co-funding of $5 million for three projects: Credit Rural, Credit Mutuel, and cooperative savings associations. USAID has also funded a five year, $7 million rural development project being carried out by the Council for International Development, a U.S. NGO, which will provide credit - $220 to $1000 - to micro and small private sector operators.

Guinea's current banking system which replaced the bankrupt government banks in the mid-1980's achieved spectacular growth in the period up to 1988. Growth has stagnated since that time. The banks currently provide short term trade finance primarily in support of imports. Banks have experienced high loan loses and high operating costs. Three of six banks have serious financial problems; none have achieved acceptable rates of return on their capital.

Three of the new Guinean banks are associated with important French banking groups: Banque National de Paris, Societe General, and Credit Lyonnais. Some banking experts consider the banking system "overbanked" and overly centralized on Conakry. The experience and active support of these "Big three" world class banks did not prevent major losses on loans made in the 1985-1987 start-up period. Estimates place unpaid loans in the range of 75-80% by early 1991, and up to 55% after all possible collection actions had been taken. Inability to get judgements against delinquent borrowers or to have judgements enforced were -and remain- major problems for the banks in attempting to recover receivables.

All Guinean banks suffered losses with the result that they have almost totally moved out of them lending to small and medium sized companies and currently finance only the safest commercial trade transactions, primarily imports. Discussions initiated by the Caisse Centrale de Cooperation Economique in details discussions with the banks in late 1990 revealed an almost hostile attitude by the banks to CCCE proposals for establishment of a loan guarantee fund. The project was dropped at that time. May bankers at that time deplored what they believed was an attitude on the part of may borrowers that they do not have to reimburse loans made to them.

The banks estimate that there may be about 30 foreign companies and up to 50 Guinean-Foreign ventures operating in the country which are financially sound and can present serious guarantees.

The informal sector which by one estimate may represent 87% of employment outside the public sector and contribute 67% of the GNP has shown its continuing and persistent mistrust both of the banking system in particular and the heavy regulatory, legal and judicial apparatus of the state.

Exhibit 1 provide a ready-reference summary of banks operating in Guinea and other non-bank and business support services.

3. Private Sector Business Associations

There are a number of private sector business associations involved in a range of agricultural marketing and agribusiness activities. However, these associations, in general, lack resources to promote the interests of participants in ag. marketing activities. Their only source of income consists of small annual contributions of membership fee. Consequently they are unable to undertake any actions for the benefit of membership such as training, conducting feasibility studies and providing technical assistance. Hence, the proposed AMF will work with various private sector associations to build their capacity to undertake actions to promote ag. marketing activities. There are three major categories of associations which are of primary interest to the AMF project.

(1) Producers associations (e.g.; potato growers associations; onion growers associations; ONAHG (l'Organisation Nationale des Horticulteurs de Guinee planters association);

(2) Exporters association (e.g.; REFLEG: Le Regroupement des Exportation de Fruits, Fleurs et Legumes de Guinee); and

(3) Agro processors association (e.g.; l'Agro-Industriel de Fruits, Fleurs et Legumes - AGRIFET).

These associations have significant membership and have constituted themselves into a federation called CLIFFEL (Comite de Liaison Inter Professionnel de Fruits, Fleurs et Legumes). CLIFFEL is a registered NGO. It is expected that CLIFFEL will play a major role in AMIP and AMF.

4. GOG Institutions

AMIP is private sector project. GOG institutions (the Central Bank: BCRG; and the Ministries dealing with agriculture, including MARA and the Ministry of Industry and Promotion of Small and Medium Industries (MIPME) will play support roles, but not a direct role in implementation. The BCRG and the Ministry of Plan Finance will serve on the Board of Trustees overseeing the management of the AMF, AMF Endowment Fund and AMLGF.

B. SOCIAL SOUNDNESS ANALYSIS

1. Socio-Cultural Context

Over 20 ethnic groups live in Guinea with Malinke, Fulbe and Sousou predominating at 2 million, 2 million and 1 million members, respectively, of the total estimated 7.3 million population. A population growth rate of 2.8% and 80% illiteracy characterize this country where there have historically been conflicts among ethnic groups to gain access to resources.

Economic activity is predominantly in the informal sector both in large number of informal firms as well as in the proportion of demand met by informal enterprises. The formal private sector is important mainly in large-scale businesses including mining and agricultural exports. Most businesses rely on personal contacts resulting in wide and deep distrust of unknown persons and entities and reliance on elaborate patron-client relationships to transact business. A majority of Guinean firms employ fewer than 10 full time workers. Agriculturally related businesses (those operating in either agriculture or agro-processing activities) employ on average more full time workers than firms in other sectors. For example, a 1992 USAID-funded private sector survey indicated an average of 40 full time and 5 part time workers per agriculturally related enterprise as compared to 11 full time and 3 part time for manufacturing firms.

Few Guinean private businesses are foreign owned with the exception of the mining sector. There have been several joint ventures between foreign and Guinean investors in agricultural production and processing for export. However, a large majority of agricultural enterprises are oriented exclusively to the domestic market. Of the few agri-businesses which have export experience, a significant portion has involved sales on the North American market.

A major deficiency for growth of private sector agricultural marketing is the lack of investment and operating capital. Almost all firms are only able to call on their own and their relatives' capital resources. The only other significant source of capital is the *tontine* or mutual guarantee scheme which allows members access to a rotating capital fund. However, for the *tontines* and most family lending, amounts are quite small and will not allow long term lending. There are social and cultural barriers to lending, especially related to the recoverability of collateral, but these are judged to be surmountable once banking institutions are developed to the extent that they are prepared and capable to provide longer term, investment-oriented lending.

Low rates of literacy and numeracy limit the quality and efficiency of enterprises' accounting and management procedures. Accounting is periodic, based on turnover time for a given amount of invested capital. The limitations on tracking capital, operating expenses, and profit on a given venture over time reinforces the business attitude that developed during the First Regime that quick profits are "better" and more reliable than longer term investments. Low literacy rates limit information gathering to informal verbal networks or radio broadcasts. Access to domestic

market information, though, is much less problematic than access to information for export marketing.

Many actors have limited business experience, but agriculturally related entrepreneurs, in general, have more experience than most other types of firms. Unskilled family members employed by larger traders have limited competence. Traders seek to expand their capital by avoiding risks, and consequently engage primarily in commerce with minimal investments seeking quick profits. People's lack of confidence in the political and commercial situation encourages seeking quick profit and militates against medium and long term investment. Despite this lack of confidence, there are definite indications that sales and profits have increased for agricultural enterprises and that utilization of installed capacity, particularly in agro-processing is steadily increasing. Additionally, the majority of businesses report that they are confident of continuing improvement in the business climate.

Traders often do not display initiative and know how to seek new markets as they tend to wait for state services to be provided. This lack of initiative may be related to why they have rarely organized themselves to advance their concerns and interests to the government through the chambers of commerce which the government directed them to join. The low level of confidence in public sector managed institutions also explains the relative weakness of the chambers. Privately organized agriculturally related commercial associations are definitely growing in Guinea, especially related to agricultural export.

2. Beneficiaries

a. Direct Beneficiaries

The direct beneficiaries of AMIP will be people living in the capital and secondary (prefectural) market towns, where principal actors in Guinea's commercial structure move to buy, sell, and resell their goods. Guineans and foreign investors involved in agricultural export marketing will be a prime group of direct beneficiaries of the AMIP. These agribusinesses serve as models and growth centers for sustainable employment and resource use. Compared to other private sector businesses, they employ more people on average (both full and part time), have more diversified markets, and more operating experience. They are the major sector, other than mining enclaves, with experience in marketing goods for export. It is important to note that, even though several agribusinesses have experience with exports, the number remains minuscule and the volume, while growing, is low.

Actors in Guinea's existing market system will also be direct beneficiaries of the Project. The Guinean market system is a hierarchy of local periodic markets, assembly, consumer, and border markets. In that context, there is not presently a great deal of vertical integration in Guinea's marketing structure. There is role differentiation according to commodity and scale of business operations, with limited specialization in business functions. There are very limited agricultural processing and transformation operations. The significant expansion in Guinea's commercial sector has been primarily in informal trading.

Wholesalers and assemblers who live and operate in assembly markets where their agents and other traders sell/purchase commodities at local periodic markets for bulking and distribution in consumer markets may eventually be the most numerous direct beneficiaries of the AMIP. Although terms such as wholesaler and transporters are used to describe a social group in Guinea, these are heterogenous groups in terms of capital (trucks/vehicles, storage areas/warehouses, processing equipment), financial resources (700,000 to 10 million GF), education, business experience, role in market system, and ethnicity. These are usually men who operate from permanent shops and have access to storage facilities, may own their own vehicle, and are active in inter-regional trade of commodities such as red palm oil, dried pepper, cereals, fruits, and kola. The wealthier members of this group are also involved in international/cross border trading with Senegal, Mali, Cote d'Ivoire, Gambia, and Guinea Bissau from central markets such as Kankan and Labe, as well as border markets such as Sinko, Gueckedou, and Mamou.

To continue USAID's strong accomplishments in including private sector women in its efforts in private sector development, attention under AMIP will be given to female managed NGOs and women's businesses and cooperatives whose members are active in the production, processing, and/or marketing of agricultural products. For example, representatives of two NGOs serving woman entrepreneurs expressed interest in obtaining improved production and processing technology, storage facilities, and assistance with identifying markets for their products. They may participate directly the AMF.

b. Indirect Beneficiaries

Collectors have been referred to as the crucial link in Guinea's marketing system. They are predominantly women who live in the areas where they trade and have solid knowledge of the agricultural products in their area. They visit periodic markets where they have ties with local farmers (occasionally with a credit relationship involved) to buy goods they resell to wholesalers or retailers. Indirect beneficiaries will be those collectors/assemblers in the agricultural marketing network.

Producers will also indirectly benefit from an increased and improved marketing environment, as well as from the project's loan guarantee program. The assumption is that farmers will respond to increased demand for agricultural goods by expanding their production because of improvements in the physical, financial, and economic factors that affect marketing. This in turn, will lead to increased income and employment for rural households and contribute to improved economic and social well being.

Consumers will indirectly benefit as well from the AMIP through the increased availability of agricultural produce which may, because of improvements in marketing, be subject to lower prices and less drastic seasonal price variations. More stable consumer prices for agricultural goods may translate into household savings in the future. Savings in household expenses will have differential effects on individual budgets within the household as men and women have different responsibilities for household consumption needs. Women generally make smaller but more frequent

purchases for household food needs than men and will benefit from better prices and more predictable cash flow.

3. Participation and Gender Considerations

Broad based participation in the AMIP activities will be promoted through: (a) outreach activities branches of the AMF to insure that entrepreneurial men and women at major internal trade centers are included; (b) use of mass media communications to promote available project services; and (c) specific gender targeting of selected project resources.

AMIP implementation and evaluation strategies will emphasize and measure broad and equitable participation through development and monitoring of explicit indicators.

4. Socio-Cultural Feasibility

The AMIP, as conceived to this point, is socially and culturally feasible. While the Project will confront a number of social, cultural, and institutional constraints, it has a reasonable chance of success in achieving its objectives. The pervasive world view which has made difficult the fostering of dynamic sector growth is changing as Guinean economic reform and nascent growth occur.

Social and cultural factors which will bear monitoring to enhance participation include:

- legacy of the institutional weakness and distrust left by the First Republic;
- a cultural orientation that allows females little formal decision making authority and downplays productive initiative and risk taking behavior;
- social tensions among ethnic groups in allocation of resources and opportunities; and
- social unrest due to economic and political reform.

C. ECONOMIC ANALYSIS

AMIP's economic rationale is that increased sales of agricultural commodities will result from relieving information, transaction cost, credit and policy constraints. These constraints will be addressed by the project's two components, a Private Sector Foundation and a Loan Guarantee Fund. Thus, the project will work to make agricultural marketing more efficient, under the assumption that both agricultural production and demand will increase in response to improved market signals.

The Economic Analysis contained in Annex D addresses the context, necessary conditions and likely costs and benefits for the project. It concludes that, as an

essentially experimental project to stimulate domestic and export marketing, the proposal is economically sound. The potential long-term benefits from the promotion of private sector activity will likely outweigh the risks.

By focussing on the intermediate linkages between agricultural producers and both domestic and external consumers, AMIP requires that certain conditions for supply, demand and investment be met. As noted in Section II.A.4, these conditions are being addressed by several USAID, World Bank and other donor projects and programs. The conditions are:

- Macroeconomic and political stability is required, including continued GOG adherence to its structural adjustment program.

- Demand for increased marketed output must exist. Viable export and marketing opportunities exist for horticultural products, regionally traded goods such as cola nuts, and other high-valued products.

- Agricultural supply will be responsive -- in the aggregate, increased production and marketing for agricultural commodities will not be constrained by shortages of land, labor or appropriate crop varieties or agricultural technologies.

- Critical sectoral policy and regulatory changes are being addressed through other projects (USAID, World Bank, France), such as weaknesses in property rights and inadequate enforcement of banking and commercial contracts.

- Physical infrastructure constraints to agricultural marketing are being addressed.

The economic viability of AMIP's Agricultural Marketing Foundation will be based on its impacts on private sector production and trade. The range of direct and indirect beneficiaries have been identified in the previous section. The direct and indirect beneficiaries will be able to eventually improve the efficiency and expand the size of their operations. Foundation clients will benefit directly from information, advisory, referral, training, communications and office services. In some cases these benefits will be relatively small efficiency gains. In other cases, the Foundation will provide significant investment and marketing breakthroughs. There is reason to believe that the project's contribution to increased marketed output will be substantial because Guinea's agricultural sector is starved of expertise in production, management and international marketing.

The economic costs of the private sector foundation component are limited primarily to the costs of establishing, and operating the new entity. In order to maximize the cost-effectiveness of the Foundation, it will be necessary to minimize redundancy with respect to the services provided by other institutions.

Initially, the Agricultural Marketing Loan Guarantee Fund will be open to traders, processors and transporters. The economic viability of the Investment Fund will depend on the specific investments financed. Although the Fund will enter largely unchartered territory in Guinea, there is reason to believe that profitable opportunities exist, with annual returns of 15% or higher, for investments in trucks, processing operations, and wholesale and export trade of specific products.

Principal risks to the success of the Loan Guarantee Fund are high default rates and foreign exchange risks. Although past experience in Guinea with defaults on loan guarantees has been dismal, this program provides incentives to participating banks to be more prudent. Furthermore, it provides technical assistance to borrowers, through the Foundation, to develop bankable projects and it assists the commercial banks to screen out poor clients. Since loan guarantees will be denominated in Guinean Francs, the risks of currency depreciation are assumed by the participating banks. A 20 percent reserve against guarantee commitments will protect the Fund (which will be held in dollar accounts) against appreciation of the Guinean Franc.

AMIP's loan guarantee and investment financing will complement existing programs, such as USAID's local currency lending and Rural Enterprise Development Project credit lines, by providing additional foreign exchange for the private sector. The Fund will also contribute through innovations in risk sharing, to broaden the base of lending in Guinea.

D. FINANCIAL ANALYSIS AND PLAN

The total AID funding level for the AMIP project is $12,500,000 over a five-year period. The GOG contribution in local currency equivalent is estimated at $7,500,000 over the same five-year period. See Table 2 for a detailed Illustrative Budget Summary, Table 3 for the Illustrative Funding Budget by Fiscal Year.

1. AID Funding

The AID contribution of $12,500,000, which will be a grant to the GOG, will be incrementally funded and used as follows:

(a) $6,500,000 will be for technical assistance, training, commodities, project management, audits, and evaluations. These activities will be implemented directly by USAID/Guinea or their authorized agent utilizing acquisition and assistance instruments. Financing will be through the use of direct payment or letter of credit (see Table 4 for the Methods of Implementation and Financing).

(b) $6,000,000 will be for the loan guarantee fund (AMLGF).

2. GOG Funding

It is anticipated that the GOG contribution of $7,500,000 (in local currency equivalent) will be provided through the Counterpart Funds Management System

(CFMS) established to account for, program, and disburse counterpart funds derived from the sale of P.L. 480 commodities. It will used as follows:

(a) $1,500,000 will be used to directly fund AMF's recurrent costs for its first three years of operation. The CFMS includes financial analysis, internal audit, and external audit controls to monitor implementing and financing methods to be used by AMF. Counterpart will be advanced to the AMF, through the CFMS, based on AMF's disbursement needs. Documented liquidation of these advances will be required before subsequent advances are given.

(b) The balance, $6,000,000, will be used to establish an Endowment fund during the project's third year of implementation, depending upon the results of a project evaluation scheduled at the end of PY 2. The earnings generated by the Endowment fund will be used to fund AMF's recurrent costs from PY 4 onwards. It is anticipated that the endowment's earnings supplemented with membership fees, user fees, and other AMF sources of revenue will be sufficient to cover AMF's recurrent costs without further GOG contributions. Further details of the Endowment fund are discussed in Annex B.

3. Audit Coverage

$150,000 of the $300,000 total audits and evaluation budget line is estimated for audit coverage over the life of the project. In addition to the audit coverage provided by the CFMS for the GOG contribution to AMF, audit coverage is also budgeted as one of AMF's recurrent cost line items. Further discussion on audits is provided in Project Paper, Section IV.B.3. and Project Agreement Annex 2.

4. Payment Verification Procedures

a. Direct Payment and Letter of Credit

Direct payment and Letter of Credit payment verification will be in accordance with standard USAID procedures for these methods of financing.

b. Grant to GOG

The GOG will request that the Federal Reserve Bank of New York send quarterly statements of the grant account for reconciliation with agreed upon disbursements.

c. Counterpart Funds

Counterpart fund payment verification will be achieved through the Counterpart Fund Management System.

NOTE: None of the above procedures will replace or override or be overridden by any other procedures in this paper. Payment verification procedures are subject to change as the situation warrants.

E. ENVIRONMENTAL CONSIDERATIONS

The Bureau Environmental Officer (BEO) has determined that AMIP qualifies for a categorical exclusion based on the applicable criteria contained in Section 216.2 of AID Environmental Procedures. The BEO's determination is contained in Annex F).

Table 2: DETAILED ILLUSTRATIVE PROJECT BUDGET

	FY 1992 PY 1	FY 1993 PY 2	FY 1994 PY 3	FY 1995 PY 4	FY 1996 PY 5	Total
1. TECHNICAL ASSISTANCE						
a) Organization Development Specialist (COP)	200,000	220,000	242,000	266,200	-----	928,200
b) Market Information/Research Specialist	200,000	220,000	242,000	266,200	-----	928,200
c) Business/Finance Management Specialist	200,000	220,000	242,000	266,200	-----	928,200
d) Banking/Trade Finance Specialist	200,000	220,000	242,000	266,200	-------	928,200
b) FSNPSC Assistant-Banking	12,000	13,000	14,000	15,000	16,000	70,000
c) FSNPSC Assistant-Trade/Finance	------	13,000	14,000	15,000	16,000	58,000
e) 8 p/m Short-Term TA @10,000/year[1]	80,000	90,000	100,000	120,000	-----	390,000
f) Overseas Training[2]	50,000	60,000	70,000	80,000	-----	260,000
g) AMF: Development Costs	50,000	-----	-----	-----	-----	50,000
Total - Item 1	$992,000	$1,056,000	$1,166,000	$1,294,800	$ 32,000	$4,540,800
2. COMMODITIES						
a) Computers (2)	10,000	-----	-----	15,000	-----	25,000
b) Typewriter (1)	1,500	-----	-----	2,000	-----	3,500
c) Furniture	30,000	-----	-----	15,000	-----	45,000
d) Vehicles (2)	60,000	-----	-----	70,000	-----	130,000
e) Photocopy Machine	12,000	-----	-----	13,000	-----	25,000
Total - Item 2	$ 113,500	-----	-----	$ 115,000	-----	$ 228,500
3. AG MARKETING LOAN GUARANTEE FUND						
Total - Item 3	-----	$2,000,000	$2,000,000	$2,000,000	-----	$6,000,000
4. COMMODITY SUPPORT (GOG)						
a) Computer	5,000	-----	-----	7,000	-----	12,000
b) Vehicle	30,000	-----	-----	34,500	-----	64,500
c) Vehicle Operating Costs (Driver/Maintenance)	5,000	6,000	7,000	8,000	9,000	35,000
d) Local Travel	2,000	2,500	3,000	3,500	4,000	15,000
Total - Item 4	$ 42,000	$ 8,500	$ 10,000	$ 53,000	$ 13,000	$ 126,500
5. PROJECT MANAGEMENT						
a) Project Manager	200,000	220,000	242,000	266,200	292,800	1,221,000
b) Secretary	5,500	6,000	6,500	7,000	7,500	32,500
Total - Item 5	$ 205,500	$ 226,000	$ 248,500	$ 273,200	$ 300,300	$1,253,500

AMIP Table 2: DETAILED ILLUSTRATIVE PROJECT BUDGET

	FY 1992 PY 1	FY 1993 PY 2	FY 1994 PY 3	FY 1995 PY 4	FY 1996 PY 5	Total
6. AGRICULTURAL MARKETING FOUNDATION						
(a) AMF Recurrent Costs						
-Executive Director	18,000	19,000	20,000	21,000	22,000	100,000
-Director Admin & Finance	15,000	16,000	17,000	18,000	19,000	85,000
-Director	15,000	16,000	17,000	18,000	19,000	85,000
Information/Research/Analyses	15,000	16,000	15,000	18,000	19,000	85,000
-Director Training and Outreach	12,000	13,000	14,000	15,000	16,000	70,000
-Chief Accountant	8,000	9,000	10,000	11,000	12,000	50,000
-Accountant	16,500	18,000	19,500	21,000	22,500	97,500
-Secretaries (3)	10,000	11,000	12,000	13,000	14,000	60,000
-Specialist: Info-Research-Analysis	10,000	11,000	12,000	13,000	14,000	60,000
-Specialist: Training and Outreach	10,000	11,000	12,000	13,000	14,000	60,000
-Specialist: Admin Assistant	4,000	4,500	5,000	5,500	6,000	25,000
-Drivers (2)	3,000	3,500	4,000	4,500	5,000	20,000
-Guards (2)	1,500	2,000	2,500	3,000	3,500	12,500
-Planton (1)	34,500	37,500	40,000	43,500	47,000	202,500
-Fringe Benefits, Taxes etc. 25%	20,000	25,000	30,000	35,000	40,000	150,000
-Contingencies						
Sub-Total - 6(a)	$ 192,500	$ 212,500	$ 230,000	$252,500	$275,000	$1,102,500
(b) AMF: Operations	24,000	24,000	26,000	26,000	26,000	126,000
-Office Rent	12,000	14,000	16,000	18,000	20,000	80,000
-Utilities	5,000	6,000	7,000	8,000	9,000	35,000
-Telefax Installation	6,000	7,000	8,000	9,000	10,000	40,000
-Building Maintenance	12,000	14,000	16,000	18,000	20,000	80,000
-Office Supplies	6,000	7,000	8,000	9,000	10,000	40,000
-Vehicle Maintenance	18,000	21,000	24,000	27,000	30,000	120,000
-International Travel (3 roundtrips)	12,000	14,000	16,000	18,000	20,000	80,000
-Information Costs (overseas)	12,000	14,000	16,000	18,000	20,000	80,000
-Roundtables, Seminars, Training	2,000	2,500	3,000	3,500	4,000	15,000
-Board of Directors Fee	7,000	13,000	14,000	16,000	18,000	68,000
-Local Consultants	3,000	3,500	4,000	4,500	5,500	20,500
-Equipment Repair and Maintenance	20,000	23,000	25,000	30,000	35,000	133,000
-In-Country Training	-----	20,000	-----	30,000	35,000	85,000
-Audits	20,000	25,000	30,000	35,000	40,000	150,000
-Contingencies						
Sub-Total - 6(b)	$ 159,000	$ 208,000	$ 213,000	$270,000	$ 302,500	$1,152,500

AMIP Table 2: DETAILED ILLUSTRATIVE PROJECT BUDGET

	FY 1992 PY 1	FY 1993 PY 2	FY 1994 PY 3	FY 1995 PY 4	FY 1996 PY 5	Total
(c) Service Center						
-Telephone-Fax	6,000	6,900	7,950	9,150	10,500	40,500
-Photocopy Machine	5,000	-----	6,500	-----	7,500	19,000
-Computer (1)	5,000	-----	6,500	-----	7,500	19,000
-Typewriter (1)	1,000	-----	1,500	-----	2,000	4,500
-Telephone Operator	2,400	2,800	3,200	3,700	4,200	16,300
-Secretary	3,600	4,000	4,400	4,800	5,200	22,000
-Planton	1,200	1,400	1,600	1,500	2,100	7,800
-Supplies etc.	5,000	5,800	6,600	7,600	8,750	33,750
-Contingencies	5,000	5,000	5,000	5,000	5,000	25,000
Sub-Total - 6(c)	$ 34,200	$ 25,900	$ 43,250	$ 31,750	$ 52,750	$ 187,850
Sub-Total - 6(a+b+c)	$ 385,700	$ 446,400	$ 486,250	$ 546,250	$ 630,750	$2,502,850
(d) AMF Endowment						
Sub-Total - 6(d)	-----	-----	$6,000,000	-----	-----	$6,000,000
Total - Item 6(a+b+c+d)[3]	$ 385,700	$ 446,400	$6,486,250	$ 546,250	$ 630,750	$8,502,850
7. AUDITS, EVALUATIONS (EXTERNAL)	-----	75,000	-----	75,000	75,000	$ 250,000
8. CONTINGENCIES	50,000	25,000	25,000	25,000	25,000	$ 100,000
GRAND TOTALS[4] (Items 1+2+3+4+5+6+7+8)	$1,800,700	$3,836,900	$9,935,800	$4,381,300	$1,368,900	$21,002,150
PROJECT BUDGET GRAND TOTAL[5]	$1,800,700	$3,836,900	$9,935,800	$3,835,000	$ 738,200	$19,824,650

Notes:
[1]Training in Business Law; Market Research; and Agribusiness Development.
[2]Short-term training only. The participant will contribute 35% of training cost.
[3]Item 6: $$ amounts will be provided in Guinea Francs by the GOG.
[4]All Budget figures are rounded to the nearest 100.
[5]Shaded areas of Budget represent AMF costs to be paid out of interest earnings from the Endowment Fund. These "windfall" amounts are, therefore, segregated from the Project Budget Totals.

TABLE 3: AMIP Budget By Fiscal/Project Year

	FY 1992 Project Year 1	FY 1993 Project Year 2	FY 1994 Project Year 3	FY 1995 Project Year 4	FY 1996 Project Year 5	TOTAL
A. **AID Funding**						
►TA/Project Mgmt Commodities/Audit/Eval	$ 1,000,000	$ 2,000,000	$ 1,000,000	$ 1,000,000	$ 1,500,000	$ 6,500,000
►Loan Guarantee Fund	-----	2,000,000	2,000,000	2,000,000		6,000,000
Sub-Total A	**$ 1,000,000**	**$ 4,000,000**	**$ 3,000,000**	**$ 3,000,000**	**$ 1,500,000**	**$12,500,000**
B. **GOG Funding***						
►AMF Recurrent Costs	$ 500,000	$ 500,000	$ 500,000	------	-----	$ 1,500,000
►Endowment Fund	-----	-----	$ 6,000,000	------	-----	6,000,000
Sub-Total B	**$ 500,000**	**$ 500,000**	**$ 6,500,000**	------	-----	**$7,500,000**
PROJECT TOTAL (A+B)	**$ 1,500,000**	**$ 4,500,000**	**$ 9,500,000**	**$ 3,000,000**	**$ 1,500,000**	**$20,000,000**

*The GOG will provide the Guinean Franc equivalent of these dollar amounts.

TABLE 4: AMIP Methods of Implementation and Financing

AID FUNDING	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	AMOUNT
Technical Assistance Project Mgmt.	Direct AID Contract, PSCs, Purchase Orders	Direct Payment, Letter of Credit	$ 5,000,000
Training	Direct Contract, PIO/Ps, PSCs, Purchase Orders	Direct Payment, Letter of Credit	$ 337,000
Commodities	Direct AID Contract, Purchase Orders	Direct Payment	$ 237,000
Audits/Evaluations	IQCs, Contract	Direct Payment	$ 300,000
Contingencies	N/A	N/A	$ 625,000
Loan Guarantee Fund	Treasury Deposit In Federal Reserve	Grant To GOG	$ 6,000,000
GOG FUNDING*			
AMF Recurrent Costs	Funded by CFMS with AMF's implementation	GOG Counterpart Funds	$ 1,500,000
AMF Endowment	To be managed by AMF committee	GOG Counterpart Funds	$ 6,000,000
		TOTAL	$20,000,000

*The GOG will provide the Guinean Franc equivalent of these dollar amounts.

IV. PROJECT IMPLEMENTATION

A. IMPLEMENTATION PLAN AND SCHEDULE

AMIP is an innovative project, one of the first of its kind in Africa, where an attempt will be made to (a) create a private sector institution, the Agricultural Marketing Foundation, to support the agricultural marketing and agricultural business activities in a nascent and emerging free marketing economy and (b) an Agricultural Marketing Loan Guarantee Fund (AMLGF). There is little experience in Africa in setting up these kind of institutions in the private sector; steering completely away from the public sector. Hence the major efforts of project implementation will have to be concentrated on these two components.

1. Launching the Foundation

The Mission has already, on several occasions over the past year, brought together the principal actors in the agricultural marketing and export sector to dialogue and 'brain storm' on the primary constraints facing the sector and to identify viable options that will effectively address these constraints. It was during these sessions, in which more than 30 private sector operators participated, that the idea of forming a private sector institution---an agricultural marketing foundation--- was initiated and discussed in detail. Because of the keen interest displayed at these sessions, a smaller working group was formed by the participants to promote and develop the idea further, draw up a draft charter of the Foundation and ultimately register it with the GOG under the Guinean law as a not-for-profit NGO. USAID has agreed to provide the following support to the working group:

(a) Financial support to disseminate the idea of the Foundation among the private sector operators in six major towns and cities; to identify and target potential members; to obtain additional input, from private sector operators, that will aid in refining the structure, functions of the Foundation; and to identify and define potential revenue sources for the foundation, e.g., membership fees and user fees. At the end of this field activity, the working group will organize a meeting of the potential members to review the draft charter and to complete the requirements for registration and the launching of the foundation.

(b) Technical assistance in the form of a Guinean law firm that will advise the working group on the legal aspects of establishing and registering the foundation as a non-profit NGO. The law firm will also assist in finalizing the Foundation charter in consultation with the working group.

Both these actions have been initiated and will be completed in the near future. Simultaneously with these efforts, USAID/Guinea has also shared the idea of the foundation and loan guarantee fund with three principal Ministries associated with agricultural marketing and agribusiness activities: Ministry of Foreign Affairs and International Cooperation; Ministry of Plan and Finance, the Ministry of Agriculture and Animal Resources and the Ministry of Industry and Small and Medium Enterprises Promotion. The idea was well received and was accepted in principle.

The Governor of the GOG Central Bank has also expressed great interest and explicit support for the AMLGF. The Borrower/Grantee request letter, attached as Annex I, formally confirms this interest.

It is anticipated that during the first three months of project implementation, Guinean private sector actors will have formed into a Foundation Sponsorship group of charter members, which has: (a) registered the AMF as a legally constituted NGO under the Guinea laws; (b) recruited membership; and (c) elected a president, vice president and a Board of Directors. The Project Agreement will require that USAID and the GOG sign a memorandum of understanding (MOU) with the AMF to provide technical assistance, training and commodities directly to the foundation as well as provide operating costs for Pys.1, 2 and 3. If the project evaluation at the end of PY 2 so recommends, the GOG will fund an Endowment to ensure sustainability of the foundation, and will transfer up to $6 million from the CFMS in PY 3. Finally, the Foundation will sign a contract with the GOG CFMS to establish funding of the first three years of operating costs.

In the event the Foundation is not formally established and registered as an NGO prior to arrival of the TA team, that team will work with the sponsorship group to finalize the details and charter of the Foundation, leading to its registration as a NGO and election of Board of Directors and other office bearers. Grant funds have been allocated for this contingency (Foundation Development and Support costs).

Once the Foundation is established under one of the two scenarios, the TA team will have the primary responsibility, along with the founding members, to operationalize the Foundation. This will include staffing the foundation with the approval of Board of Directors, setting up operating rules and procedures and initiating various activities as described earlier in the section "project components"; including requesting counterpart funds on behalf of the Foundation.

In PY 2, the TA team will prepare a detail proposal for setting up an Endowment, including identification of a commercial bank to manage the Endowment fund. USAID will work with the GOG to ensure timely transfer of counterpart funds to the Endowment, based on the results of the project evaluation at the end of PY 2.

2. Establishing the Loan Guarantee Program (AMLGF)

Establishing a loan guarantee fund, standing along side the Foundation is an essential element of the project strategy to accomplish improved financial intermediation and provide increased access to credit for agricultural marketing and agribusiness activities on an equitable basis. $6 million of the grant funds are allocated for this purpose.

The Banking and Trade Finance Specialist to be provided under the long term TA, working with the Central Bank of Guinea and the Guinean employees of the institutional contractor who form the AMLGF staff, will be responsible for advising on putting the guarantee fund in operation, drawing up comprehensive details of the operation of the fund, identifying the Facing Bank and participating banks. The

Banking and Trade Finance specialist will work with the Facing Bank and participating banks once the Fund is established and the Facing Bank is selected. He will guide the AMF to ensure financial and economic integrity of the loan proposal feasibility studies and business proposals prepared with the assistance of AMF and submitted to the banks and the Credit Committee for loan guarantee consideration.

It is expected that the loan guarantee program can become operational even before the Foundation becomes fully functional. It is likely that there will be bankable and credit worthy proposals seeking loan guarantee. Therefore to deliver a pay load early in the project and sustain interest and assist those with credit worthy proposals for agribusiness and export ventures, implementation of the loan guarantee program will not be contingent upon the Foundation being fully operational. This approach is in conformity with the phased implementation of the project discussed elsewhere.

3. Host Country Implementing Agency

The Project Grant Agreement will be signed with the GOG. In the Grant Agreement, the GOG will commit support to the establishment and functioning of the Foundation, as evidenced by its willingness to register the AMF as a non-governmental organization which will be a Performance Indicator for the FY1992-1994 P.L. 480 Title III Program commodity shipment in FY93 and a CP to in the Project Grant Agreement. GOG commitment to the AMF will also be indicated as it has agreed to provide counterpart funds for AMF operating costs for the first three years of the Project which is also a CP to the Project Grant Agreement. Finally pending concurrence from USAID, the GOG will provide further counterpart funds for an Endowment, which will provide interest income to the Foundation to meet its operating costs in subsequent years. It is anticipated that the counterpart funds will come from the CFMS which manages the local currency generated by commodity sales of the P.L. 480 program. USAID concurrence will be based on the results of a project evaluation, that will be conducted at the end of PY 2 and no later than 18 months of the arrival of the TA team, to assess the viability of the Foundation. The allocation of the Endowment by the GOG from P.L. 480 counterpart funds will be a Covenant in the Project Grant Agreement and a Performance Indicator for the FY1992-1994 P.L. 480 Title III Program commodity shipment in FY94.

The Government will further agree to the establishment of a loan guarantee fund called AMLGF, with $6.0 million provided by the USAID grant. The GOG's commitment to approval of the AMLGF is a CP to the Project Grant Agreement and the continuation of use of any and all funds remaining in the AMLGF at PACD to fund investments related to the AMIP project purpose is a covenant. Finally, the GOG will recognize the predominant role of the Foundation and the Fund in implementing the project. The GOG will participate on the Board of Trustees.

Initially, the Ministry of Agriculture and Animal Resources (MARA) will be the GOG entity associated with project implementation. After the Agricultural Marketing Foundation is established, this private sector entity will be the implementing agency of the project. The AMLGF will be managed by the AMLGF staff working under the Credit Committee (see p. 33 - Qualifying Loans). The

Foundation will be linked to the Fund as the Executive Director will be a member of the Credit Committee and the AMF and AMLGF staffs will collaborate as necessary. The Board of Trustees will have general responsibility and authority over the AMF.

A sub-agreement (or a Memorandum of Understanding) will be signed by the GOG, USAID and the Foundation (or the Board of Trustees) which delineates mutual obligations and responsibilities relating to the operation of the Foundation, oversight roles and safeguarding its resources, especially the Endowment. The sub-agreement/MOU will be an integral part of the Project Agreement. The MOU will form the basis of the contract which will be signed between the Foundation and the CFMS.

4. Procurement of Technical Assistance

Technical assistance for the project will be contracted through full and open competition among U.S. private sector institutions (business management consulting firms, Agribusiness and Marketing Associations, Agribusiness Firms, etc.) experienced in organizing and promoting agribusiness private sector development in Africa and other developing regions. Special emphasis will be placed on the institution's track record in supporting the establishment of successful agribusiness institutions and ventures; working with credit and loan guarantee programs; and proven abilities to access and use information on commodities markets for tropical produce. The TA contractor will be responsible for supporting the implementation of all activities proposed in the project, except audits and external evaluations.

5. Phased Implementation Strategy

Given the pace of development work in Guinea, the limited pool of human resources available in Guinea and the innovative nature of key components, the project will be implemented in a phased manner.

Phase one will last approximately 12-18 months and will emphasize: (1) capacity building at the Foundation, Facing Bank, BCRG, and other actors to serve the needs of the project implementation; (2) support for the project beneficiaries, including training, to build skills to identify and exploit market opportunities; (3) undertaking certain studies and analyses required to define the nature of activities to be undertaken, including the Bumpers and Lautenberg amendment restrictions; and (4) developing necessary organizational and systems manuals for operating the AMF, clarifying position responsibilities and authorities and setting up sound policies regarding cost-sharing activities, financial operations and reporting. Phasing will also extend to the recruitment of AMF staff and developing its operations on a rational and cost effective base. Staff will be gradually recruited in a phased manner. The ultimate objective is to create an organization which could be sustained cost-effectively. However, to deliver a payload which sustains interest and assists those investors who might seek credit for agribusiness and export ventures, the project will facilitate extension of guarantees for credit through the AMLGF during this phase.

Phase two will follow the capacity building phase, while continuing its activities, and will gradually facilitate a reorientation of support and finance for medium and longer term investments. Principal activities in this phase will be training clientele and financial institutions and provision of information and expanded technical assistance.

6. Implementation Schedule

The following is an illustrative implementation schedule:

1. Follow up Actions Post Agreement Signature

a) Fulfillment of C.Ps 1.2	July-August 92
b) Agribusiness profile survey	August 92
c) Formation of AMF ad-hoc committee	August 92
d) Preparation of charter	August-Sept 92
e) Registration of AMF as NGO	Oct-Nov 92

2. Pre-implementation Studies

a) European Markets	Oct 92 - Jan 92
b) Bumpers/Lautenberg Amendments	Oct 92-Jan 93
c) AMLGF Procedures and Manuals	Oct 92-Jan 93

3. Project Management Services

a) Draft - Finalize PIO/Ts	August 92
b) Position announcement	August 92
c) Recruitment - Placement	Sept-Nov 92
d) Procurement of commodities	Oct 92

4. Technical Assistance Contract

a) Draft - Finalize PIO/T	August 92
b) Prepare and Transmit RFP	Sept 92
c) Advertise RFP	Sept 92
d) TA Selection	Dec 92 - Jan 93
e) TA arrival	Feb-March 93

5. Board of Trustees Established — Oct 92-Jan 93

   a) USAID convenes planning meeting with BCRG

   b) Nominations requested

   c) BOT constituted: AMF represented by ad-hoc committee President

6. Establishment of AMLGF

   a) Cps Fulfilled by GOG — Dec. 92-Jan 93
   b) Fund Account set up FRB/NYC — Jan-Feb 93
   c) Facing Bank selected — Jan-Feb 93
   d) Participating Banks selected — Feb-March 93

7. Establishment of AMF

   a) Ad Hoc committee launches membership drive — Aug 92 - Sept 92

   b) Ad hoc committee sets up a separate bank account to deposit membership dues — Sept 92

   c) Membership Roster completed — Dec 92

   d) General body meeting convened to determine election schedule — Dec 92

   e) Elections take place — Jan-Feb 93
   Ad hoc committee communicate the names of AMF office bearers.

8. Transfer of Counterpart Funds to AMF

   a) AMF sets up separate account for counterpart funds (CPF) — Feb 93

   b) AMF in collaboration with TA prepares budget and requests CPF — Feb 93

   c) First installment transferred — March 93

9. Processing of Loan Guarantees (AMLGF)

a) Begin receiving applications — March 93

b) First application processed — March/April 93

7. DFA Implementation Plan

Pursuant to the legislation which established the Development Fund for Africa and subsequent guidelines on procurement developed and instituted to implement that legislation, the source/origin for all major procurement under this project will have geographic code 899 for Foreign Exchange costs and Guinea for all Local Currency costs.

In accordance with DFA procurement guidelines, US procurement will be maximized. Long-term technical assistance [$4,845,500] will be from the U.S. and training in the U.S., third countries and in Guinea will be funded in the amount of approximately $471,000. Commodities procured for the Project[$355,000], primarily vehicles and office equipment, are anticipated to be from code 935, in order to obtain adequate service and compatibility with local operating conditions.

Input	Dollar amount	Anticipated source
Long-term TA	$4,845,600	U.S.
Training	$471,000	code 935
Commodities	$355,000	code 935
PSCs	$1,253,500	U.S.

B. MONITORING, EVALUATION AND AUDITS

1. M&E Purpose and Strategy

An innovative project of this nature will require close monitoring and critical periodic reviews and evaluations. Monitoring will be done at two levels. At the level of project implementation, USAID will frequently assess the progress in the operations of the Foundation and the Fund. This will be done through monthly meetings with the Foundation and the Fund during an initial period, which can be done on a quarterly meetings basis as implementation progresses. USAID's Rural Development Officer and the PSC Project Manager will be in frequent contact with the implementing agencies and the TA team. They will provide Mission guidance in resolving problems. The AMLGF staff will report to the USAID/RDO and PSC Project Manager.

Two external evaluations are planned. The first one will take place at the end of year two or no more than 18 months after the arrival of the TA team. This evaluation will focus on the following: project implementation, progress made on establishment and functioning of the AMF and AMLGF, quality of technical assistance; commitment of the GOG to the concept of privatization as demonstrated by prompt allocation of counterpart funds and implementing appropriate policies and reduced complexity of trade and export regulations. This evaluation will recommend steps and procedures for improved project implementation and mid-course corrections necessary to achieve project purpose. Since the project is based on radical and innovative approaches to the development of agricultural marketing and agribusiness, based on private sector institutions and initiatives, the evaluation will assess critically the feasibility of the two concepts, AMF and AMLGF, as principal vehicles contributing to the achievement of the project outputs and purpose. This evaluation will be particularly important because the establishment and funding of the AMF Endowment in PY 3 is conditioned on the evaluation determining if the Foundation is well-established operationally and if its track record, at that point in time, is credible and indicates that is likely to succeed or continue as a viable entity. The GOG will take into account the evaluation results in deciding whether it will make the Endowment and USAID will approve that decision in a PIL.

A final, threshold, evaluation will take place at the end of year four. It will assess the project progress especially in terms of the sustainability of AMF and AMLGF, progress in achieving project outputs and recommend steps to improve project implementation, including steps to consolidate the achievement, and will recommend the desirability of a follow-on phase and required changes on the design and approach, including the adoption of other investment financing mechanisms.

In addition to the two external evaluations the project will conduct two comprehensive internal reviews to resolve problems and ameliorate constraints on a timely basis and advise/recommend improvements in project implementation and operation of the AMF and AMLGF.

First review will be conducted at the end of the six months after the arrival of the TA team and the second review will be conducted six months after the submission of first external evaluation report. Participants in these reviews will be USAID, AMF and the banks implementing the loan guarantee. Both reviews will drawn upon the expertise available through the AFR/ONI office and the AID/PRE Bureau. These reviews are essential given the innovated approaches in this project and lack of relevant experience in Africa in implementing these approaches.

2. Impact Indicators and Measuring Progress

Project progress will be measured using the following indicators developed for program impact assessment:

- ✓ increases in agricultural exports for selected commodities and markets;
- ✓ increases in the estimated production of specific commodities;

✓ increases in the use of key agricultural inputs; and

✓ decreases in margins between prices in rural and urban markets.

Production and agricultural input measures are proxies used to measure market activity on the assumption that AMIP will provide a demand-pull, inducing greater output. Marketing margins are a measure of market efficiency. Additional impact indicators, and end of project status for these indicators, are identified in the Project LogFrame (Annex A), and will be reviewed and revised, as appropriate, throughout project implementation. The project may commission specific baseline impact.studies as necessary.

3. Audits

Audits and financial reviews of the expenditure of grant funds for TA, commodity and training procurement and loan guarantee funds will be conducted in years 2 and 4. These will be external audits conducted by qualified local and expatriate firms. Two external audits at the end of the second and fourth years will be funded by the project to assess financial management at the foundation, management of the endowment and the guarantee fund. Audits of the PL-480 counterpart funds expenditure will be conducted by the CFMS and local firms contracted by AMF. USAID will organize the external evaluations and audits in coordination with the AMF and the Board of Trustees. In accordance with the Project Agreement, Annex 2, Section B.5.(c), the BCRG shall undertake and submit to USAID, annual audits of the AMLGF. In accordance with that same Annex 2, Section B.5.(e), the Grantee shall submit to USAID a plan by which all sub-recipients of grant funds in excess of $25,000 per calendar year (A.I.D. direct contracts, PIO/P's, purchase orders, etc.) will be audited.

V. CONDITIONS PRECEDENT AND COVENANTS

The Project Agreement for the Agricultural Marketing Investment Project shall contain, in substance, the following Conditions Precedent and Covenants, except as A.I.D. may otherwise agree in writing:

The Project Agreement for the Agricultural Marketing Investment Project shall contain, in substance, the following Conditions Precedent and Covenants:

1. Conditions Precedent to Disbursement

First Disbursement. Prior to the first disbursement under the grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and

that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.3. of the Project Amendment, and or any additional representatives, together with a specimen signature of each person specified in such statement;

Disbursement for Technical Assistance. Prior to the first disbursement under the grant for technical assistance, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

[a] A memorandum, certified by the Grantee, including legal counsel, setting forth all requirements, necessary documentation, or any other prerequisites for the registration of the Agricultural Marketing Foundation as a local non-governmental organization pursuant to the laws and regulations in effect in the Republic of Guinea.

Disbursement for Commodity Procurement for the Grantee. Prior to the first disbursement under the grant for commodity procurement for the Grantee, or to the issuance by A.I.D.of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

(a) Evidence that within ninety (90) days of receipt of an application for registration of the Agricultural Marketing Foundation as a local non-governmental organization, pursuant to the documentation submitted under section 4.2 above, the Grantee has issued a registration of the Foundation as a local non-governmental organization; and

(b) Evidence that the Grantee will provide local currency for the operating expenses of the Agricultural Marketing Foundation for three years in the amounts specified in Annex I (Amplified Project Description) of the Project Agreement embodied in approval of such funding under the 1992 Counterpart Fund Management Agreement.

Conditions Precedent to Disbursement for the Agricultural Marketing Loan Guarantee Fund. Prior to the first disbursement under the grant for the Agricultural Marketing Loan Guarantee Fund for $2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the BCRG has established a separate, non-commingled account with the Federal Reserve Bank of New York into which grant funds will be deposited

for the AMLGF reserve, together with written terms and conditions governing operation of the account; and

[b] The Statement of Operating Procedures (SOP) for the AMLGF, which will, inter alia, specify the responsibilities and authorities of all actors (USAID, Credit Committee, BCRG, Facing Bank, and Participating Bank(s)] as well as eligibility criteria for loans, reporting and audit requirements, penalties for non-compliance, procurement restrictions, including source/origin and cargo preference, and all other rules and procedures.

Condition Precedent to Second Disbursement for the Agricultural Marketing Loan Guarantee Fund. Prior to the second disbursement under the grant for the Agricultural Marketing Loan Guarantee Fund for $2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the AMLGF is being administered in accordance with the terms and conditions of the SOP for its operation, including administration of the blocked account by the BCRG.

Condition Precedent to Third Disbursement for the Agricultural Marketing Loan Guarantee Fund. Prior to the third disbursement under the Grant for the Agricultural Marketing Loan Guarantee Fund for $2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the AMLGF is being administered in accordance with the terms and conditions of the SOP for its operation, including administration of the blocked account by the BCRG.

2. Special covenants

Post-PACD Loan Guarantees. The Grantee shall agree, except as A.I.D. may otherwise agree in writing, that it will utilize any and all funds remaining in the AMLGF after the PACD to guarantee loans for agricultural marketing activities in accordance with the procedures and criteria established under this project.

Agricultural Marketing Foundation Endowment. The Grantee shall agree, except as A.I.D. may otherwise agree in writing, that it will provide the local currency equivalent of US $6 million for the establishment of an endowment for the Agricultural Marketing Foundation as further specified in Annex I (Amplified Project Description) to this Agreement, within 36 months after signing this Agreement.Conditions Precedent to Disbursement.

GUINEA AGRICULTURAL MARKETING INVESTMENT (675-0221)
PROJECT PAPER

ANNEXES

ANNEXES

A. Logical Framework
B. Institutional Analysis: The AMLGF
C. Economic Analysis
D. FAA Section 611(e) Certification
E. Statutory Checklist
F. Initial Environmental Examination
G. B/G Request for Assistance
H. PP Guidance Cable
I. Scopes of Work for Technical Assistance
J. Scope of Work Project Manager
K. CFMS Approval Process

Agricultural Marketing Investment Project
Logical Framework

	Objectives	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
GOAL	Increased Per Capita Income from Non-Mining Sources	1. Increase in real per capita non-mining GDP (growth rate), from~1.0% (est.) in 1991 to 2.8% in 1997 2. Increase in public investment for rural development from $17.8 million in 1990 to $26.8 million in 1997 3. Increase in private investment between 1990 and 1994 (%GDP) – Total: from 9.2% to 11.8% – Non-mining: from 5.3% to 7.0%	GOG and World Bank Reports GOG and World Bank Reports GOG and World Bank Reports	1. Minimal Civil Unrest Accompanying Transition to Participatory Government 2. Economic Stabilization and Adjustment Efforts Sustained 3. International Economic Stability and Growth in World Markets for Agricultural Products Renewed
PURPOSE	Growth and Increased Efficiency in Agricultural Markets	1. Increase in production between 1988/89 and 1996/97, of (tons): – rice: from 275,000 MT to 350,000 MT – coffee: from 12,000 MT to 25,000 MT – pineapples: from 18,000 MT to 40,000 MT – mangoes: from 43,000 MT to 60,000 MT – peanuts: from 44,000 MT to 60,000 MT – cola nuts: from 9,000 to 12,000 MT 2. Increase in agricultural exports by commodity and market between 1990 and 1997 ($US millions): – Europe: from $25 million to $100 million . coffee: from $20 million to $50 million . fruits and vegetables: from under $5 million to $30 million – Regional: West Africa . coffee: from $5 million to $8 million 3. Increase in use of key agric. inputs between 1988/89 and 1996/97: – Fertilizer and pesticide imports ($US): TBD – Land under cultivation: from 1.1 million ha to TBD	MARA, MCTT, World Bank and IMF reports MARA, MCTT, World Bank and IMF reports MCTT and World Bank reports	1. Export opportunities exist 2. Shortages of Land, Unskilled Labor and Production Technologies Are Not Binding Constraints to Increased Output. 3. Regulatory and Administrative Barriers Are No Longer Significant Inhibitors of Internal and External Commerce 4. Road Investments Lead to Decreases in Transport Costs

Agricultural Marketing Investment Project
Logical Framework

	Objectives	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
		4. Decrease in differential between rural/(semi-)urban prices for riceberween key markets (percentage difference): – Madina – Dalaba: TBD – Sinko – N'zerekore: " – Timbi Madina – Pita: " – Mamou Conakry: " – Kankan – Conakry: "	MCTT and USAID	
		5. Increase in competition among intermediaries for agricultural commodities (scale 1 – 10 with high score reflecting extensive competition): – Wholesalers: TBD – Retailers: " – Exporters: "	AMIP	
OUTPUTS	1. Establishment and functioning of a sustainable private sector institution: "Agricultural Marketing Foundation"	a. Annual revenues from Foundation clients exceed $150,000 by 1997	Foundation Records	1. Other USAID and World Bank Projects Improve Policy and Regulatory Environment for Agricultural Marketing Including Land Tenure and Contract Enforcement Practices
	2. Increased number of private sector operators trained in agribusiness and marketing	b. 150 clients attend Foundation sponsored workshops on policies, financing, accounting, management, etc.	Foundation Records	2. Other USAID and World Bank Projects Contribute to Lowering Costs of Agricultural Marketing
	3. Increased availability of reliable and timely market information	c. 25 clients per year referred to financial intermediaries by 1997	Foundation Records	
		d. 50 clients per year assisted in contacts with foreign buyers by 1997	Foundation Records	
		e. 15 policy or market studies published	Foundation Records	
	4. Increased capacity of private commercial banks to review loan proposals for financial, economic and technical viability	f. 10 banking staff trained	AMIP	

Agricultural Marketing Investment Project
Logical Framework

Objectives	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
5. Increased number of agricultural marketing and agribusiness feasibility studies	g. 15 feasibility studies commissioned by Foundation clients	Foundation Records	
6. One–Stop Business Service Established and Functioning	h. 200 clients per year use office or communication services by 1997	Foundation Records	
7. Establishment and functioning of a loan guarantee fund	i. 25 agricultural export loan guarantees provided j. Increase in private sector lending through participating Banks ($ US): – Large enterprises: $4 million, 35% female – Medium and small enterprises: $6 million, 50% female	Fund Records Participating Bank records and special studies	
	k. Sustained high repayment rates by AMIP borrowers: – Large enterprises: 90% – Medium and small enterprises: 90%	Facing and participating bank records	
8. Increased number of new or revitalized agricultural export enterprises, agribusinesses, agricultural marketing support ventures	l. 25 – 30 operations established or reinvigorated m. Increase in employment by AMIP–assisted firms (numbers of jobs created): – Large enterprises:150, 35% female – Medium and small enterprises: 350, 50% female	Foundation records and special studies Foundation records and special studies	

Agricultural Marketing Investment Project
Logical Framework

Objectives	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
1. Technical Assistance	DFA: $4,280,800	Program Office, Counterpart	Counterpart Funds from PL-480
a. Long term	DFA: $3,840,800	Fund Management System,	Multi-Year Program budgeted
b. Short term	DFA: $390,000	External Audits	for AMIP
c. AMF Development Costs	DFA: $50,000		
2. Training	DFA: $260,000		
3. Commodities	DFA: $355,000		
4. Project Management (PSC)	DFA: $1,253,500		
5. Audits & Evaluations	DFA: $250,000		
6. Contingencies	DFA: $100,000		
7. Loan Guarantee Fund	DFA: $6,000,000		
USAID Funding, Sub-total	DFA: $12,499,300		
8. Agricultural Marketing Foundation, Recurrent Costs	CPF: $2,502,850 equivalent		
a. Personnel	CPF: $1,162,500		
b. Operations	CPF: $1,152,500		
c. Service Center	CPF: $187,850		
9. Foundation Endowment	CPF: $6,000,000		
Host Country Funding, Sub-total	CPF: $8,502,850		
GRAND TOTAL	$21,002,150		

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ANNEX B.1

INSTITUTIONAL ANALYSIS: The AMIP Project

Key Design Considerations

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Annex B.1

Institutional Analyses
Agricultural Marketing and Investment Project (AMIP)
Key Design Considerations of the AMIP Project

Technical analyses presented here is based on further refinement of ideas developed during the preparation of PID for the AMIP project. Discussion with the Guinean private sector involved in agribusiness activities (production for market, regional and overseas exports, processing and transformation, trade and transport of agricultural products; and distribution of agricultural inputs) has clearly established a strong need for a private sector institution to promote a range of agribusiness activities and serve as a forum for dialogue, and discussion of policy and regulatory issues essential to promote increased and efficient agribusiness activities. Similarly a critical need was evident from discussion with financial sector operators, for increased volume of credit to promote investment in agricultural marketing and export activities especially credit for possible exports, medium and long term investments.

Based on these two observations, this technical analyses recommends two innovative approaches to be considered in the design of the AMIP project. These are the establishment of a private sector institution called the Agricultural Marketing Foundation (AMF) and the Agricultural Marketing Loan Guarantee Fund (AMLGF). Key considerations in the design and establishment of the AMF and AMLGF are presented below. It should be noted that there are few of any examples of in setting up similar institutions in Africa. Development foundations set up in the Caribbean, except one, are somewhat unrelated to the kind of institution needed in Guinea. Therefore, the efforts required to establish and operationalize these two institutions will be hard and long, not withstanding the enthusiasm displayed by the private sector. The concept of AMF, its structure, illustrative functions and linkages with the Guarantee Fund are discussed below and illustrated in exhibits 1-4. Details of the establishment and operation of the Guarantee Fund are presented in Annex: B-2.

The concept of agricultural marketing to be employed in the project should be broad enough to include production, domestic, regional and export trade, processing and essential support activities and enterprises e.g.: transport, packaging and quality control.

The Agricultural Marketing Foundation

A. Purpose and Functions of the Foundation

The purpose of the Foundation (AMF) will be to promote growth and increased efficiency of agricultural markets. Growth is defined as increased volume of marketed agricultural commodities and increased production, processing, and related activities. The AMF will: (1) Assist the Guinean private sector to increase domestic and export marketing and (2) promote increased

investments in agricultural production, processing and related activities. Further, the AMF will provide a range of business services and serve as a forum for policy dialogue between the government and private sector in order to bring about GOG policy changes required for increased marketing of agricultural exports.

General functions of the Foundation will be to:

(1) promote the development of private enterprise, taking an aggressive and proactive stance in advancing the private sector's marketing of agricultural sector outputs and inputs and other related non-mining enterprise; and

(2) stimulate and galvanism Guinean agribusiness enterprises and associations to identify and take advantage of export marketing opportunities, both regional and overseas.

Specific actions to be undertaken by the Foundation will include:

(1) fostering dialogue between the government, donors, and private sector on policies, programs, rules and regulations affecting Guinean private sector and potential foreign investors, e.g., policies relating to enforcement of contracts, implementation of commercial codes, dialogue on the increased role of the private sector in enforcing standards of quality, weights and measures etc.

(2) activities to increase the capacity of producers' groups, and associations, and marketing, traders, and associations, e.g.; providing reliable marketing information to producers, processors and marketing entities on prices, demand, quality and importing country requirements: providing overseas market exposure etc.

(3) train entrepreneurs on relevant topics and conduct outreach activities to strengthen the participation (in the Foundation) of agribusiness entities located outside Conakry, e.g.; training and accounting, financial record keeping requirements of banks, seminars on export finance requirements, preparing feasibility studies and dossiers for guarantee loans, the role of the Foundation in supporting agribusiness activities.

(4) undertake feasibility studies on behalf of entrepreneurs to determine if a proposal is "bankable" in advance of loan request. This will be done on a fee-for-service or cost-sharing basis;

(5) facilitate communications between entrepreneurs (seeking credit) and credit institutions, and assist in the process of project.

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B. Organization and Structure of the Foundation

The following elements constitute the organizational structure of the Foundation

(a) Nature of Foundation
(b) Membership
(c) Board of Trustees
(d) Board of Directors
(e) Structure of the Foundatión
(f) Finances of the Foundation

(a) Nature of the Foundation:

The Foundation (see Figure 1) will be a not-for-profit private sector institution whose membership will be comprised of businessmen and businesswomen, planters, producer associations (e.g. potato-growers associations, national association of horticulturalists), agribusinesses, and trade-marketing exporter associations, (e.g., CLIFFEL) and Transporter Associations, involved in agricultural production, processing and marketing activities. A strong effort will be made to involve pro-business PVOs such as the Guinean Association of Business Women.

The concept and formation of the Foundation has been animated by USAID as an element of the AMIP PID and PP development process. With the assistance of a Guinean law firm, contracted by USAID, a small working group, composed several key actors in the agricultural marketing and export sector, have been involved in the process of: (a) developing a charter, which will draft appropriate statues and by-laws of the Foundation and delineates its structure, functions and operational procedures; and (b) reviewing the required legal framework for launching the foundation, including its registration, under the Guinean law, as a non profit NGO. The Foundation will be launched during the interim period between the signing of the Project Authorization and initial project implementation. The Foundation's formal registration will be a condition precedent to disbursement for the AMLGF.

(b) Membership

Membership of the Foundation will be open to any interested individuals; associations and private enterprises. A Board based membership, representing various sectors of ag. marketing activities (production, trade and export, processing transport and storage will be the ultimate goal of the Foundation. There will be two categories of membership: charter members and regular members. Charter members will be individual entrepreneurs, enterprises and associations which make a one time contribution of significant size and also pay annual membership dues. Regular members pay annual membership dues only. They can also become Charter members anytime upon payment of required contributions. The purpose of providing for charter membership is to encourage experienced and dynamic members of the private

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sector to take a leading role in the Foundation. However it should be ensured that charter members do not monopolize the Foundation to the neglect of regular members. Election and participation on the proposed board of Directors will ensure this (see item (d)).

It is anticipated that annual membership dues will be in the range of 50,000-75,000 GF for both regular and charter members. In addition, charter members will pay a one time fee in the range of 1.0 million GF.

(c) The Board of Trustees

The functioning of both the Foundation (and also the Fund will be overseen by a 5 member, over-arching Board of Trustees (BOT) (see Figure 1). Membership of the BOT will include both public and private sector entities in Guinea. The five members of the BOT will include a representative from each of the following entities: (a) BCRG; (b) Ministry of Agriculture (c) Chairman of BOD, AMF (d) a representation of the Ministry of Industry and (e) USAID.

The key functions of the Board of Trustees as they relate to the Foundation (and also the Fund) are to: (see Exhibit-2)

(a) safeguard the integrity of Endowment and Fund capital;

(b) formulate any policies necessary for the functioning of the AMF and AMLGF in accordance with the objectives for which they were set up.

(c) review and approve recommendations of the AMF Board of Directors relating to the operations of the Foundation;

(d) approve plans, budgets and annual reports of the AMF;

(e) provide independent overview of the activities of the Foundation and the Fund;

(f) recommend dissolution of the Endowment, the Foundation and the Fund for non-performance; and

In the performance of the oversight responsibilities, the Board of Trustees will be advised by three entities. They will be: (a) the entities managing the AMF Endowment and the Guarantee Fund; (b) a legal counsel; and (c) an external auditor. The legal counsel will be contracted on a retainer basis. The external auditors will be contracted on "as needed" basis and will conduct financial audits and management reviews and analyses of the Foundation and the Fund as requested by BOT from time to time. The funds for the legal and audit services will be provided by the AMF operating costs.

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(d) Board of Directors

A 9-member Board of Directors (BOD) will be elected principally from the Foundation's membership. Election to the Board of Directors will be held every two years. Members of the BOD will elect a chairman and a vice-chairman. Terms of chairman and vice-chairman will be co-terminus with the duration of the Board of Directors. It is anticipated that 3 seats on the BOD will be reserved for charter members to ensure that experienced agribusinesses (individuals/institutions/Firms) are represented on the BOD and to provide incentives for experienced firms and individuals to become charter members.
Charter member will be selected to sit on the Board on a rotating basis. Their duration will be the same as that of the Board of Directors. Methods or procedure for selection will be determined during the elaboration of the Foundation charter.

Principal function of the Board of Directors will be to oversee and guide the operations of the Foundation for the benefit of membership. Details are presented in Exhibit-3.

(e) Structure of the Foundation

The Foundation will be a lean and a streamlined institution. It will be headed by an Executive Director and structured around three operational units: (1) Information, Research and Analyses; (2) Training and Outreach; and (3) Finance and Administrative Services Unit.

The role of the Information, Research and analysis unit will be (1) to provide the membership with information on regional and overseas markets on demand, supply, quality, prices and import regulations. This information will be collected through existing published sources or thru special efforts (2) to assist the membership in planning and conducting projects feasibility analysis. While general information on export opportunities and overseas markets for Guinean products will be provided free of cost as a general service to members, specific feasibility studies to prepare investment dossier, requested by individual members, will be subject to a cost-sharing arrangement * upon to a maximum limit to be funded by the Foundation (for example a 25 percent contribution by the Foundation, up to a maximum of $10,000 equivalent in local currency for each individual feasibility study). Such limits appear necessary to ensure equity and spread of benefits equally among membership.

This unit will also be responsible for developing data bank on Guinean ag. marketing and export sector including information on commodity flows internally and externally (regional and overseas) and (3) researching special information needs based on specific demands from the membership.

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* Cost sharing arrangements for feasibility studies as well as overseas training will be finalized in the Foundation charter and operating procedures of the Foundation.

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The role of the training and outreach unit will be to (1) identify training needs of the AMF members (2) plan and implement specific training programs drawing upon the resources of TA, expertise available in local institutions (Banks, university, training centers, technical institutions and professional institutions); cost sharing arrangements for feasibility studies and overseas training will be formalized in the Foundations charter (3) develop and implement outreach activities to increase the level of support and participation in the Foundation of individuals and organizations, especially outside Conakry and (4) communicate regularly with the AMF membership, public at large, GOG institutions and donors, on progress and achievements of the AMF. Two types of training will be organized by the Foundation. In-country training and overseas training to provide opportunities for exposure to overseas markets, participation in trade fares, observation tours of successful export operations (Ghana: Pineapple exports; Cote d'Ivoire: Bananas Exports; Gambia: Fresh vegetable exports) and production centers.

In-country training will be offered free of cost to the membership. However, overseas training will be on a cost sharing basis*. The Foundation would provide a percentage of the overall cost of training subject to a maximum limit of $3,000 equivalent in local currency. Foundation may also coordinate with donors to obtain training funds to supplement Foundation's resources allocated for this purpose.

The finance and Administration unit (FAU) will be responsible for two basic functions (1) administering the day-to-day operations of the foundation, management of support personnel, logistics, procurement, support services etc. and (2) financial management of the Foundation. This will include responsibilities for budgeting, accounting, financial management and control systems and procedures. Additionally, FAU will also be responsible for the management of the Business Services Center to ensure its sustainability as an economically viable unit. A business Services Center (BSC) will be created in the Foundation, to help those small and medium size operators, who cannot afford to establish telephone, fax and computer services on their own. The proposed BSC will be equipped with a telephone, fax and a computer. The services will be provided on a cost basis to membership. Non-members will be charged on additional fee for 25% over the cost. Equipping the center will be contingent upon an assessment of demand and absence of similar facilities under one-roof, a convenience for members.

The Executive Director will be an employee of the Foundation and will be selected by the Board of Directors from among qualified Guineans on the basis of full and open competition. He/she will be responsible for the day-to-day management and operations of the foundation and will serve as Secretary to the BOD. The three units will be staffed by a Director, a specialist and support

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* see Footnote relating to cost-sharing arrangements on the previous pages.

staff. The Finance and Administrative Services unit will also include 2 accountants. (Figure 2 shows the organization and structure of the Foundation.). In addition, these units will be reinforced by the TA team, who will provide each unit with on-the-job and other appropriate training in required skill areas.

Foundation staff will be recruited on the basis of advertisements in local media and open competition. A selection committee will be established. It will consist of the Executive Director of the Foundation, a senior guinean staff of the Foundation and the COP, TA team. For each position a job description qualifications, and experience levels will be assigned. Candidate found acceptable will be recommended by the Executive Director to the Board of Directors for appointment.

Training to be conducted by the AMF will draw upon the African Regional and International institutions (e.g., the APDF), and other USAID project activities, e.g. HRDA.

(f) Financing the Foundation

A major concern in establishing an institution such as AMF would be its long term financial viability, especially in a least developed country like Guinea. Membership dues alone cannot provide sufficient resources to support the operations of the Foundation. Annual grants from either donors or the national government would be unreliable. If financial viability is not build into the establishment of the Foundation, its long term surviviality cannot be assured, not withstanding its need and potential to promote ag marketing and exports. Private sector in Guinea, especially the agribusiness sector, is not strong enough to provide financial support on its own. Therefore it is recommended that USAID provide an "Endowment Fund" whose interest earnings would provide the recurrent costs of operating the Foundation. It is further suggested that PL-480 counterpart funds be employed to establish an Endowment for the AMF. The AMF Endowment Fund will be managed by a commercial bank which will pay interest on the Fund balances. The capital of the endowment will not be drawn down for any activities. A board of trustees will be responsible for overseeing the management of the Endowment and its income.

In addition to the income provided by Endowment Fund, (a) annual and other membership due will be collected and (b) a schedule of fee for certain services offered by the Foundation will be established. However these sources of income will be insufficient to meet the recurrent costs. A serious effort should be made to canvass other donors to contribute to the capital of the Endowment Fund. However, this will not be possible perhaps until year-3 when the Foundation would be fully operational and demonstrates its potential.

It is estimated that an endowment of $5 to 6 million equivalent in local currency, earning an average interest rate of 15-20 percent would provide sufficient income to meet the operating

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costs of the foundation estimated to average $400,000 per year during the first five years of the project.

Technical Assistance to the AMF

There is a shortage of experienced and qualified individuals in Guinea to organize, operationalize and manage the proposed Foundation. The local staff to be recruited will need training and supervision in managing the Foundation and implementation its activities. Therefore long term technical assistance is critical for establishing and operationalizing the Foundation. It is recommended that long term technical assistance be provided in the following critical areas during the first four (4) years of the project.

a) Organization development
b) Market Research and Trade Information
c) Financial and Business Management

In addition, short term technical assistance in training, preparing project feasibility studies and other areas will be needed from time to time.

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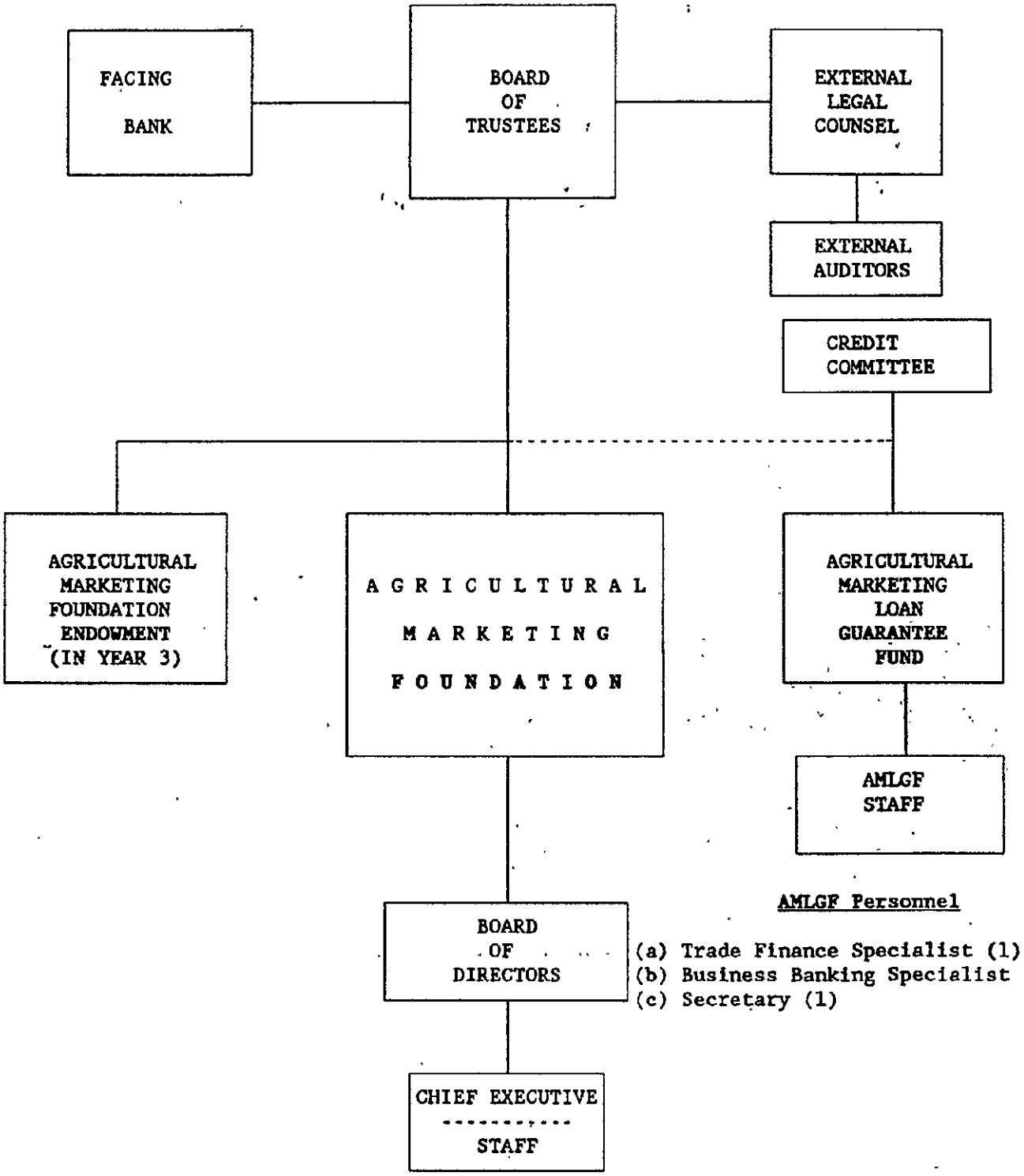
FIGURE 1

ORGANIZATION OF AGRICULTURAL MARKETING FOUNDATION AND AGRICULTURAL MARKETING LOAN GUARANTEE FUND

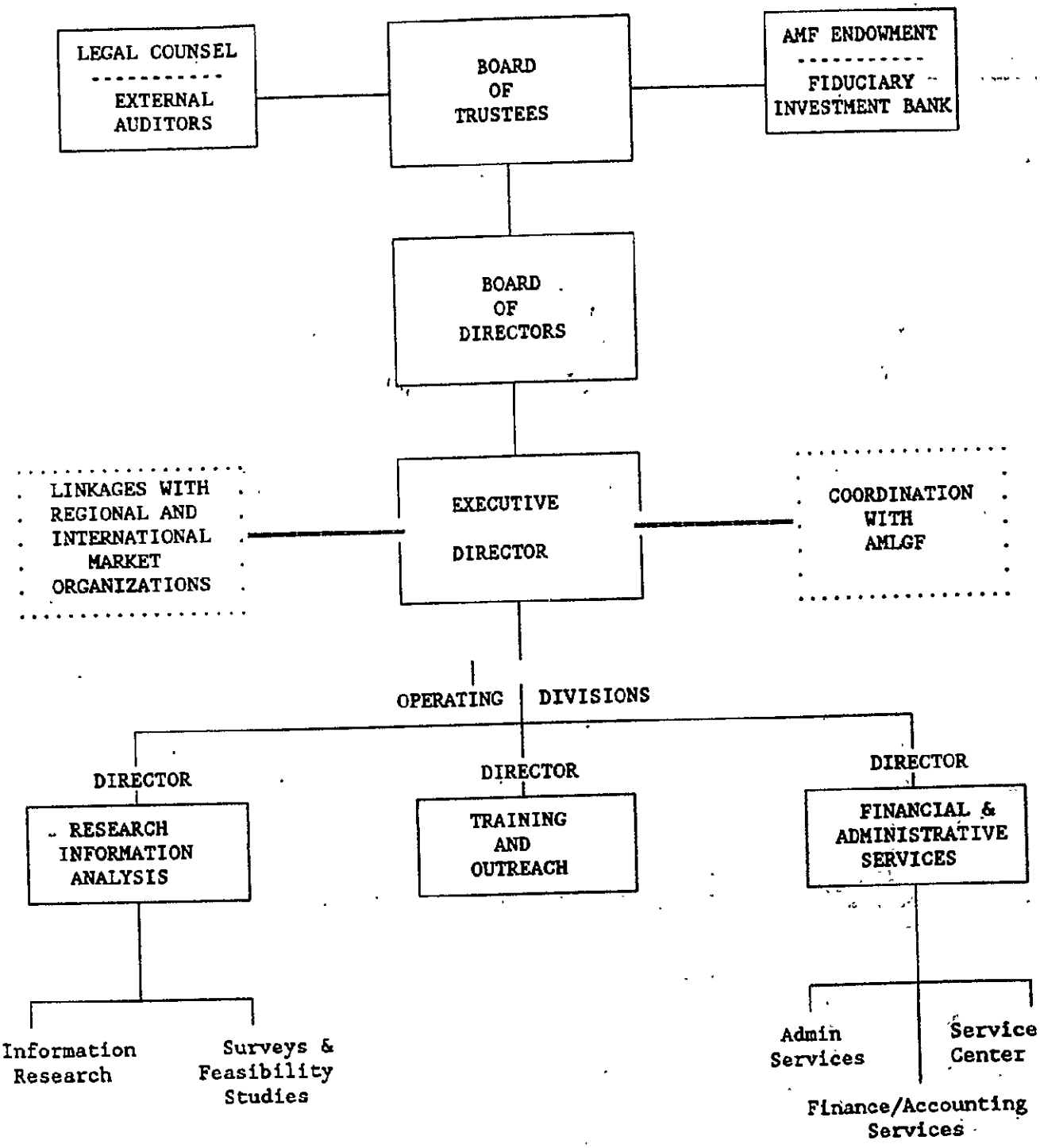


AMLGF Personnel

(a) Trade Finance Specialist (1)
(b) Business Banking Specialist
(c) Secretary (1)

FIGURE 2

ORGANIZATION OF AGRICULTURAL MARKETING FOUNDATION



Foundation Personnel

Research/Information/Analysis
(a) Director (1)
(b) Specialist (2)
(c) Secretary (2)
-- Planton (2)

Training & Outreach
(a) Director (1)
(b) Specialist (1)
(c) Secretary (1)
-- Drivers (2)

Financial/Admin Services
(a) Director (1)
(b) Specialist (1)
(c) Secretaries (2)
(d) Accountants (2)
--Guards (2)

Exhibit-1

GUINEA AGRICULTURAL MARKETING FOUNDATION

A NOT-FOR PROFIT PRIVATE SECTOR FOUNDATION FOR THE PROMOTION OF AGRICULTURAL MARKETING AND EXPORTS

BASIC DOCUMENTS REQUIRED FOR CREATING AND OPERATING THE AG. MARKETING FOUNDATION, ENDOWMENT FUND AND GUARANTEE FUNDS

1. GRANT AGREEMENTS AND/OR MEMORANDUM OF UNDERSTANDING BETWEEN A.I.D AND GOVERNMENT OF GUINEA.

2. INCORPORATION OF THE GUINEA EXPORT FOUNDATION AS A REGISTERED NOT-FOR-PROFIT ENTITY AUTHORIZED TO CARRY OUT THE A.I.D-GOG AGREEMENTS.

3. GUINEA EXPORT FOUNDATION STATUTES, BY-LAWS SPECIFYING APPOINTMENT. ELECTION, DUTIES AND RESPONSIBILITIES OF THE TRUSTEES, BOARD OF DIRECTORS, MEMBERS AND OFFICERS AND THE APPOINTMENT OF OUTSIDE FIDUCIARIES. AUDITORS AND LEGAL COUNSEL.

4. CREATION OF SEPARATE ENTITIES FOR THE FOUNDATION, ENDOWMENT FUND AND THE AGRICULTURAL MARKETING LOAN GUARANTEE FUND.

5. OPERATING ORGANIZATION AND SYSTEMS MANUALS SPECIFYING OBJECTIVES, STRUCTURE, STAFFING, POSITION RESPONSIBILITIES AND AUTHORITIES, FINANCIAL AND OPERATIONS REPORTING, CHART OF ACCOUNTS AND ALL RELATED BUDGETARY, PROPERTY PROCUREMENT AND PERSONNEL POLICIES, SYSTEMS, APPROVAL AUTHORITIES AND WORKING RELATIONS BTWEEN FOUNDATION AND FUNDS.

Exhibit-2

GUINEA AG.MARKETING FOUNDATION (AMF)

A NOT-FOR-PROFIT PRIVATE SECTOR FOUNDATION FOUNDATION FOR THE PROMOTION OF AGRICULTURAL MARKETING AND EXPORTS

ENDOWMENT FUND

FIDUCIARY AND INVESTMENT BANK
- Safeguard the integrity of the fund's capital base in accordance with A.I.D.-GOG agreements and
- Trustees guidance and approval.
- Make investment recommendations and execute approved transactions
- Maintain complete accounts and records of all funds and other assets of the council.
- Disburse interest income on written order of the Trustees.
- Provide a range of fiduciary and investment services.

AMF
BOARD OF TRUSTEES
- Provide independent overview of all Foundation and Fund activities.
- Approve and monitor all capital investments in accordance with A.I.D.-GOG agreemnt
- Review and approve all recommendations for disbursement an use of fund and fund investment revenues and specified investment.
- Approve annual reports and year-ahead operating and capital budgets.
- Provide or commission special requests for guidance of the Board of Directors.
- Recommend dissolution fo the Foundation.
- Convene regular and special meeting of the trustees and Board of Directors

LEGAL COUNSEL
- Ensure legal compliance of all council activities with Guinean law.
- Represent the interest of the Foundation before all tribunals.
- Provide a range of legal and and contract services.

EXTERNAL AUDITORS
- Conduct annual, special and emergency audits of all fund and operating activities.
- Review control adequacy of of all financial and operating systems in protecting the assets and interests of the fund and the convoi.
- Review adequacy of all approval autorities and their enforcement.
- Report directly to the Trustees all discracies in following policies and procedures.
- Certify the annual report

BOARD OF DIRECTORS
Chairman

Exhibit-3

GUINEA AG.MARKETING FOUNDATION (AMF)

A NOT-FOR-PROFIT PRIVATE SECTOR FOUNDATION FOR THE PROMOTION OF GUINEAN EXPORTS

FOUNDATION MEMBERSHIP
(BOARD REPRESENTATION)

BOARD OF DIRECTORS
- Approves and recommends to Trustees long range and annual strategic objectives, plans and budgets.
- Reviews, approves and submits annual operating and financial statements.
- Approves structure, staffing and compensation plans.
- Approves appointments to key positions.
- Review and approve special export initiatives requiring out-of-budget expenditures.
- Provide counsel, guidance and directives to the chief operating executive and evaluate his performance
- Maintain close contacts with the membership.

Key relations with national regional and international organizations

- Multilateral lenders and bi-lateral donors
- African project development facility (Abidjan Regional Office)
- National and regional training institutions.
- GOG foreign investment promotion and SME support agencies (CNPIP, CCDE).
- International Executive Service Corps (IESC) and American Business Linage Enterprise (ABLE).
- U.S. European trade associations

IFC/Africa Enterprise Fund

EXECUTIVE DIRECTOR
(Sec. to Board of Directors)

AGRICULTURAL MARKETING LOAN GUARANTEE FUND

AMF STAFF
- Institutional contractor
- Short term technical assistance
- Permanent staff

Exhibit-4

GUINEA AG. MARKETING FOUNDATION (AMF) A NOT-FOR-PROFIT PRIVATE SECTOR FOUNDATION FOR THE PROMOTION OF AGRICULTURAL MARKETING AND EXPORTS

FOUNDATION STRUCTURE

EXECUTIVE DIRECTOR

PROFESSIONAL STAFF:
- Agricultural trade and trade product specialist
- Training coordinator
- Short term product/trade specialists
- Short term product/trade specialist.

FINANCE AND ADMINISTRATIVE SERVICES:
- Accountant and reporting
- Office, building and security services
- Transport/logistics
- Reception/switchboard
- Word processing and
- duplication services
- Membership service center

TYPICAL ACTIVITIES AND SERVICES

TRAINING: Short term courses practical workshops designed and delivered by local and training institution.
- Entrepreneurship
- Small business management
- Project development and business planning.
- Marketing agricultural products
- Financial statements and reports
- Developing and presenting business plans and proposals.
- Elementary trade finance instrument and procedures.
- Elements of contracting for the sale and shipment of ag. products
- Export grades and standards for agricultural exports.
- Credit extension terms to buyers
- Air and ocean shipping practices and documentation.
- Farm management and agricultural outreach.
- Packaging and labeling practices.

INFORMATION SERVICES: Reddy reference services available at membership service center
- Agricultural product imports and pricing trends in key foreign markets by product and market.
- Trend data on product costs in Guinea and nearby countries.
- Typical procurement, packaging and shipment costs to key foreign markets by product.
- Major foreign agricultural buyers.
- Major guinean exporters and capabilities.
- Tariff, quota and regulations: Guinea and key foreign markets
- Foreign and local spare part & ag. input and supplies dealer
- Current trade periodicals and report.
- Export transp. operators, costs and schedules: sea, air, land.

SURVEYS AND TECHNICAL ASSIST.
- Major surveys and feasibility studies will be contracted out to local and regional supplier
- Reducing export costs inGuinea
- Use of bonded warehouses in financing agricultural exports
- Potential markets and buyers
- Productive assistance in:
  - Developing markets and buyers
  - Preparing proposals for trade finance.
  - Using short term guarantee programs.
  - Developing outreach networks
  - Establish product input packge
  - Devel. sanit., packaging and labeling.
  - Preparing joint studies of export possibilitites with potential regional & overseas buyers.
  - Organizing promotion and sales tours to foreign markets.

BEST
AVAILABLE

Exhibit 1: Components of the Guinean Fina

Guinean Commercial Banks

1. *Banque International pour le Commerce et l'Industrie en Gui* BICIGUE is majority owned by the Government of Guinea (5 National de Paris (48.3%)

   BICIGUE is the largest commercial bank in Guinea with an es commercial banking market. It currently finances imports of ric consumer products. The Bank acts as official lender under a programs which are usually guaranteed. Their experience in le businesses in the Conakry area has been disastrous with a ne Bank has eight branches outside Conakry.

2. *Banque Internationale pour l'Afrique en Guinee (BIAG).* BIAG i Bank (Zambia) and 45% by the AfDB, IFC and the BOAD.

   BIAG was for many years the most important note issuing and French Africa. French Government actions in 1990 compelled a down LDC debts to market value which essentially wiped out th Scheduled for liquidation, the BIAG was purchased by the Zam Bank. BIAG limits itself to international trade transactions. The B suffered losses in 1990. Considered as a "bank in difficulty" by t

3. *Soclete General de Banques en Guinee (SGBG).* Private Guinea 45% of the shares. Soclete General (France) controls 35% and a group of other Eurobanks.

   Established in 1986, the SGBG represents the presence of Fran bank. The Bank finances trade transactions, primarily imports. It with an estimated 15% of the commercial banking market.

4. *Union Internationales des Banques en Guinee (UIBG).* Credit Ly majority share in UIBG. Private Guinean shareholders account fo

   UBIG represents the interests of the last of the French "Big Three established in Guinea. The Bank handles only trade transactions. a ten percent market share.

5. *Banque Islamique en Guinee (BIG).* The Islamic Banking Group (S 100% of the shares in BIG.

   BIG was established under Guinea's First Republic. It conducts tra banking activities. It is not active in the commercial banking marke "bank in difficulty" by the central bank.

6. *Banque Populaire Maroc-Guineene (BPMG).* The Banque Centrale and specialized Moroccan finance houses own 40% of the BPMG. shareholders control 40% of the shares. The GOG holds the balan

   The BPMG was created in 1991. It provides technical and systems stresses the mobilization of small savings and the financing of local activities. Independently owned and managed cooperatives savings

BEST AVAILABLE DOCUMENT

Exhibit 1: Components of the Guinean Financial Sector (continued)

which are affiliated to the BPMG and operate under BPMG policies and guidelines. Presidents of these local Banques Populaires form a Consultative Committee with the BPMG. Each independent bank contributes to a mutual guarantee fund which is managed by the BPMG and is used to support treasury operations of member banks.

The BMPG network of popular banks is viewed as a banking system supporting agriculture, artisans and small and medium sized businesses. The primary guarantee for loan repayments will be member solidarity and classic collateral. Bank clients can also support special programs for low cost housing, loans to recent graduates, creation of mutual credit societies (Societe de Cautionnement Mutuel—SCM) and investment and working capital loans to small businesses.

Other Guinean Financial and Business Support Institutions

1. *Union Guinee d'Assurance et de Reassurance.* Affiliated with Union d'Assurance de Paris. Reinsures almost all policies with its French parent company. It is not a factor in the local financial markets. It is estimated to have an 80% share of the market.
2. *Societe Nouvelle d'Assurance et de Reassurance (SONAR).* Affiliated with several French insurance companies with whom it reinsures almost all locally generated insurance. Not a factor in the local financial markets. It is estimated to have 20% market share.
3. *Societe de Finance du Golfe (SOFIG).* Private investment group organized by Guinean expatriates during the First Republic. Repatriates funds for investments in privatized parastatals, and for expanding existing enterprises and new investments. Competition from cheaper undocumented cross border imports has hurt the company's performance. SOFIG is associated with AMEX, a successful Washington, D.C.-based trading and investment company.

Other

There is no evidence of the existence of any of the following institutions: stock exchanges, discount houses, government bond dealers, stockbrokers, installment sales finance houses, leasing companies or savings and loan associations.

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ANNEX B.2

The Agricultural Marketing Guarantee Loan Fund

How It Works

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AUTHOR'S FORWARD

This paper is the result of work in the Republic of Guinea of J. Peter Stillman, consultant, during the period June 2 - July 1, 1992, under a contract with USAID Conakry to help determine the need for a guarantee fund that might induce participating local banks to make more loans to the agricultural marketing sector.

The result is the Agricultural Marketing Loan Guarantee Fund, or AMLGF. The fund is to accompany the creation of a registered non-governmental organization, the Agricultural Marketing Foundation, or AMF, an organization to be composed of USAID representatives and local businessmen with interests in agricultural marketing, both domestically and internationally, in Guinea. The AMF will be a lobby to promote the interests of private agriculture in Guinea, and it is a purpose of the AMLGF to help expand the financial resources available to promote these interests. Both the AMF and the AMLGF are components of a larger project, the Agricultural Marketing Investment Program, or AMIP.

The author participated actively in designing the AMLGF, and helped Mission staff develop a Project Paper (PP) for the AMF that includes a description of the AMLGF. The next step after approval of the PP is detailed design and implementation of AMF and the AMLGF in cooperation with the government and the local banking community. Sections of the PP covering the guarantee fund have been included in an Annex.

The author is grateful for the help and ideas of Mission staff and support personnel. Especial thanks are due to Charles Morgan, on temporary duty from USAID Washington to help with the AMIP project, and to S. K. Reddy, Agricultural officer in charge of the project at USAID Conakry. M. Kenda Diallo, Economist, helped the author with introductions at the central bank, BCRG, and refined his thinking with respect to its functions. Controller, Mario Rocha, and David Hess, Supervising Program Officer, asked numerous good questions that contributed to perfecting the guarantee concepts. Bill Kaschak, Mission Director, presided over two good forums where ideas were aired thoroughly, freely, and openly.

Despite all of this wonderful assistance, the author takes responsibility for leading everyone astray and for the fundamental guarantee design found herein. Inevitably there will be twists and turns in the road on the way to implementation of the AMIP, but it is the author's hope that he has contributed in some small way to improving the private business institutions devoted to Guinean agriculture.

Conakry,
July 1, 1992

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ANNEX B

CREDIT NEEDS FOR AGRICULTURAL MARKETING:
Capabilities of the Banking System

I. The Context

- The barriers facing private sector agricultural marketing in Guinea are well known, but should be stated in brief here in order to keep the discouraging environment in sight as a point of reference.

- The Guinean infrastructure leaves much to be desired. Roads are often bad and impassable during certain periods, the telephone system does not function, for all practical purposes, and interruptions of electric service are frequent. The water supply system is also intermittent, and the basic education system is in need of improvement.

- These problems coupled with a mostly unskilled labor force and untrained entrepreneurs have guaranteed the existence of a large, informal private economy characterized by many, small producing units unable to benefit from economies of scale and lower costs of production.

- Operation of the economy at such a rudimentary level is characterized by a high volume of small scale business transactions of all kinds and the scarcity of credit from third parties. Business relationships are highly personalized and based on mutual trust earned during long experience. Larger scale agricultural activities may succeed based on the development of a "niche" in the market and a chain of personal relationships that may extend from the interior to the coast or to neighboring markets, and from the coast overseas. Sanctions against nonperformance are not institutionalized in a meaningful way, and where they exist they often take place outside the legal framework.

- These characteristics inhibit the growth of a modern private economy characterized by a greater number of depersonalized trade transactions moving sizeable quantities of goods that are eligible for institutional third party financing, controlled through a liberal legal regime where expectations with respect to the performance of obligations are founded on respect for law, the existence of functioning tribunals, and a system of justice that enjoys widespread support.

II. The Current Role of the Private Banking System

- The six private commercial banks have very little to do with financing agricultural marketing in Guinea. All of the constraints catalogued above have contributed to this, but none more seriously than the lack of a dependable legal environment.

- The bankers of Conakry lament persistently the lack of reliability of both their clients and the government when it comes to honoring their respective obligations towards the banking community. When the Touré regime disappeared and the banking system was reorganized, a euphoria about the future of Guinea existed and bankers were optimistic. Funds flowed based on expectations of client performance and reliance on government undertakings. Since then both the government and the clients have proven to be disappointing.

- The present mood of many bankers is cynical and the mode of operation is retrenchment. This outlook, admittedly pessimistic, is likely to persist for a long time. The financial community is aware that Guinea has certain fundamental problems that can only be changed through long term projects, already underway, to reform the legal system and to provide better education. Until then, bankers feel that their role is to finance imports, collect deposits, pay as little interest as possible, and stay away from term lending except in extraordinarily good circumstances. As evidence, it is noteworthy that the only Guinean bank with a branch system in the interior, BICIGUI, uses the branches only as a means to collect deposits, not to extend more credit.

- Very little, if any, medium to long term credit is being granted, particularly with respect to agricultural marketing endeavors. The vast majority of short term credits continue to be advanced to importers who provide consumer goods. A very small amount of short term export related agricultural credit is granted at the commercial banking level relative to Guinea's agricultural capabilities. It is this kernel of activity which hopefully the credit enhancement system outlined later in this report can begin to expand.

III. Short Term Credit Activity

- Most credit extended in the agricultural marketing sector takes place informally, through tontines and other schemes such as Crédit Mutuel and Crédit Rural. Small loans are used to finance agricultural inputs needed by families or other groups, and inducement to repay is provided by moral suasion at the local level. Local involvement and personal contact are the key ingredients to the success of these systems, as it is the savings of ones neighbor that are usually being borrowed, or friends may be guaranteeing ones loan.

- When the commercial banks get involved in short term credit to agriculture, which is rare, it involves relatively unsophisticated export trade activity. The writer found no evidence of credit for domestic distribution above the level of temporary overdrafts. Some studies reviewed for this paper make references to transactions wherein more complicated international trade financing techniques, such as red clause letters of credit, have been used. However, interviews and

investigations for this paper revealed no (or infrequent) usage of such instruments.

- The export of agricultural products that involves the banks is most sophisticated with respect to coffee exports. Here documentary import letters of credit (LOCs), sometimes confirmed by a local bank, may be used, or payments against receipt of goods abroad may be "domiciled" with a local bank (payment is made through the bank) with no credit risk assumed by the local bank on the foreign importer. If the bank knows the local coffee exporter well and has had a long business experience with him, short term loans may be made whose payout relies on receipt of funds from a sale abroad. Still, at this level the banks are reluctant to rely on warehoused coffee as collateral because its physical location is difficult to assure, even though coffee is not a perishable product. With documentary credits the intervention of an inspection agency, such as Veritas or SAS, may be required. Sometimes an advance to the exporter is made to cover the period of time (usually a week and a half) that it takes to convert export proceeds at the weekly foreign exchange auction at the central bank.

- The export of other agricultural products tends to have a shorter transaction time because the goods are perishable (pineapples, mangoes, bananas, fresh fish) and shipment is in small quantities by air freight, sometimes 4 or 5 times per month.

  - These goods are usually sold on a consignment basis to distributors or agents in Europe who then sell to others. An airway bill of lading (document of title) is involved, but one bank contacted for this study said it does not require that the document be in its name because of the potential cleanup liability associated with spoiled merchandise. The difficulty in taking perishable merchandise as collateral may be less important than the regularity of the transactions and a favorable ongoing experience with a client. Payments for these transactions are domiciled with the banks, and unsecured 90 day advances may be made to the exporter whose repayment would be made from overseas sales proceeds.

  - The risk of default by the importer is real, but the importers are not willing to provide more security because of the perishable nature of the product and the uncertainty with respect to the sales price to be obtained in the market (the local exporter is paid only after the goods are sold, the sales agent's commission is deducted, and payment is processed through the banks). However, some of the importers make a more than good faith commitment to the exporter by paying the cost of airfreighting the goods to Europe. Nevertheless, both the exporter and his local bank, if it is willing to extend credit, bear most of the risk.

- Examples of coffee clients cited by banks include: Générale Guinéene, Belgo Maliënne, SAPT, CDB-Mamadou, Établissment Traoré, and Abou Bakar Kourama. Examples of the most active exporters of fruits and vegetables include: Malick Condé, Kourahoye Diallo, Rama Botty, SOBRAGUI, FRUITEX, SALGUIDIA, Bioguinée, and Boubacar BALDE (capitalized names are established company names). Bioguinée has developed an interesting market niche through specializing in tropical "health foods" products. Its clients are willing to pay a premium for the knowledge that the products they consume are free (ironically) of such standard agricultural inputs as fertilizer, pesticides, and other non-organic inputs.

- Also noteworthy in the short term credit arena is the activity of BICIGUI, which provides working capital loans against anticipated disbursements by the CCCE with respect to the Compagnie Française de Textiles (CFDT), which is managing a cotton production project, and SOGUIPA, which manages a rice production project.

IV. Medium and Long Term Credit Activity

- **Donor lines of credit** Shown in Annex I (a) & (b) are the various lines of credit available to the local commercial banks for refinancing medium and long term loans at the BCRG, as well as their characteristics and conditions of usage. All of these are available for lending to the agricultural sector.

- Of note is the special guarantee regime that, in theory, can apply to loans refinanced under the "CCCE-PME\PMI" and "ACCORD DE CLASSEMENT BCRG" lines. The Guinean government's private enterprise development program runs through the Centre de Création et de Développement d'Entreprise (CCDE). As an incentive to encourage promoters to avail themselves of CCDE's services, commercial banks refinancing loans made to those promoters under the French sponsored line for small and medium sized enterprise development benefit from the guarantee of the "Fonds de Soutien", a government fund described more fully below, up to a level of 80%. For "others" the guarantee coverage extends to 70%. This guarantee applies to both foreign exchange and local currency aspects of the loan (25% of the loan can consist of imports from France). The BCRG line is available for local currency refinancing only.

- For the other lines of credit, the commercial banks bear 100% of the risk.

- The government's guarantee program focuses on the development of small and medium sized enterprises through the CCDE, and is part of a mechanism made up essentially of three elements (see diagram in Annex 2). A "Fonds d'Étude" is available to finance studies of investment proposals in order to make them more attractive to the banks; a "Fonds de Participation" would allow the participation of the state in

an enterprise lacking sufficient capital in order to make a proposition bankable; and the "Fonds de Soutien" supplies the guarantees discussed above. A fourth element consists of private "Sociétés de Caution Mutuelle", which are intended to provide an element of mutual reinsurance and guarantee, and which are further supposed to reassure the banks.

- The CCDE and the guarantee/equity/study system described above have replaced a former government loan guarantee program that was set up to help former civil servants find a place in the private sector. Known colloquially as the "BARAF" program (after the agency set up to deal with a massive civil service layoff), this earlier program was singularly unsuccessful in providing credible loan guarantees (see next section of this study).

- Because of its heritage, the CCDE and its three-"fund" system have not yet been effective, and it is questionable if the necessary government funds exist to drive it. It would appear as well that no "mutual guarantee" companies exist, and that the private "bureaux d'études" to which the Fonds d'Études would provide resources are few and underutilized. As explained more thoroughly later in this presentation, French foreign aid financed much of the early BARAF program. However, because of the bad experience of the banks, the same level of funding is not expected from the same donor for a "Fonds de Soutien".

- **Present activity** Not much needs to be written about current or planned medium or long term financing in the agricultural marketing domain in Guinea because little is happening. This is closely related to the unfavorable conditions confronting bankers that have been revealed above.

- In addition to these factors, the partners, both local and foreign, that have been involved in agriculture-related projects requiring medium or long term finance in the recent past have sometimes proven to be either weak or unreliable. Furthermore, problems encountered later that should have been anticipated at the feasibility study stage were not correctly identified.

- Case histories of such firms/projects as SAIG-Mamou and Guinnée-Fleurs exist in other reports and need not be repeated here. The projects have been bad experiences for the financing banks. Credit extended for SAIG-Mamou was syndicated across the local banking community; the bankruptcy of a shareholder and consequent repayment default has therefore been felt by most of the banks. BICIGUI has been particularly hard hit by the difficulties at these two projects; it has made 2/3rds of all term investment credits in Guinea, and its exposure is concentrated in these two projects.

- Good reports have been heard about an agricultural nucleus estate called AGRAFRUITS (formerly the government estate at Daboya). A French/Swiss company, Agracom, is now managing the estate and plans to apply techniques to pineapple production that were successful in Cote d'Ivoire. Prospects look promising. The possibility of commercial bank provided term credit, however, is unclear.

V. Present Condition of the Banking System

- **Portfolio Quality and Solvency** The condition of the banking system at March 31, 1992 (see Annexes 3-5) was acceptable, although not all of the banks were solvent or without loan losses.

  - The system is characterized by a large amount of non-interest paying, short maturity deposits (GNF79,570MM) and only 16.3% exposure to term lending. GNF58,507MM was concentrated in short term lending. Bad debt experience is above the norm for Africa (said to be 15% in most countries) at 20%. However, the percentage of bad debts is probably higher than this, as the March 31 figures do not reveal BICIGUI's dedication of GNF8MMM to reserves, and the figures shown in Annex are net of reserves. Had this GNF8MMM been included in the Doubtful, Blocked, or Disputed category, bad debt experience would have been 28% of total lending, or about double the continental average.

  - The strongest bank financially is BICIGUI if one considers solvency and liquidity ratios. UIBG comes second and SGBG third. BIAG and SGBG are both at or close to insolvency, although BIAG's capital is expected to be replenished shortly through a credit from the Meridien operation's Paris office, which will pay in FF14MM in return for a security interest in premises and cash deposits. BIAG is also said locally to have benefitted from the discount window at BCRG to replenish its local resources. BIG has the worst loan portfolio and solvency, even though it was not a participant in extending credits related to the ill-fated BARAF program. BIAG's bad loan portfolio, according to its director, was said to be 55% of total credits in June 1992, up from 40% as shown in the Annexes for March.

  - BPMG, which having opened its doors in Guinea less than a year ago has not had an extensive operating record in Guinea. Its staff hopes to profit from the experience of the other banks.

- **Internal Credit Approval and Staff Training** Most of the local banks approve credits according to a tiered credit approval system, and their local staff receive training

through correspondence courses or regional training activities.

- The credit approval system most often cited involves three levels; a higher level of approval is required depending on the size of the credit and the sector of activity. The system is not unlike that in use by banks elsewhere. Banks generally tend to require higher approval levels for larger loans, and attempts are made to appreciate the risk attached to lending to different kinds of businesses in different economic sectors.

- Two banks contacted described the following system:

Level	Amount	
Directeur Général	GNF	50MM
Comité de Crédit		100MM
Conseil d'Administration	above	100MM

Local competence exists at the first two levels; credit above GNF100MM must be sent to the home office of the managing shareholder for approval.

- Expatriate bankers have mixed reactions about the quality of their local staffs and the amount of training being extended. The Directeur Général of one bank stated that despite persistent efforts the quality of his local staff still needed improving. Others believe their staff quality is good. However, there was no evidence of systematic efforts on the part of most of the banks to provide training, nor do the banks with French bank shareholders hold regular training sessions that involve a stay at the home office. However, Crédit Lyonnais has a regional training center in Lomé that UIB staff members can attend.

- On the other hand, local banking staff appear to have a strong interest in gaining banking skills, and many claim to have had considerable training, both at university and afterwards. The banking education in Guinea is essentially French oriented. People hired locally appear to take the initiative when it comes to obtaining training. Most persons contacted mentioned a correspondence course taught through the Institute Technique de Banque (ITB).

- Some local bankers have reached a high level of achievement; one person interviewed teaches courses at ITB's regional training center in Abidjan, and is the Guinean delegate to the Centre International de Formation de la Profession Bancaire (CIFPB) in Paris, an international organization closely associated with ITB and the French banking tradition in less developed areas including Africa.

VI. Implications for a USAID Guarantee Fund in Guinea

- **Limited opportunities exist to increase the volume of short term export credit.** Limited exports of perishable agricultural products are being sent by air to Europe. Because of perishability the transactions are rapid and relative easy to trace. As described above, the exporter and his bank are sometimes taking the risk of nonperformance of the importer. The trade has developed because of specialized niches in the market, or because of personal contacts that have led to regular trading opportunities. A loan guarantee program could help increase the volume of whatever short term credit extensions are related to these transactions; it could also be tailored into a kind of export credit insurance, where credit is extended locally that depends on payment after consignment of the goods for sale to overseas agents.

****

- If the guarantee fund coverage is extended to short term trade credits, the demands will be labor intensive. An individual will have to be found for the staff of the proposed Agricultural Marketing Foundation (AMF) with experience in financing trade transactions in Africa. The right person will have gained through experience the ability quickly to determine the financing possibilities associated with timing differences and be able to asses the risks involved in various instances. It is recommended that a banker with the appropriate experience be recruited for the staff of the AMF in order to take advantage of good opportunities to extend the guarantee when they arise. Since the staff of the AMF will start small, it is also recommended that the guarantee staff place strict limits on how many transactions it is willing to process simultaneously, so as to minimize the risk of inadequate analysis.

- **Commercial bank participation in the guarantee program can be linked to training programs for local commercial bank staff.** While the qualities and abilities of local bank lending staff have received a mixed review, the performance record of some of the local banks suggests, at a minimum, that training should not be neglected. It is recommendation that banks participating in a USAID sponsored guarantee fund be required to participate in occasional USAID-run training programs. A limited amount of funds can be budgeted for this purpose, whose source of payment could be from the investment earnings of the guarantee fund reserve (discussed later).

- **One should not have high expectations with respect to what a guarantee fund can accomplish.** The fact remains that there are very few bankable transactions that are produced annually by the Guinean economy. Even if there were, the legal environment is so hostile to the commercial banks that a responsibly structured guarantee program is still unlikely to result in a noticeable increase in credit extensions because, in many cases, it won't cover enough of the perceived risk.

- In the area of medium and long term credit possibilities, very few, if any, economically viable projects have been identified that could justify the use of term credit resources, nor is a true equity source normally available to provide the foundation and commitment that bankers expect to see behind their loans. There are encouraging signs that more equity may be mobilized in the future. For example, the World Bank's latest proposal for increasing agricultural exports suggests setting up a private equity investment fund to pool resources of wealthy Guineans and foreign investors seeking a return in Guinea. There is little evidence at this point, however, that such an investment proposal is destined to be immediately successful. The government's proposed Fonds de Participation has also not inspired confidence, because of the legacy of the past and in part because a dependable source of funding has not yet been identified.

THE BARAF EXPERIENCE:
Lessons Learned

I. Origins of the BARAF Program

- Established in 1986, the "Bureau d'aide à la réinsertion des agents de la Fonction publique" (BARAF) was set up under the Ministry for the Economy and Finance to facilitate a massive layoff of government employees. Under the program, supervised by BARAF, an initial group of some 10,400 former government employees agreed voluntarily to retire and were "reinserted" into the private sector.

- Briefly, employees were given severance payments and directed to the commercial banks, where a guaranteed loan program was available to help them start new private businesses. Under the loan program, fueled by lines of credit from the CCCE, the former functionary's severance payment was expected to be used as his equity investment in a chosen business venture whose financing was to include a guaranteed loan from the commercial banks. The loans envisioned were primarily medium term, the type of credit for which the CCCE lines were set up.

- BARAF would help prepare a credit presentation to the commercial bank, and provide business advice to the borrowers (known locally as "deflattés", or "fired" civil servants). With only 15 agents at the beginning, BARAF relied on the outside support of the Société d'Études pour le Développement Économique et Sociale (SEDES), a private company, for technical assistance with business plan preparation.

- In early 1991, BARAF was rolled into a new organization, the Centre de Création et de Développement des Entreprises (CCDE). At the time of CCDE's creation, there still remained another 12,000 former government workers to be recycled into the private sector. CCDE's mandate is similar to BARAF's in that technical assistance is provided to emerging project promoters. However, its activities are not directed to the aid of former civil servants only.

- Lines of credit were granted by the French CCCE at the level of participating local banks. Two lines were established initially in 1986, one for FRF45MM (loans to small and medium sized enterprises and industries only) and one for FRF50MM (called the "Accord Cadre") for larger projects. While these lines were not reserved for BARAF loans only, loan guarantees were skewed in favor of them and hence the commercial banks benefitted to a greater extent from the extension of a BARAF loan. Since then the lines have been augmented by FRF50MM in the case of the SME\SMI line (FRF95MM total), and by FRF100MM for the Accord Cadre (FRF150MM total).

The CCCE "PME\PMI" line is now closely linked to the operation of CCDE.

II. The BARAF Loan Guarantee Program

- At the time CCCE granted its lines in 1986, a loan guarantee program to cover extensions of credit pursuant to the SME\SMI line only (the "Fonds de garantie des crédits aux PME") was set up by agreement with the government. The program covered loans to promoters besides departing civil servants as well, but because so many BARAF related transactions were covered by the program, it has come to be closely associated with the BARAF experience in Guinea.

- A special account was set up in the national Treasury to back the program, whose funds were provided in local currency generated through another CCCE-financed program, the "Programme d'appui à la Réforme Monetaire" (PARM). A secondary contribution consisted of collecting 5% of the amount of each loan made under the CCCE line (which, under the terms of each loan, would be paid back to the borrower after the loan had been fully repaid).

- Normally, the guarantee would cover 70% of the commercial risk with respect to loans to the SME\SMI sector. However, loans made under the BARAF program received 80% protection, already a definite incentive to lend to individuals sponsored by BARAF. (Complementary parallel credits extended in foreign exchange under the CCCE line were also to be guaranteed). Furthermore, if ever the amount of unpaid BARAF loans exceeded 50% of total BARAF loans, the coverage of all loans extended would be increased to 100%. On top of this, the Treasury would pay a small sum to cover the cost of opening an account and for administration.

- Another characteristic that should not be overlooked is that the administrative secretariat ("comité de gestion") of the guarantee fund was made responsible for collecting delinquent guaranteed loans. This group is composed of two representatives from the Ministry of Economy and Finance, and one each from BARAF, BCRG, CCCE, and APB ("Association profesionnele des banques"); bank representatives could participate at meetings as observers.

III. Experience of the BARAF Guarantee Program

- Two participating commercial banks, BICIGUI and SGBG, have granted 40% and 60% of the BARAF loans, respectively. Statistics are not entirely accurate, but it is estimated that of the 10,400 voluntary departures from the government, about 2,500 took advantage of BARAF technical assistance and about 150 guaranteed loans were made for a total amount of GNF3.5MMM. This translates to an average loan size of about

UDD45-55M. About 40% of all loans went to finance activities in the already saturated transport sector.

- Despite the existence of technical assistance, initial preparatory work completed for these loans has been characterized as insufficient. Each case was different and sometimes complicated, and considerable time was taken to get a proposal into a rudimentary form that could be presented to the commercial banks.

- For their part, the banks had little incentive to probe into an application very deeply. The high percentage of a loan covered by the guarantee plus the other elements weighing in favor of the banks were an incitement to provide quantity as opposed to quality. The only real apparent risk the banks were running was when, not if, they would be paid.

- By October 1988, the first of the loans began to become delinquent, and the banks immediately began calling on the guarantee. A serious situation had arisen by February, 1989, as it began to appear that the resources of the guarantee fund were going to be outstripped by claims against unpaid loans, which were covered as to both principal and interest.

- Fund resources had reached the level of about GNF1.4MMM in November 1989, but the banks had already loaned twice this amount by the end of October, 1988 (of which GNF2MMM in parallel foreign exchange credits). By mid-1990 committed loans had reached GNF3.2MMM, but fund resources were at only GNF200MM. Unpaid principal and interest covered by the guarantee fund was at GNF2.3MMM in July 1990.

- As of mid 1990, the circumstances had caused alarm, letters were exchanged, and supplementary appropriations had to be found. The Comité de Gestion of the fund had not met since November 1989, and apparently had not been following the covered loan portfolio very carefully. Even though terms of the guarantee had been spelled out in advance before loans were extended, the question of eligibility for 100% coverage of the full portfolio and the coverage of parallel foreign exchange loans was still the subject of debate. Draconian measures were suggested to facilitate collection of delinquent loans, such as the equivalent of a Treasury tax lien.

IV. Evaluation of the BARAF Program

- An appreciation of the "Fonds de garanties des crédit aux PME" depends on the criteria to which it is subjected.

- Seen as part of a device to integrate excess employees in the government sector into another life, the program was positive. In 1986 the Guinean government took on the unenviable task of reducing the size of the public sector, the largest employer in the country. Without a means to cushion

the impact of so many persons leaving their means of support at one time, the potential for social unrest could have been high. By providing a system of incentives to enter the private sector, i.e., a payment to those willing to leave voluntarily to start up a business and a complementary guaranteed loan program, a mechanism was set in place to redirect the energies that accompany the frustrations of being laid off of ones job. Seen in this context, the BARAF program may be evaluated as a successful excercise much like the providing of employee outplacement services by a downsizing firm.

- Seen as a program to provide responsible private sector development incentives, the BARAF program was less successful.

  - Little contribution was made by the program to the concept that agreements are binding, or that a loan from a commercial bank is an obligation that must be repaid. The banking community, and particularly the two French-owned banks that made most BARAF loans, was made even more cynical about the possibility of doing business in the present environment. Bankers already knew of the difficulty of enforcing financial obligations in Guinea before the BARAF program, but to have the government promise to make them whole and then temporize with respect to its commitment was unexpected. This in addition to the disrespect of borrowers for their obligations to banks has caused the present reluctance of the banking community to make more loans.

  - Little contribution was made by the program to the idea that banks are responsible for their own credit decisions and risk taking. The incentive to make loans by volume was encouraged by the transfer of most commercial risk to the government and the borrower by the guarantee program. For the banks it looked like a free ride, not only in terms of risk but also in terms of portfolio administration.

V. Implications for a USAID Guarantee Fund in Guinea

- **Resources must be allocated in advance and blocked until needed for their intended purpose.** The history of the BARAF program seems to indicate that funds to back the guarantee were identified but not made operationally available at the time they were needed. They were supposed to come from the PARM project, and a separate Treasury account was set up. It is not clear, however, that these funds were ever blocked to prevent being siphoned off for other uses. The other source of guarantee funds, the 5% contributed by the borrower at the time of each loan, had produced only GNF150MM by November 1989. In any event, this way of "autofinancing" a guarantee program only works if the default rate is very low, less than

5% of a total program, which was not what happened in the BARAF program (80% of the loans eventually defaulted).

- **Resources must be controlled by and for the benefit of private sector participants with the active encouragement of USAID.** The resources of the BARAF guarantee program were lodged at the Treasury, and decisions as to payment of guarantees or maintenance of the guarantee program, despite previous agreements, were controlled through government influence. The decision to pay the guarantee on each individual loan was to be taken by the Comité de Gestion of the guarantee fund, an unwieldy body made up primarily of government and donor representatives with the input of private interests held secondary. The banks themselves had only observer status. Aspects of the guarantee program that should have been established from the beginning, such as the 100% coverage threshold after reaching a certain level of delinquency in the covered portfolio, are still being discussed.

- **The Banks themselves should have to take more responsibility for attempting to collect delinquent loans.** The BARAF program required collection by the guarantee fund, and, admittedly, there was little incentive for the participating banks to take an initiative because of favorable guarantee terms. In the current Guinean context of feeble, corrupt legal institutions and notorious disrespect for the terms of private contracts, it is not likely that the banks would have had any more success at collecting past due amounts than the Comité de Gestion would. Nevertheless, banks are private sector players that should have the opportunity and incentive to watch out for their own interests, as they do in more developed private economies. Granting an unwieldy government body the power to collect loans through the equivalent of tax liens, a proposal that has been put forward, is a heavy handed, unpopular measure that could easily be corrupted in Guinea. Its introduction to collect overdue commercial loans would not facilitate the development of the effective liberal legal institutions that a prospering private economy needs. A system of justice is needed as well as a means of enforcement.

- **The guarantee coverage was too generous to the banks.** 80% to 100% coverage takes away much of the incentive to make a good loan in the beginning and to collect a loan once it goes bad. In the present business environment in Guinea, the only time a bank is really ever going to have much control over its borrower is **before** the decision to lend is made. The degree of mutual knowledge, trust, and respect that must exist between borrower and bank in Guinea is very, very high if they are to do business together successfully. Less, rather than more, guarantee coverage is what encourages the bank behave more responsibly <u>at the right time</u>.

- **The program was administered with little regard to the dynamic aspects of a guarantee fund.** Assuming the BARAF fund had sufficient reserves at the beginning of its creation, which is not certain, there was no ongoing system of control in place that attempted to project the growth of guarantee claims or the rate of increase of delinquent loans relative to these reserves. While there was a dynamic element to the growth of the reserve, namely the 5% contribution of each borrower to the fund, the amounts accumulated were paltry compared to the eventual needs.

AGRICULTURAL MARKETING LOAN GUARANTEE FUND (AMLGF):
General Approach to Structure and Establishment

I. Introduction

- During the preliminary investigations conducted for this paper in the field, the emphasis of the AMIP project was modified to include mobilization of resources to support agricultural credit or investment related to distribution of Guinean agricultural products in general, not just exports. This change in emphasis does not affect the structure of the proposed guarantee scheme materially, since in its present design it can be used to encourage commercial bank agricultural credit of different kinds. Once a standard definition of the purpose of credits anticipated to fall under the program is accepted, it would be applied in practice by the AMIP project manager and his staff. Administration of the guarantee program would be conducted on an individual case basis as credit proposals are received, and oversight of the purpose of credits will be exercised then. Indeed, the proposed guarantee program will be flexible enough to include any further modifications in loan purpose as they occur.

- Descriptions of the Agricultural Marketing Investment Project to date have referred to the guarantee fund as an "investment and guarantee" fund. To avoid confusion, and to recognize the fund specifically as a source of loan guarantees for participating commercial banks, it is proposed that this element of AMIP be renamed the Agricultural Marketing Loan Guarantee Fund (AMLGF).

- Another reason to concentrate on loan guarantees is that AMLGF will dovetail nicely with programs of other donor organizations, notably the World Bank, that have put forth ideas for mobilization of equity investment for larger agro-industrial projects through creation of venture capital/private investment companies. The World Bank's National Agricultural Export Promotion Project anticipates creation of a closed end private investment fund for this purpose.

- However, projects of the size anticipated by the private investment company schemes are likely to be few, and it is expected, at least initially, that the majority of AMLGF covered loans will be short term, possibly for pre-harvest working capital needs or for domestic and regional distribution. Guarantee coverage of short term credit for export of fresh produce by air also appears to be feasible. Import credit will be needed for acquisition of capital equipment and other agricultural inputs (packaging, fertilizer, for example), and may be medium term.

- Descriptions of the guarantee fund to date have referred to the role of a "fiduciary" bank. This bank would both administer and safeguard the resources of the guarantee fund. The concept presented here envisions a somewhat different role for the commercial bank, and it would not be a fiduciary. The resources of the fund would be kept outside of the country in a central bank account and disbursed through a mechanism running to the administering bank, and then on to banks participating in the guarantee program, whenever a call on the guarantee needs to be performed.

- The reasons for keeping the funds offshore in a government account are two:

  - First, the BCRG and other government agencies are not expected to have a significant role in the management of the guarantee fund. The decision to grant credit and the decision to accept the guarantee would be made by commercial banks. The decision to grant the guarantee is made independently by the credit committee of the AMLGF in consultation with the commercial bank involved and the borrower. To maintain administrative simplicity, the BCRG would deal only with the administrative bank, and would be simply a conduit through which funds kept offshore are transferred if and when the guarantee is called.

  - Second, the candidates from which the administering bank will be chosen may be either financially weak or have limited experience operating in Guinea. The mechanism makes it possible, provided government concurrence is obtained, to transfer the resources to the administering bank later if its financial condition improves. In the meantime, no credit risk would be taken on a financially weak local banking organization.

II. An Overview of the Guarantee Fund

- The conception of a guarantee fund presented here is based on the following overarching principles:

  - Private sector participants, not the government, should be encouraged to foster and protect private sector interests, even though the business and legal environment in Guinea is unfavorable.

  - Access to the benefits of a guarantee program should be controlled by private sector participants with the help of AID. Once the decision to pay the guarantee has been taken, payment to the bank should be rapid.

  - Payment of the guarantee would not come easily. Private banks will have to demonstrate a good faith

effort to collect a delinquent credit, even though the legal regime is rudimentary at best to non-existent.

- The guarantee should be a means of increasing the volume of credit to bankable transactions in the agricultural marketing sector, not of reducing the risk related to essentially uncreditworthy proposals.

- The extent of guarantee coverage should be such as to encourage utilization by the commercial banks without weakening their obligation to share risks or relieving them of the responsibility for their own credit decisions.

- The guarantee fund reserve should be put in place before the program goes into effect and protected from diversion to other uses.

- The fund should be administered so that anticipated guarantee claims will not exceed the existing guarantee reserve. To make this goal more easily achievable, the fund would be available to cover loan principal only, not interest.

- The plan envisioned would start with a grant to the Guinean government from the U. S. government. The program agreement would be signed by USAID and the Ministère du Plan et des Finances. An operating agreement (a Memorandum of Understanding) between BCRG and USAID will require that the grant, whose amount is anticipated to be USD6MM, be placed in a blocked, interest bearing account with the Federal Reserve Bank of New York for use as a reserve for the guarantee fund. Withdrawls would only be allowed to pay certain local bank administration fees and to liquify drawings for guarantee claims. The BCRG would not have a management role, and would perform primarily as a conduit for guarantee payments.

- The plan includes incentives for the Guinean government to perform its obligations. The program would have a life of 5 years, after which any funds remaining in the reserve account would abe available for a continuation of the guarantee program. It is expected that the program would continue, and a covenant to this effect will be included in the Program Agreement. If during the life of the program the government or BCRG should not perform as expected, a default under the Program Agreement would result and the guarantee program would be suspended until the BCRG or the Guinean government honors its commitments.

- The guarantee mechanism starts with the BCRG, runs in favor of an intermediate bank chosen to administer the program, which in turn issues its guarantee in favor of the participating banks. The payment mechanism starts with a claim by a participating bank, requires prefunding by the BCRG

to the administering bank, and ends with payment by the administering bank to the participating bank.

- An administrative bank is included in the structure in order to reduce the involvement of the BCRG in managing the guarantee program. In the best of circumstances, the structure provides the participating banks comfort because the administering bank will be required to pay a guarantee claim to a bank even if the BCRG does not honor its undertaking to prefund the administering bank. Such an outcome is considered to be highly unlikely, given the BCRG's commitment to private sector development.

- Local banks will be given the choice to bid competitively for the task of administering bank. The bank chosen will be paid a fee for its services to include an agreed premium to cover the risk that the BCRG may not prefund the guarantee obligation assumed by the administering bank. Should it prove to be impossible to find a local bank willing to act as administering bank under these conditions, the program could be modified to have the administering bank issue a conditional guarantee to the participating banks subject to receipt of funds from the BCRG under its counterguarantee.

- The following description assumes that a local bank can be found to act as administering bank in the best circumstances described above. The system is described in graphic form in Annexes 6-8.

III. Form and Structure of the Guarantee

- The guarantee mechanism is based upon the idea of secured stand-by letters of credit (a "stand-by" or "stand-by LOC"). This is a familiar form used in banking for performance guarantees of all kinds, and is used in any situation where a financial undertaking is sufficient to backstop the promise of someone to do anything. Implicit in the arrangement is the understanding of the contracting parties that any absence of performance can be reduced to a payment of money. Drawings under stand-bys are honored by financial institutions according to a simple statement of fact, or the providing of documents. No verification or inquiry by the paying financial institution is required.

- The $6MM budgeted for the AMLGF will be used to secure and backstop a $5MM guarantee fund, which means a program with backing of 120%. However, the AMLGF will be funded incrementally in three tranches over three fiscal years and will not reach its total financing until the third year of obligations. No more than 83 percent of the amount disbursed to the account in the Federal Reserve Bank will be available for guarantees in order to maintain the 120% coverage ratio at all times.

- The program will guarantee the commercial risk taken by private banks that lend to the Guinean agricultural sector. Borrower defaults in repayment of guaranteed loans will result in claims against the fund that will reduce total resources available for future guarantees. On the other hand, earnings from investment of fund resources will increase amounts available for future guarantees.

- The guarantee will be available to cover 50% of bank loans accepted into the program, and each bank that chooses to participate will be allocated a portion of the $5MM guarantee fund (its "Guarantee Limit"). For example, a bank with a $1MM Guarantee Limit could place a maximum of $2MM of loans under the program at any one time (its "Maximum Guaranteed Portfolio").

- If the rate of claims paid from the guarantee fund exceeds the rate at which the fund is replenished from investment of its resources, a level will be reached at which either no new loans can be accepted for guarantee coverage or, if fully utilized at the time, the Guarantee Limits allocated to the banks would have to be permanently reduced as claims are paid.

- With an excess coverage of 20%, the management of the project will have sufficient time to determine if the AMLGF should be continued or allowed to wind down. The 20% cushion should allow fund management sufficient time to avoid the possibility of claims greater than available resources will cover, a problem encountered by the BARAF loan guarantee fund. Knowledge that the funds exist to back the guarantee fund will be important in convincing participating commercial banks.

- As long as the ratio of guarantee backstop funds to total outstanding guaranteed loans exceeds 100%, new loans can be accepted into the program for coverage (assuming the participating banks have not used up their limits). This ratio will have to be watched and recalculated from time to time in order to relate it to the anticipated incremental obligation and disbursement schedule for funding the AMLGF.

IV. Destination of AID Grant

- The $6MM budgeted for the guarantee fund will be a grant to the Guinean government.

- The funds will be held in a special Guinean government account at the Federal Reserve Bank of New York, to be operated by the central bank (BCRG). These funds will be invested in suitable money market instruments, such as U. S. Treasury bills.

- The government and BCRG will agree that these funds will not be commingled with the country's general foreign exchange reserves, and that their sole use will be as a source for

payment of claims and fees to the administering bank under the guarantee program.

- The funds will be used to backstop a stand-by LOC whose purpose will be to mobilize the guarantee fund at the national level.

- BCRG will agree to honor drawings under the stand-by LOC to prefund the payment of claims under the guarantee program as required. Failure of BCRG to perform within a reasonable time will constitute an event of default in the agreements with USAID and will result in a written warning from USAID that payment must be honored in thirty (30) days, failing which no new guarantees will be issued.

- The initial life of the guarantee program will be 5 years. If the program is not renewed, after completion of a final accounting any remaining funds in the grant not needed to back outstanding guarantees will pass unconditionally to the Guinean government. However, it is intended that the guarantee program will be continued, and the Guinean government will covenant in the Project Agreement to renew and continue operating the AMLGF after its initial 5 year term.

- Any interest or other remuneration earned by these funds at the Federal Reserve will be capitalized and paid back into the account. Should capitalization prove to be impractical for legal reasons, a separate account will be established to receive these earnings. The conditions for withdrawal of funds from any such separate earnings account will be the same as those for the main reserve account.

V. <u>BCRG Letter of Credit</u>

- The central bank will issue a master letter of credit (the "BCRG LOC") in the face amount of $5MM in favor of a local commercial bank (the "Facing Bank"), to be chosen at a later date by USAID Conakry according to its own criteria, with consideration given to its creditworthiness and administrative capacity to serve as issuer of other standbys (the "Facing Bank LOCs"). The actual amount available for guarantees will depend on the phasing of payments of the tranches that will be disbused over time.

- Drawings under the BCRG LOC will be paid by BCRG in U. S. Dollars.

- The language in the BCRG LOC to be satisfied for release of funds will refer to a document, signed by an authorized representative (called a "Notice of Intention to Draw"), stating that the Facing Bank has received a written request (called a "Declaration of Intention to Draw") to draw funds in an amount certain pursuant to one or more Facing Bank LOCs

which it has issued in favor of other commercial banks participating in the guarantee program.

- Each Notice of Intention to Draw will be accompanied by the Facing Bank's draft drawn on BCRG to be paid within three (3) days from sight (or within such other time period as may be needed for BCRG to draw on the reserve account).

- BCRG will agree to make payments to the Facing Bank without questioning or inquiring into the underlying transactions resulting in the drawing, and without delay.

- BCRG may refinance any drawings under the BCRG LOC through drawings on its special account with the Federal Reserve Bank of New York, or it may pay directly from its own reserves. Authority to refinance any drawings under the BCRG LOC will be provided in writing by the designated representatives of both BCRG and USAID, in consultation with the project management of the guarantee fund. USAID approval will be provided in a Project Implementation Letter (PIL).

- Drawings on the special account to pay Agency and Drawing fees to the Facing Bank will be handled in the same manner.

VI. Facing Bank Letter of Credit

- The Facing Bank will issue the Facing Bank LOCs in favor of the commercial banks in Guinea that apply for and are accepted into the guarantee program.

- The Facing Bank will issue as many LOCs as there are local banks participating in the guarantee program, as long as the sum of the amounts of the LOCs does not exceed the lesser of the amount then on deposit in the guarantee reserve or $5MM.

- The Facing Bank LOCs will be available for drawing to satisfy the claims of local banks participating in the guarantee program in local currency.

- A drawing pursuant to a Facing Bank LOC in favor of a Participating bank will occur upon receipt of a document (the "Declaration of Intention to Draw") signed by the designated authorities of both the Participating bank and the guarantee fund requesting a drawing and certifying that the conditions of making a claim under the guarantee program have been fulfilled.

- Each Declaration of Intention to Draw will be accompanied by the Participating Bank's draft drawn on the Facing Bank to be paid within ten (10) days from sight (or within such other time period as may be reasonably needed for the Facing Bank to draw U. S. Dollars under the terms of the BCRG LOC, convert them to local currency at the weekly foreign exchange auction, and pay them to the Participating Bank).

- The maximum claim to be paid under a Facing Bank LOC with respect to a single credit will be the countervalue in GNF of 50% of the principal of the original U.S. Dollar value of the credit granted by the Participating bank.

- The Facing Bank will be remunerated for its services through an annual Agency fee. These fees will be paid from interest earnings of the BCRG deposit of grant money with the Federal Reserve, and from Utilization fees paid by the banks participating in the program ("Participating bank(s)").

- A separate local currency account will be established at the Facing Bank for collection of Utilization fees paid by the Participating banks.

VII. Participating Banks

- Each Participating bank's Guarantee Limit will be determined at the time its application is accepted according to criteria developed by USAID, including an estimate of expected usage of the guarantee by the bank being reviewed.

- With a total of six commercial banks presently operating in Guinea, it is expected that Guarantee Limits will be allocated among the banks in the range of $1.5MM, the maximum permissible, to a low of $500M. Amounts will vary depending on how many banks apply to be covered under the program. At no time will total guarantees exceed 83 percent of the available funds disbursed in tranches to the guarantee fund reserve deposit.

- With a norm of 50% guarantee coverage, banks will be permitted to insure a loan portfolio (the "Maximum Covered Portfolio") of twice the amount of their allocated Guarantee Limit. A bank allocated the maximum Guarantee Limit would be able to insure a loan portfolio of $3MM.

- Once all tranches have been disbursed into the guarantee reserve account, the system will result in total Guarantee Limits of $5MM and a global Maximum Covered Portfolio of $10MM.

- As consideration for the coverage of the guarantee, a Participating bank will pay a Utilization fee equal to a percentage of the average outstanding U. S. Dollar value of all outstanding loans subject to the guarantee ("Qualifying Loans") during a six-month Guarantee Period. The exchange rate used to calculate the U. S. Dollar value will be determined by USAID. The Utilization fee is expected to be passed by the Participating banks on to their borrowers.

- The Facing Bank may be a Participating Bank.

VIII. Qualifying Loans

- Guarantees shall be available to insure loan principal only.

- Participating banks may include under the AMLGF only those extensions of credit that have been the subject of independent examination and three-way discussions among the Borrower/Promoter, the staff of the Participating bank charged with the Borrower's account, and the AMLGF staff.

- The AMLGF staff will provide technical assistance in preparing the credit application to both the borrower and the Participating bank in order to facilitate the production of sound credit decisions.

- Qualifying Loan(s) shall be approved independently by the credit committees of each Participating bank.

- The decision to grant the loan guarantee shall be taken independently by the Credit Committee on the advice of the AMLGF staff, including the long term TA advisor in Banking and Finance. The Credit Committee will be composed of the USAID Director or his/her designate as chairman, the Governor of the BCRG or his designate, the USAID Rural Development Office Chief, the USAID AMIP Project Manager, and AMF Executive Director. A majority vote would prevail in any decision.

- The guarantee will be available to cover short, medium, and long term credit, as long as the criteria established by the AMLGF with respect to purpose of the credit have been respected.

- If a request for medium or long term credit is being made, the total investment/transaction of which the credit covered by the guarantee is a part must possess an equity component of no less than 25% of the total projected cost from the borrower/promoter. The borrower/promoter must demonstrate to the satisfaction of the merchant banking staff of AMIP that the transaction being financed contains this equity component, and that availability of the equity does not depend on honoring another obligation for borrowed money to be repaid from the cash flow generated by the investment/transaction being financed.

- The guarantee will only be available for coverage of loans not already covered by another donor's guarantee, or by the guarantee of a Guinean government loan guarantee program.

- If a transaction being financed involves importation of goods and services, the loan being guaranteed may not be tied to procurement from any specific geographic or national source.

- The total principal amount of Qualifying Loan(s) made to any one borrower may not exceed the equivalent in any currency

of $150,000 (or such other amount specified by AMF staff) at the time the loan is made. At the present time in Guinea local banks are permitted to make loans in GNF only.

- Qualifying Loans may be placed under and removed from guarantee coverage as long as the total principal amount of loans under coverage does not exceed a Participating bank's Maximum Covered Portfolio, provided, however, that no new Qualifying Loan may be accepted from any Participating Bank for guarantee coverage if the ratio of total guarantee funds available to total outstanding guarantees is less than 120%.

- AMF staff will determine the maturity of each guarantee granted on an individual case basis. It is expected that the average maturity will be around 4 Guarantee Periods (2 years).

- As a condition to participating in the guarantee program, Participating banks will agree to cooperate reasonably in lending seminars, training programs, and promotional programs (including evaluations of the overall developmental impact of guarantees extended) which are conducted, sponsored or supported by USAID. Cooperation shall include making staff available to participate in these events.

IX. Claims

- A Participating bank may submit a claim on a Qualifying Loan

  (a) when it has written off all principal and interest (the entire outstanding balance) as a bad debt expense; and

  (b) when it has made a specific provision in its allowance for bad debts.

- Prior to submitting a claim on a Qualifying Loan,

  (a) the total outstanding principal must have become immediately due and payable;

  (b) the Participating bank must have made a demand for full payment upon the Borrower while the guarantee was effective; and

  (c) the Participating bank must have exercised due diligence in making all reasonable efforts to collect the entire amount due.

- The Participating bank will be aided in its effort to collect delinquent credits by the banking staff of the AMF charged with administration of the AMLGF.

- An affidavit certifying that the above conditions have been satisfied must be signed by the designated authorities of both

the Participating bank and the AMF before a drawing under a Facing Bank LOC may be requested.

- Upon determination of the amount of its guarantee claim in U. S. Dollars, the Participating bank will be eligible to receive the full countervalue of the Dollar amount in local currency, calculated at the then current rate of exchange, when the claim is paid, provided that the total amount of local currency paid does not exceed outstanding principal plus accrued interest, fees, and other sums owing with respect to the credit in question.

X. Role of the AMLGF Staff

- A key aspect of the AMLGF is the providing of technical assistance at all stages in the life of a Qualifying Loan. Descriptions of donor-sponsored loan guarantee funds usually refer to the need for technical assistance in putting together loan proposals; the need to "follow" a loan after funds are disbursed is not made a service to be provided, nor is assistance in restructuring credits in difficulty or collecting bad loans usually a part of the program.

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- It is proposed that the AMLGF be administered by a staff of experienced people. Their background should be in commercial banking and trade financing with an emphasis on business lending in West Africa. At least one person should have gained through experience the ability quickly to determine the financing possibilities associated with timing differences found in short term trade transactions and be able to asses the risks involved in various circumstances. Individuals are needed who can follow their customers closely, and who have the personal skills needed to work with a small entrepreneur on a cordial, confidential basis. Since so much of Guinea's agricultural marketing is done informally, either domestically or to neighboring countries, small business lenders are most likely to have the experience needed to understand the credit needs of the AMLGF's most likely clients.

- The emphasis of AMLGF is on productive enterprise in Guinea's agricultural marketing private sector without regard to term of credit or size of the borrower. Persons with an investment banking background have valuable skills which are useful in putting together proposals for larger projects that need medium or long term loans, or require finding a source of equity. However, at least during the early stages of the guarantee fund, so few of these large projects are expected to be found that the services of someone experienced in investment banking are not needed right away.

- The banking staff of the AMF would be charged with administering the AMLGF. This would involve working with local entrepreneurs, with or without foreign participation,

and with the local commercial banks, in preparing proposals for Qualifying Loans, either for ongoing businesses or for new ones, that are bankable and creditworthy but which could benefit from the extra protection of a loan guarantee. The project anticipates hiring a long term Banking and Financial Advisor to work with the AMLGF.

- The staff would be responsible for following, with the Participating bank, each Qualifying Loan in order to insure proper loan administration and to anticipate difficulties. The staff would be available and expected to participate actively in any request to restructure a loan should the need arise, and would actively assist a Participating bank in collection of delinquent loans.

- It is expected that the AMLGF staff will develop a cordial working relationship with the local banking community. However, it is crucial to the success of the guarantee program that the staff should **function independently.** The need for independence will be greatest at the time decisions to grant guarantees are taken, but will be necessary during all phases of the staff's work.

- The AMLGF staff will also assist the staff of the Facing Bank in the administration of the Facing Bank LOC, and will keep parallel records of all transactions.

- The head of the AMLGF staff will be employed by USAID as an FSNPSC (a local hire person on a personal services contract) and will report directly to the AMIP project manager, USAID Conakry, and will be housed separately from the Participating banks. The operating costs for the AMLGF staff will be funded by the Counterpart Fund Managment System under direct contract between the AMLGF and the CFMS Strategic Committee.

XI. Foreign Exchange Risks

- There are two types of exchange risk associated with the guarantee: Currency availability risk and rate change risk. Since the deposit backing the guarantee fund will be kept offshore, and since BCRG refinancings of drawings under its LOC will be authorized by government and USAID authorities acting in concert, the availability risk will be mitigated.

- The currency of reference will be the U. S. Dollar, and USAID will not bear any exchange rate change risk since claims paid will be based on the portion of the Qualifying Loan guaranteed in U. S. Dollars, using the rate of exchange in effect at the time the loan is made.

- Participating Banks will bear a rate change risk, since the amount paid by way of guarantee claim in U. S. Dollars may not translate into the full amount of the currency originally loaned in case that currency appreciates strongly. On the

other hand, there would be a gain on conversion in case of depreciation. The risk is not major presently because guarantee claims are expected to be paid in local currency, since Qualifying Loans will be GNF loans. In fact, given the continuing gradual depreciation of the GNF, it is expected that Participating banks, on conversion of the proceeds of their claims in U. S. Dollars, will be able to recuperate some, if not all, of any past due interest as well as principal. However, the program does not guarantee this.

Donor provided medium and long term credit lines available to the banking system in Guinea

Origin / Characteristics	CCCE - PME/PMI	CCCE ACCORD CADRE	ACCORD DE CLASSEMENT BCRG	D.E.G	U.S.A.I.D.	
Original Amount	FRF 45 MM	FRF 100 MM	No Limit	DEM 1.156 MM	USD 2.3 MM	USD 2.7 MM
2nd Tranche	FRF 50 MM	FRF 50 MM	-	DEM 2.0 MM		
Purpose	Capital Equipment and Working Capital Needs in Foreign Exchange (Limited to 25% of the credit)		Local currency, non-import investment expenses incl.all tax	Import of equipment needs	Local currency requirements	Working capital & equipment needs (local currency)
Business Sector	All except real estate		All except retail trade (commerce) & real estate	All except retail & R.E.; espec. agriculture	Rural and artisanal	Agro-industrial
Origin of goods and services financed	France & Zone Franc		-	All countries	All countries	
Beneficiaries	Guinean & French nationals, or companies controlled by them		Companies incorporated in Guinea	Guinean nationals or companies controlled by them	Guinean nationals	
Individual loan size	FRF 1 MM ceiling	FRF 10 MM ceiling for credits approved locally	No ceiling	GNF 250 MM ceiling	-	GNF 500 MM ceiling

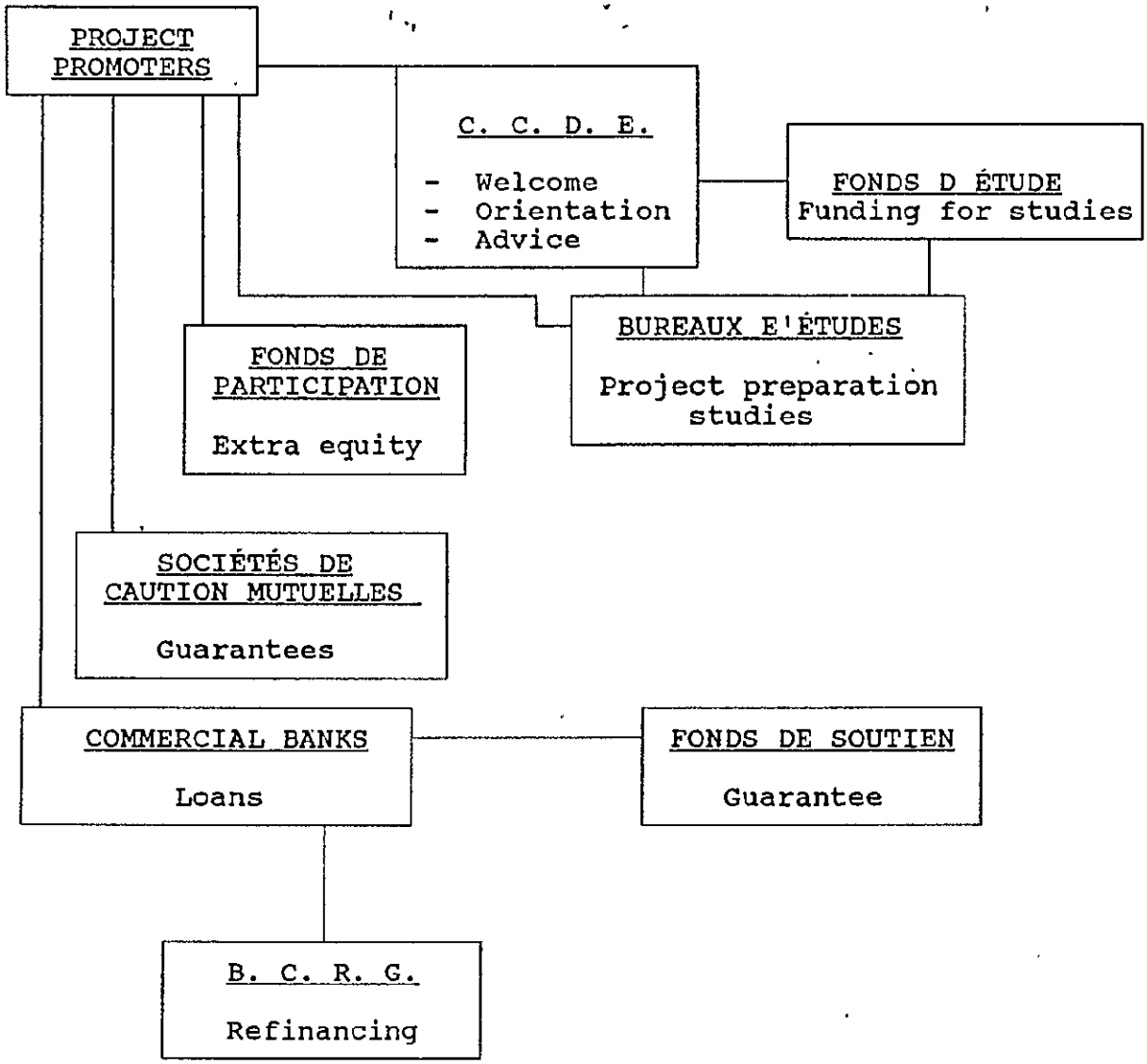
ANNEX 4 (a) Exhibit B-2

Origin / Characteristics	CCCE - PME\PMI	CCCE ACCORD CADRE	ACCORD DE CLASSEMENT BCRG	D.E.G.	U.S.A.I.D.	
Contribution of Own Funds	20% + 5% guarantee fund contribution	same as CCCE-PME\PMI (often 30%)	20% including all taxes	Case-by-case, usually 20%-25%	10%	Case-by-case, 10% to 30% of fixed assets
Exchange Risk	Government of Guinea		–	D.E.G.	–	
Client Risk	CCDE: Bank 20% Others: Bank 30% Balance: Govt. sponsored Guarantee Fund	Banks 100%	CCDE: Banks 20% Donor Line Complement: Banks 30% Others: Banks 100%	BICIGUI	Banks 100%	
Participating Banks	All commercial banks except BPMG and BIG		All banks	BICIGUI	Crédit Mutuel & Crédit Rural	BPMG
Interest Rate	TREP + 3	TREP + 7	CCDE: TREP + 3 Others: TREP + 8	13%	Open determination	
Maximum maturity	case-by-case, usually 2 to 7 years		2 to 5 years	2 to 9 years	18 months	2 to 5 years
Maximum grace period	case-by-case usually 2 years		9 months	3 years	None	2 years

ANNEX II (b)
B.2

~~ANNEX~~ 2

GUARANTEE MECHANISM
FONDS DE SOUTIEN



Republic of Guinea March 31, 1992							
(GNF millions)	BICIGUI	SGBG	BIAG	UIBG	BIG	BPMG	Total
Resources Available & Deployment							
(Residents & Nonresidents)							
Source: BCRG							
GUINEAN FRANCS (GFA)							
Resources (a)	41,059.6	20,212.2	5,962.0	12,462.7	8,595.6	2,639.0	90,931.1
Deployment (b)	24,056.3	18,562.0	12,288.2	9,626.5	10,101.9	463.0	75,097.9
Difference	17,003.3	1,650.2	(6,326.2)	2,836.2	(1,506.3)	2,176.0	15,833.2
Coverage Ratio (a)/(b)	170.68%	108.89%	48.52%	129.46%	85.09%	569.98%	121.08%
FOREIGN EXCHANGE							
Resources	11,492.6	6,130.8	10,793.3	1,355.3	1,638.6	112.0	31,522.6
Deployment	4,215.0	5,667.5	3,070.4	1,300.5	2,373.7	0.0	16,627.1
Difference	7,277.6	463.3	7,722.9	54.8	(735.1)	112.0	14,895.5
Coverage Ratio (a)/(b)	272.66%	108.17%	351.53%	104.21%	69.03%	-	189.59%

ANNEX IV (a)

Republic of Guinea March 31, 1992							
	BICIGUI	SGBG	BIAG	UIBG	BIG	BPMG	Total
Resources Available & Deployment							
(Residents & Nonresidents)							
(Source: BCRG)							
TOTAL RESOURCES							
Resources	52,552.2	26,343.0	16,755.9	13,818.0	10,234.2	2,751.0	122,454.3
Deployment	28,271.3	24,223.5	15,358.6	10,927.0	12,475.6	463.0	91,719.0
Difference	24,280.9	2,119.5	1,397.3	2,891.0	(2,241.4)	2,288.0	30,735.3
Coverage Ratio (a)/(b)	185.89%	108.75%	109.10%	126.46%	82.03%	594.17%	133.51%

ANNEX IV (b)

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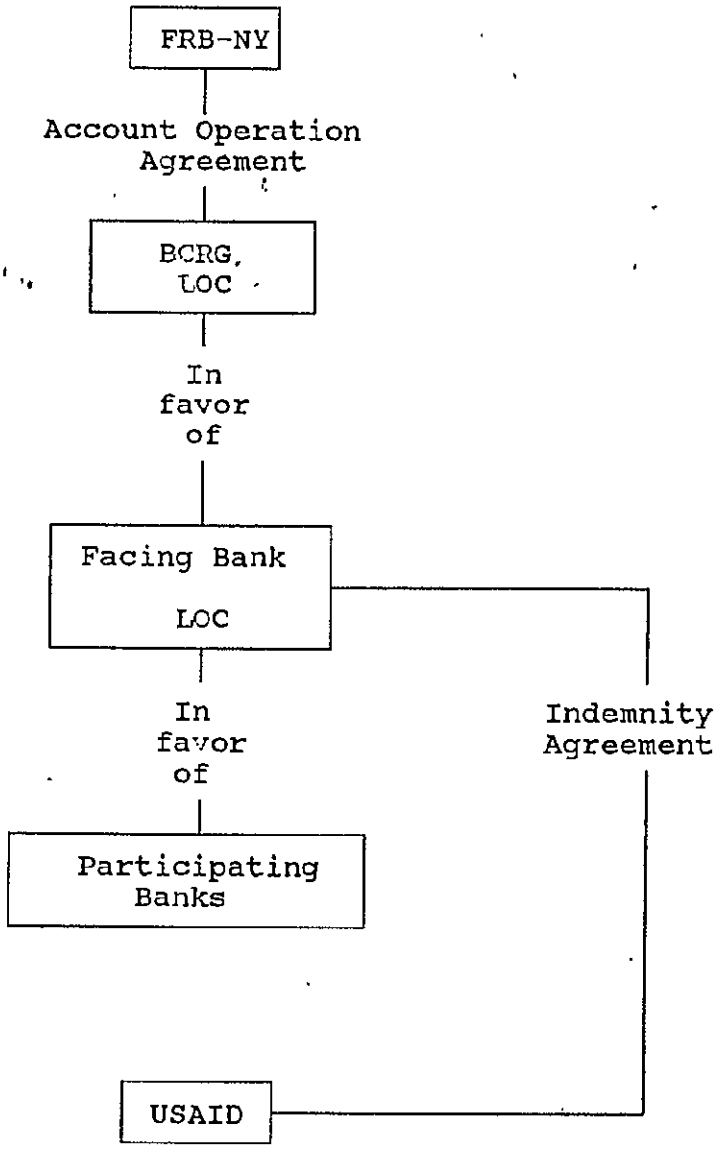
epublic of Guinea March 31, 1992							
(GNF thousands)	BICIGUI	SGBG	BIAG	UIBG	BIG	BPMG	Total
ank Solvency Ratios							
Source: BCRG							
et Capital (a)	8,178,358	5,003,029	1,342,687	2,550,600	6,288,995	557,951	23,921,620
isk Weighted Assets (b)	73,159,126	40,778,462	24,932,885	18,281,578	19,699,740	3,938,854	180,790,645
olvency Ratio [(a)/(b)]	11.18%	12.27%	5.39%	13.95%	N.M.*	14.17%	13.23%
xpected Inflows (3 months) (a)	49,743,690	20,212,622	8,666,388	8,501,655	3,625,450	2,490,632	93,240,437
xpected Outflows (3 months) (b)	28,719,853	21,383,857	14,543,291	5,635,688	6,835,130	2,264,953	79,382,772
iquidity Ratio [(a)/(b)]	173.20%	94.52%	59.59%	150.85%	53.04%	109.96%	117.46%
N.M.= not meaningful							

ANNEX 5

AGRICULTURAL MARKETING LOAN GUARANTEE FUND

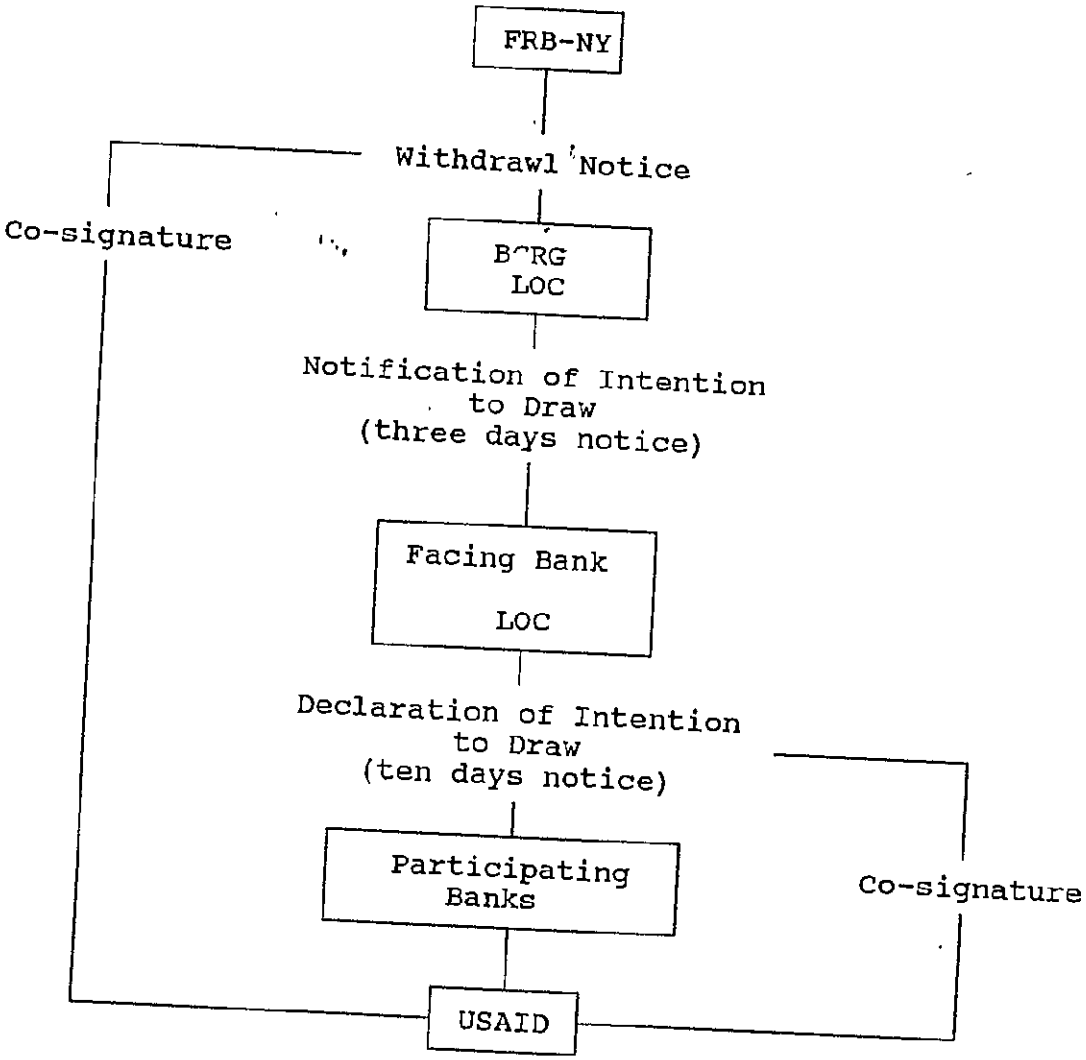
Diagram of Operating Agreements



AGRICULTURAL MARKETING LOAN GUARANTEE FUND

Diagram of
Flow of Documents

Direction of Flow: Upwards



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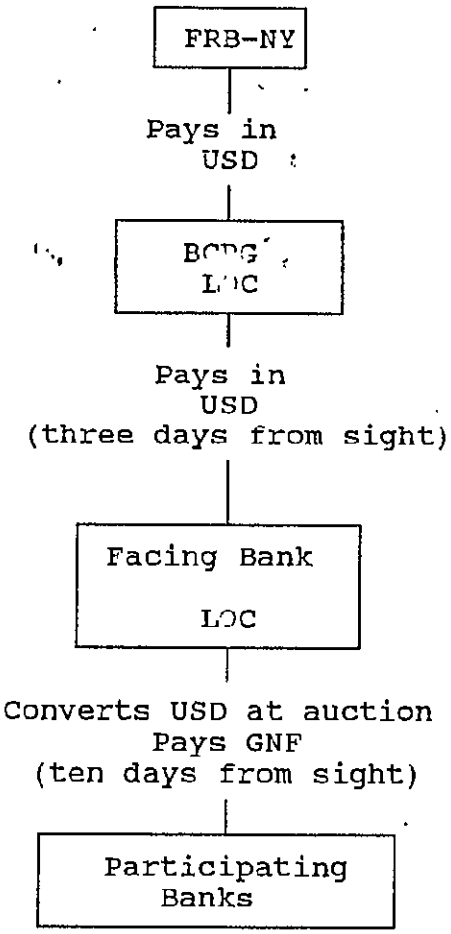
AGRICULTURAL MARKETING LOAN GUARANTEE FUND

Diagram of
Flow of Payments

Direction of Flow: Downwards



ANNEX C

ECONOMIC ANALYSIS

ANNEX C

ECONOMIC ANALYSIS

I. Background

A. Macroeconomic Situation

Guinea undertook a program of economic restructuring in 1985, ending more than 25 years of state control over the economy. The first phase of Guinea's Economic and Financial Reform Program (PREF), 1985 - 1988, involved a number of profound changes in economic policies:

- The GOG adopted a private sector orientation and began to reduce the interventions of the state in economic activities: by 1988 over 100 parastatal enterprises were privatized or liquidated; controls on internal movements of goods were lifted.

- Barriers to international trade were lifted: the Guinean currency was devalued; customs duties were harmonized and lowered; and, import procedures were simplified.

- Efforts were undertaken to reduce government budget deficits: revenues from mining exports and petroleum imports were increased; the GOG began to scale down the size of the civil service and automatic hiring of college graduates was stopped. In addition, GOG expenditure priorities began to place greater emphasis on investments in social and physical infrastructure.

- Monetary reforms were implemented: control over monetary management and the issuance of currency was vested in the Central Bank of Guinea and a new currency, the Guinean Franc, was released; state controlled banks were liquidated and new banks were opened with significant foreign participation.

- In order to promote private production and commerce the GOG has updated key legal texts for commerce (1985), banking (1985), minerals (1986), investments (1987), public procurement (1988), labor practices (1988), and accounting standards (1988).

- Agricultural production and marketing was liberalized: prices were decontrolled, private trade permitted, most road blocks removed, import and export procedures simplified and public agricultural marketing and trading companies privatized.

The early results of the PREF were positive. GDP grew at an average rate of 4.5 percent (1.7 percent per capita) between 1986 and 1988. Inflation slowed from 72 percent in 1986 to 26 percent in 1988. Net domestic credit of the banking system to the private sector grew from $2.3 million in January 1986 to $77 million by the end of 1988. Private investment increased from almost zero prior

to 1985 to 10.8 percent of GDP in 1988. Non-mining exports increased from an average of $11 million between 1976 and 1981 to over $30 million per year between 1986 and 1988. Moreover, the PREF received strong international support, including about $35 million under an IMF Structural Adjustment Facility in 1987, a World Bank Structural Adjustment Credit (SAC) of $65 million, and USAID PL-480 and non-project assistance of approximately $40 million.

The pace of progress slowed during the second phase of the PREF, 1989 to 1991. The reform process entered the more difficult realm of attempts to implement new policies and regulations, to change institutions and practices, and to inspire confidence among private investors. Progress in economic restructuring was made in the following areas: civil service reform, increases in petroleum and customs tax collections, restructuring of the energy sector, and further devaluation of the Guinean Franc.

However, results during the past few years have not met expectations: GDP growth slipped to 4.2 percent per year (1.4 percent per capita) between 1989 and 1990 and to 2.4 percent (minus 0.4 percent) in 1991; inflation remained between 19 percent and 27 percent; credit to the private sector increased less dramatically to an estimated $120 million in 1991; private investment remained near 10 percent of GDP; and growth of non-mining exports levelled off.

At the same time, donor and investor confidence in the GOG's economic policy performance waned. In 1989, the World Bank postponed release of the second tranche of its SAC when the GOG failed to fully satisfy conditionality on: civil service reform and privatizations. Negotiation of an IMF Enhanced Structural Adjustment Facility (ESAF) was delayed for nearly six months in 1991 over the slow pace of these reforms and concerns about GOG deficit spending.

Guinea's ESAF was finally approved in November 1991, providing a boost to efforts to sustain the process of economic restructuring and growth. However, Guinea is in a difficult position in 1992. World prices for bauxite (which accounted for 80 percent of export earnings in 1990) are down. GOG budget deficits in 1991 exceeded IMF targets, as a result of large government wage increases and extra-budgetary spending. And, a process of political reform is underway, with multi-party elections expected later in the year. To win the confidence of international partners and private investors, dramatic progress is required in raising public revenues and reducing expenditures, eliminating corruption, adopting and implementing laws and regulations to protect private investments, and privatizing remaining parastatal companies. However, these steps are likely to encounter domestic resistance. In Conakry, university students and the unemployed have been actively protesting during the past year over economic conditions. Thus,

donor organizations can play a pivotal role in supporting the restructuring process through financial and technical assistance, with due attention to the social dimensions of adjustment.

B. Agricultural Sector

1. Introduction

If Guinea's economy is to diversify and expand in the 1990's, the agriculture sector must lead the way. Guinea possesses a strong resource base for agriculture with its ecological diversity and abundant rainfall. At present, agriculture accounts for 28 percent of GDP and 80 percent of employment. Typically, agricultural producers are female and male small-holders, while large holdings and hired labor are rare in this sector. Cropping patterns vary according to geography and climatic conditions, but most household produce both staple foods and cash crops. Generally, land is abundant, though there is some population pressure on the land.

There is very little vertical integration in product marketing and export. For most commodities, producers sell surpluses to small-scale collectors, usually women, at local, weekly markets. Produce is then transported to market towns for resale to larger merchants. These merchants have sales and storage facilities. They sell to local consumers and small retailers as well as traders from other parts of Guinea or neighboring countries. Collectors, merchants and traders rarely operate their own vehicles and thus are reliant on transporters (see below).

Transport and marketing costs are high, largely because of poor infrastructure. Domestically produced rice costs the consumer in Conakry 60 to 70 percent more than the price paid to the farmer. Asian rice sells for less than local rice. Similarly, the World Bank estimates that the f.o.b. export price of pineapples exceeds the farmgate price by 60 percent.

2. Agricultural Markets

In broad outline, there are three sets of markets for Guinea's agricultural produce: the domestic market, the world market (mainly Europe), and neighboring West African countries. Guinea has the potential to expand production and increase sales of several commodities in each of these markets.

For domestic markets, <u>rice</u> is the most important commodity. Rice accounts for about 40 percent of all land cultivated, according to GOG statistics, and is grown in upland, bottomland and mangrove areas. Yields are variable across farming systems but tend to be low, in the range of 700 to 1,000 kg. per hectare. In 1991, paddy production was estimated at 643,000 MT, accounting for 70 percent of rice consumption in Guinea. Imports remain

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significant for urban markets, largely because of the high costs of internal transport. Perhaps 20,000 MT of domestic rice is sold to neighboring countries by small traders operating through unofficial channels. Thus, rice offers potential for market growth to replace imports and to feed a growing non-agricultural population, providing production and marketing is made more efficient.

On average, Guinean farmers devote 15 percent of their cultivated land to production of groundnuts. Total output is estimated at 100,000 to 200,000 MT per year (unshelled). As with rice, groundnuts are sold primarily on domestic markets, with small quantities being traded regionally. Other important staple food crops on the domestic market are fonio (a cereal), maize, and cassava.

Among those agricultural products sold on world markets, coffee is the most important. Guinea produced 13,000 MT of coffee in 1990. Coffee is grown primarily on small holdings in the Forest Region, though there are a few large plantations. Yields are poor because of low investment, but the quality of the robusta produced is good, and there is potential for expanded production. Since 1985, export to world markets (mostly Europe) has been handled by a few large private firms, with formal exports of nearly 10,000 MT (about $12 million) in 1990. Smaller quantities are transported clandestinely to Senegal and other neighboring countries. With new investment, Guinea has the potential to increase coffee output and exports more than three-fold over the next 10 years.

Cotton is another traditional export crop, though Guinea's production is small, 2,500 MT (with an export value of $4 million) in 1989/90. The Compagnie Francaise de Développement Textile (CFDT) supports small-holder production and marketing of cotton and and exports sales are assumed by the French Compagnie Cotonière. CFDT's production target for the year 2000 is 20,000 MT. Similarly, rubber production for export is receiving financing from the Caisse Centrale, the AfDB and the World Bank. Production is centered around a large plantation and augmented by smaller family holdings. Marketing, expected to begin in 1995, will be through SOGUIPAH, a state company which is to be privatized. Guinea's rubber production for 2000 is expected to reach 10,000 MT.

Fresh fruits are considered to have considerable world market potential, particularly on established markets in Western Europe and emerging markets in Eastern Europe. While established world markets for fruits are highly competitive and often require sophisticated marketing strategies, Guinea has strong agro-ecological and climatic advantages and the benefit of historical links with Eastern European countries. Thus, successful penetration of these market is achievable with improved production and marketing along with improvements in the overall enabling environment.

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Pineapples are grown on small holdings (usually under two hectares), although there are two larger agro-industrial operations. Production is estimated at over 5,000 MT per year. World markets are served by the more accessible areas in the Maritime Region. Exports, at 2,000 MT or $1.2 million are far below historical levels as a result of low investment prior to 1985. Increasing pineapple production and export is a GOG priority that is receiving technical and financial support from the World Bank, European Community and the French Government (Caisse Centrale and FAC). The World Bank projects that pineapple exports will grow to 25,000 MT by 2000.

Banana exports also suffered during the post-independence period. Prior to independence Guinea exported 100,000 tons of bananas per year, but since 1978 exports have been negligible. Domestic consumption remains significant however, and bananas may have long term market potential but significant investments to improve product quality must be undertaken. Other fruits with export potential include mangoes, melons, papaya, guava, and avocadoes. Guinea could also supply world markets with vegetables, fresh flowers, and spices (See Tables D-1 and 2).

Table D - 1: Exports of Selected Agricultural Commodities (1991 and 2000, estimated, in Metric Tons)

Commodity	1991	2000
Coffee	9,000	40,000
Cocoa	2,000	NA
Rubber	0	10,000
Cotton	2,500	20,000
Palm Kernel	...	3,500
Pineapple	2,000	25,000
Mango	300	5,000
Other Fresh Fruits and Vegetables	...	5,000
Processed Fruits	NA	5,000
Flowers and Essential Oils	...	$19.5 million
Estimated Value	$13 million	$130 million

Table D - 2: Agricultural Exports and Principal Markets

Western Europe		West Africa	
Coffee	Green Bean	Rice	Red Palm Oil
Cocoa	Cherry Tomato	Potato	Peanuts
Rubber	Eggplant	Cotton	Kani (spice)
Palm Kernel	Green Pepper	Oranges	Kola Nut
Pineapple	Flowers	Piment (Red pepper)	Honey
Mango	Wax	Plantain	Nere
Melon	Essential Oils	Shea Butter	Samburu
Papaya	Karo Karunde (fragrance)		
Avocado			

Since Guinea is more fertile and has more abundant water resources than its neighbors, it is an important regional exporter of a wide range of agricultural products. Production of cola nuts in the Forest and Maritime Regions is substantial. It is estimated that the Forest Region alone produces 9,000 MT per year of which 7,000 MT are sold on domestic or regional markets. This results in sales of up to $5 million dollars of which more than 40 percent accrues to the producers.

Guinea is a producer and exporter of palm oil. Output is estimated at 30,000 to 40,000 MT per year. Although Guinea imports 15,000 to 20,000 MT of vegetable oil per year, these products are not perfect substitutes. Guinea's red palm oil is preferred in traditional cooking and there are significant exports to Senegal, Mali and other West African countries. Current efforts by SOGUIPAH to expand red palm oil production are expected to increase output by 25 percent by the year 2000.

There is significant demand on regional markets for a small red pepper (piment) which is abundant in Guinea. Small markets in Europe (Italy and Spain) also exist. According to one study, Guinea could export 100 MT of this product at a value of nearly $300,000. Guinea produces a number of other products with regional and domestic market growth potential including honey and wax, vegetables, and traditional spices.

C. Transport Sector

Internal transportation of agricultural produce from collection points to domestic and export markets is done almost exclusively by road. (Only small quantities of higher-valued horticultural products are transported by air.) Guinea's road network is comprised of over 12,000 km of roads, of which only 1,300 are paved. More than half of the road network is impassable during the rainy season. Poor transportation links are a leading

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constraint to the expansion of Guinea's agricultural sector. As a result, the rehabilitation and maintenance of Guinea's roads and water crossings are receiving significant financial support from the World Bank, USAID and other donors. Road infrastructure also accounts for 16 percent of Guinea's public investment budget, or $9 million.

There are few integrated agricultural marketing and trucking operations. Freight traffic is handled mostly by private operators. Some have acquired fleets of up to 10 to 20 trucks, but most own only one or two. There are approximately 4,000 trucks in Guinea and typically they are old and in poor repair. Limited access to credit remains a critical constraint to upgrading the trucking fleet.

The transport industry is highly organized by Guinea standards. There are established truck and taxi stations in major towns, as well as branch offices of the Transporter's Union. The Union coordinates transporter's activities. Nevertheless, the transport industry is fairly open and competitive.

Exports to international markets travel by both air and sea. Through negotiations between exporters and the airlines, horticultural products traveling by air have recently grown to 70 MT per week. However, air freight is by nature expensive. Sea potential is under-utilized. As shipments tend to be small, shipping costs remain high. Regional markets, including Senegal, Gambia, Guinea Bissau, Mali, Cote d'Ivoire, Liberia and Sierra Leone, are served primarily by road. However, Senegal receives significant shipments of fruit by sea.

D. Financial Sector

At the beginning of the PREF, the state-owned banking system was insolvent and services were virtually non-existent. In 1985, the GOG liquidated existing banks and vested authority for management of the financial system in the Central Bank of the Republic of Guinea (BCRG). The formal financial sector now consists of the BCRG, six commercial bank (with partial Guinean ownership) and two insurance companies (see Box D-1). In addition, there are small-scale savings and credit institutions, such as cooperatives and tontines, as well as a handful of donor-supported, non-bank, credit schemes (including Credit Rurale, Credit Mutuel, the Peace Corps Revolving Credit Scheme and USAID'S Guinea Rural Enterprise Development -- PRIDE).

Guinea's current banking system, which replaced the bankrupt government banks in the mid-1980's, achieved spectacular growth in the period up to 1988. Growth has stagnated since that time. At the end of 1991, demand and time deposits held by the banking system totaled only $67 million, of which 85 percent were demand deposits. In response, the Central Bank has raised interest rates

in 1991 to positive real levels (net of inflation). At the same time, net domestic credit to the private sector was only $105 million. The agriculture sector benefits from a preferred rediscount rate (currently 25 percent compared to the standard 19 percent).

Commercial banks are required to report on clients with more than GNF 15 million (currently $18,000) in credit outstanding. At the end of 1990 the BCRG had 685 such clients on record. The structure of this credit is summarized in Tables D - 3 and 4. The commercial banks tend shy away from medium-to-long term lending (11.6 percent of lending). Instead, credit is biased towards short term trade finance, primarily in support of imports. Agricultural lending accounts for less than 15 percent of all credit.

Bankers express concerns over the high risks involved in longer-term lending and the difficulties in pursuing defaulting clients. The commercial banks tend to hold assets off shore, often in the accounts of foreign affiliates. In addition, the poor condition of the industry as a whole may be attributed to poor management and bad loans, a situation aggravated by the fact that BCRG has little authority to sanction banks, to keep them in line. Banks have experienced high loan losses and have high operating costs. Although banking margins are high, four of the six commercial banks have serious financial problems; none have achieved acceptable rates of return on their capital. The BICIGUI has a surfeit of deposits with relatively little lending. The Banque Populaire Morroco-Guineen (BPMG) is relatively new and appears to be adequately capitalized.

Three of the new Guinean Banks are associated with important French banking groups: Banque National de Paris, Societe General, and Credit Lyonnais. Some banking experts consider the financial system "overbanked" and overly centralized in Conakry. The experience and active support of these "Big Three," world-class banks did not prevent major losses on loans made in the 1985 to 1987 start-up period. Estimates place unpaid loans in the range of 75 to 80 percent by early 1991, and up to 55 percent after all possible collection actions had been taken. Inability to get judgements against delinquent borrowers or to have judgements enforced were -- and remain -- major problems for the banks in attempting to recover receivables.

All Guinean banks suffered losses with the result that they have almost totally moved out of term lending to medium and small sized companies and currently finance only the safest commercial trade transactions. Discussions initiated by the Caisse Centrale de Cooperation Economique in detailed discussions with the banks in late 1990 revealed an almost hostile attitude by the banks to CCCE proposals for a loan guarantee fund. The project was dropped at that time. Many bankers deplored what they believe is an attitude on the part of many borrowers that they do not have to reimburse

loans made to them. However, in recent discussions with USAID, bankers have responded favorably to the Agricultural Marketing Loan Guarantee Fund with its shared risk and technical assistance components.

The banks estimate that there may be about 30 foreign companies and up to 50 Guinean-foreign ventures operating in the country which are financially sound and can present serious projects.

Table D - 3: Bank Credit to Significant Clients in 1990, by Sector (US$ Millions)

Sector	Short Term	Medium Term	Long Term	Total Credit	Guaran -tees	Signa-ture Loans	Total Risk	Per cent-age
Mining and Forestry	2.545	1.034	0.000	3.579	0.089	0.000	3.668	2.3
Mineral Transform -ation	0.312	0.000	0.000	0.312	0.000	0.000	0.312	0.2
Agricul-ture (food & textiles)	4.015	5.003	2.096	11.114	4.861	7.037	23.012	14.7
Other Manufac-turing	4.558	1.521	1.165	7.245	0.613	2.771	10.629	6.8
Energy and Water	0.131	0.080	0.000	0.211	0.775	0.018	1.004	0.6
Construct -ion	13.329	1.591	0.000	17.920	19.737	1.666	39.323	25.2
Transport -ation	1.189	0.858	0.000	2.047	0.422	0.180	2.650	1.7
Financial Institu-tions	0.238	0.000	0.000	0.238	0.000	0.000	0.238	0.2
Commerce	42.558	2.343	0.000	44.901	8.713	14.458	68.072	43.6
Other Services	3.790	2.359	0.000	6.149	0.780	0.381	7.310	4.7
Total	75.666	14.789	3.261	93.716	35.991	26.511	156.219	100.0
Percent-age	48.4	9.5	2.1	60.0	23.0	17.0	100.0	

Source: BCRG Annual Report 1990: Centralisation des Risques Bancaires

Table D - 4: Bank Credit to Significant Clients in 1990, by Bank (US$ Millions)

Bank	Short Term	Medium Term	Long Term	Total Credit	Total Risk	Per-centage
BIAG	14.052	1.857	0.000	15.908	21.889	14.0
BICIGUI	26.236	7.507	3.261	37.004	65.250	41.8
BIG	21.437	4.771	0.000	26.208	44.793	28.7
SGBG	4.789	0.000	0.000	4.789	7.411	4.7
UIBG	9.152	0.654	0.000	9.806	16.876	10.8
Total	75.666	14.789	3.261	93.716	156.219	100.0

Source: BCRG Annual Report 1990: Centralisation des Risques Bancaires

With the exception of relatively new small-scale savings and credit progra non-bank financial institutions are relatively unimportant in Guinea. The t insurance companies reinsure practically all of their policies with affiliat French companies. Financial services outside the commercial banking syst virtually do not exist: there are no stock exchanges, stockbrokers, disco houses, government bond dealers, installment sales finance companies, leas companies, or mortgage banks.

Most agricultural credit is supplied by donor-supported, pilot projects t are attempting to establish mutualist or cooperative credit structures. USAID provided co-funding of $5 million for three of these projects: Credit Rur Credit Mutuel and cooperative savings associations. USAID has also funded PRI a five year, $7 million rural development project being carried out by the Coun for International Development, a U.S. NGO, which will provide credit -- $220 $1000 -- to micro and small enterprises.

E. Private Agribusiness

The number of large and medium-sized firms engaged in agricultural marketi processing and trade is limited. But it is the larger firms that account for m of Guinea's trade on international markets, so the roles and past experiences these firms are important. In contrast, regional and domestic markets are ser by small and micro-enterprises, often based on family or ethnic links in Gui and neighboring countries.

Real investment opportunities and entrepreneurial spirit are not lacking Guinea. USAID has established a contact group of 25 business and commun leaders, including horticultural exporters, major transporters, bankers and for government Ministers involved in agribusiness activities. Among the lar investments are: Salguidia (pineapples and fruit juice), SIAG-Mamou (fr juice), DAFCO (coffee) and subgroups within the fruit, flower and vegeta producers' association, CLIFFEL. The Mission has also received over 25

Box D-1: Financial Institutions in Guinea

GUINEAN COMMERCIAL BANKS

BANQUE INTERNATIONAL POUR LE COMMERCE ET L'INDUSTRIE EN GUINEE (BICIGUI)

The BICIGUI is majority owned by the Government of Guinea (51.7%) and the Banque National de Paris (48.3%)

BICIGUI is the largest commercial bank in Guinea with an estimated 40% of the commercial banking market. It currently finances imports of rice, foodstuffs, and consumer products. The Bank acts as official lender under a variety of donor and GOG programs which are usually guaranteed. Their experience in lending to small start-up businesses in the Conakry area have been disastrous with a near 100% default rate. The Bank has eight branches outside Conakry.

BANQUE INTERNATIONALE POUR L'AFRIQUE EN GUINEE (BIAG)

BIAG is owned 55% by Meridian Bank (Zambia) and 45% by the AfDb, IFC and the BOAD.

BIAG was for many years the most important note issuing and commercial bank in French Africa. French Government actions in 1990 compelled all French banks to write down LDC debts to market value which essentially wiped out the Bank's capital base. Scheduled for liquidation, the BIAG was purchased by the Zambia-based Meridian Bank. BIAG limits itself to international trade transactions. The Bank is believed to have suffered losses in 1990. Considered as a "bank in difficulty" by the central bank.

SOCIETE GENERAL DE BANQUES EN GUINEE (SGBG)

Private Guinean shareholders control 45% of the shares. Societe General (France) controls 35% and the balance is owned by a group of other Eurobanks.

Established in 1986, the SGBG represents the presence of France's second largest bank. The Bank finances trade transactions, primarily imports. It is the third largest bank with an estimated 15% of the commercial banking market.

UNION INTERNATIONALES DES BANQUES EN GUINEE (UIBG)

Credit Lyonnais holds a 51% majority share in UIBG. Private Guineans shareholders account for the balance.

UIBG represents the interests of the last of the French "Big Three" French banks established in Guinea. The Bank handles only trade transactions. It is estimated to have a ten percent market share.

BANQUE ISLAMIQUE EN GUINEE (BIG)

The Islamic Banking Group (Switzerland) holds 100% of the Shares in BIG.

BIG was established under Guinea's First Republic. It conducts traditional Islamic Banking activities. It is not active in the commercial banking market. It is considered a "bank in difficulty" by the central bank.

BANQUE POPULAIRE MAROC-GUINEENE (BPMG)

The Banque Centrale Populaire (BCP) and specialized Moroccan finance houses own 40% of the BPMG. Private Guinean shareholders' control 40% of the shares. The GOG holds the balance.

The BPMG was created in 1991. It provides technical and systems support which stresses the mobilization of small savings and the financing of local productive sector activities. Independently owned and managed cooperatives savings groups are created which are affiliated to the BPMG and operate under BPMG policies and guidelines. Presidents of these local Banques Populaires form a Consultative Committee with the BPMG. Each independent bank contributes to a mutual guarantee fund which is managed by the BPMG and is used to support treasury operations of member banks.

The BPMG network of popular banks is viewed as a banking system supporting agriculture, artisans and small and medium sized businesses. The primary guarantee for loan repayments will be member solidarity and classic collateral. Bank clients can also support special programs for low cost housing, loans to recent graduates, creation of mutual credit societies (Societe de Cautionnement Mutuel - SCM) and investment and working capital loans to small businesses.

OTHER GUINEAN FINANCIAL AND BUSINESS SUPPORT INSTITUTIONS

UNION GUINEE D'ASSURANCE ET DE REASSURANCE

Affiliated with Union d'Assurance de Paris. Reinsures almost all policies with its French parent company. It is not a factor in the local financial markets. It is estimated to have an 80% share of the insurance market.

SOCIETE NOUVELLE D'ASSURANCE ET DE REASSURANCE (SONAR)

Affiliated with several French insurance companies with whom it reinsures almost all locally generated insurance. Not a factor in the local financial markets. It is estimated to have 20% market share.

SOCIETE DE FINANCE DU GOLFE (SOFIG)

Private investment group organized by Guinean expatriates during the First Republic. Repatriates funds for investments in privatized parastatals, expanding existing enterprises and new investments. Competition from cheaper undocumented cross border imports has hurt the company's performance. Associated with AMEX, a successful Washington, D.C. based trading and investment company.

OTHER

There is no evidence of the existence of any of the following institutions: stock exchanges, discount houses, government bond dealers, stockbrokers, installment sales finance houses, or leasing companies. However, several small scale savings and loan institutions are in the early stages of development (see main text).

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inquiries over the past year from entrepreneurs seeking support for agricultural marketing and investment operations. These include cashew, coffee, potato and onion growers, fresh fruit producers, fresh fruit transformation industries, and transporters.

In preparation for the Agricultural Marketing Investment Project, USAID commissioned a study in late 1991 of business practices and attitudes (a MAPS survey). The sample consisted of 323 enterprises in 10 cities. Approximately 75 percent of the sample consisted of informal (non-registered) enterprises. Firms engaged in agriculture and related processing activities accounted for 32 percent of the sample, while trade and commerce accounted for an additional 24 percent.

The majority of entrepreneurs surveyed believe that the business climate in Guinea has been improving significantly. Fifty percent stated that the business climate has improved over the past three years, while only 28 believed that the situation has been deteriorating. Moreover, 63 percent of all firms reported an increase in sales over the past 12 months. Fifty-two percent of export-oriented firms and 54 percent of agro-processing firms reported increases in sales of more than 20 percent in the past year. As for the future, 63 percent expect sales to grow during the next year.

Survey responses were somewhat inconsistent on the question of where the best growth and investment opportunities lie. Commerce was perceived by 21 percent as offering the highest returns on investment, while agriculture was rated highest by only 13 percent. Yet there was considerable interest in joint ventures with foreign investors, and 28 percent of firms surveyed expressed an interest in expanding into exports compared to only 7 percent that are currently exporting.

Government regulations were not generally perceived as hurting sales. Seventy-two percent of all firms surveyed stated that government regulations have either no effect or a positive effect on sales over the past year. Yet, tax policies were the most common complaint: 24 percent of firms (and 31 percent of firms in the formal sector) reported that tax policies have hurt sales. Customs practices were also identified as a constraint to exports. In addition, 69 percent of respondents felt that it is difficult to enforce contracts in Guinea and 48 percent claimed that this makes it difficult to conduct business.

Forty-nine percent of those surveyed reported that difficulties in obtaining credit affected their business performance. Only 29 percent have received credit from commercial banks. Twenty-five percent of the firms received supplier credits. In contrast, 89 percent report that they finance operations form personal resources and 61 percent receive some credit from family and friends. Credit unions and tontines may also play a

significant role in business financing. Significantly, over 50 percent of formal enterprises reported difficulties in obtaining short-term credit.

Poor roads, electricity and communications are common complaints of Guinean entrepreneurs. Forty-two percent of entrepreneurs reported that reliable information on international markets is not available. Three-quarters or more expressed interest in improved information on market prices, product standards, business contacts, and trade regulations and tariffs. Among the 84 percent of firms expressing interest in joint ventures with foreign companies, 62 percent would expect to benefit from foreign technical expertise and access to markets and 42 percent would expect to benefit from foreign managerial expertise.

These findings confirm that there is a clear role for the Agricultural Marketing Investment Project to play in promoting credit availability, policy dialogue and the provision of business services.

II. Project Analysis

A. Economic Rationale

The goal of the Agricultural Marketing Investment Project (AMIP) is "growth and increased efficiency in agricultural markets." Its purpose is "effective financial intermediation and investment services in the agricultural sector." The project's economic rationale is that increased sales of agricultural commodities will result from relieving information, transaction cost, credit, and policy constraints. These constraints will be addressed by the project's two components, an Agricultural Marketing Foundation and a Loan Guarantee Fund. Thus, the project will work to make agricultural marketing more efficient, under the assumption that both agricultural production and demand will increase in response to improved market signals.

This analysis addresses the context, necessary conditions and likely costs and benefits for the project. It concludes that, as an essentially experimental project to stimulate domestic and export markets, the project is economically sound.

B. Critical Assumptions

By focussing on the intermediate linkages between agricultural producers and both domestic and external consumers, AMIP requires that certain conditions for supply, demand and investment be met.

First, macroeconomic and political stability is required. The project is based on the assumption that the Government of Guinea (GOG) will continue to adhere to a structural adjustment program

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and that the civil unrest (or economic disruptions) associated with political reform will be minimal. Structural adjustment and orderly political change are necessary to improve and maintain investor confidence. At the same time, a liberal marketing environment and realistic exchange rates are necessary to improve price and policy incentives for investors and to encourage a shift from import activities to import substitution and exporting.

Second, it is assumed that demand for increased marketed output exists. Guinea's market is open and virtually all agricultural products are traded regionally or internationally. Thus, with the possible exception of cola nuts, prices for Guinea's products are determined by international markets. Guinea is a price-taker. For products traded primarily within West Africa, such as cola nuts, palm oil and red peppers, growth in demand will be moderate and will result primarily from population growth, the degree to which incomes rise and, perhaps, by the rate at which resource bases in neighboring countries are depleted. For commodities such as coffee and horticultural products, it is expected that AMIP and other interventions will enable Guinea to better compete for increased market shares in existing international markets and for shares of growing Eastern European markets, and, perhaps to identify new, specialized market niches.

Third, it is assumed that supply will be responsive. Increased production and marketing for agricultural commodities as a rule will not be constrained by land shortages. For some products, at certain times of the year, or in certain areas (often where mining opportunities exist) labor shortages may occur. In the aggregate, however, increased agricultural production and marketing will not be constrained by shortages of agricultural labor. Furthermore, it is assumed that increased marketed output can be achieved using varieties and agricultural technologies currently in use in or easily adapted to Guinea. Where the latter are required, other projects coming on line in 1992-93 will be providing production support.

Fourth, AMIP relies on critical policy changes being addressed through other projects: A number of existing laws, regulations and practices raise transaction costs and inhibit market growth. Weaknesses in property rights and inadequate enforcement of banking and commercial contracts in particular are critical constraints to the investment promotion objectives of AMIP. The AMIP Foundation will promote private sector participation in dialogue with the GOG on these issues. In addition, it is assumed that policy dialogue and technical assistance provided through other USAID and World Bank projects will lead to significant improvements in these policies. Thus, for example: the Natural Resources Management Project and World Bank projects are addressing land tenure issues; the Economic Policy Reform Support Project is supporting improvements in credit policies and bank regulation; the World Bank's Private Sector Promotion Project is addressing contract

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enforcement issues; and, France and the World Bank are supporting judicial reform. Furthermore, given the importance of policy issues to AMIP, USAID is engaged in a dialogue with the GOG through the companion Economic Policy Reform Support Project and through the PL-480 Program.

Fifth, physical infrastructure constraints to agricultural marketing must be addressed. Significant donor and GOG resources are being directed to infrastructure, and particularly road, improvement. This includes USAID's co-financing of the National Priority Roads Program (which is supported by the World Bank and other donors) and two other USAID road projects.

C. Assessment of Project Components

Private Sector Foundation: The economic viability of AMIP's Foundation will be based on its impacts on private sector production and trade. Foundation clients will benefit directly from information, advisory, referral, training, communications and office services. In some cases these benefits will be relatively small efficiency gains. In other cases, the Foundation will assist in significant investment and marketing breakthroughs. There is reason to believe that the project's contribution to increased marketed output will be substantial because Guinea's agricultural sector is starved of expertise in production, management and international marketing. Experience in other countries (e.g. Latin America) suggests that information and technical assistance can have profound impact on agricultural sales, particularly for high-value, agricultural products in competitive markets. Market prospects for selected commodities are discussed above.

The economic costs of the Private Sector Foundation component are limited primarily to the costs of establishing and operating the new entity. The Foundation will not be financially self-sufficient in the near-term. Rather, it will require grants for an initial endowment and, likely grants or GOG funding for operations. In order to maximize the cost-effectiveness of the Foundation, it will be necessary to minimize redundancy with respect to the services provided by other institutions.

Loan Guarantee Fund: The aim of the Loan Guarantee component is to promote private sector lending and capital formation. Bank lending in Guinea is quite low in relation to savings, despite the fact that, until very recently, real interest rates were negative and bank margins are high. Potential investors are often unable to obtain credit or attract foreign partners. Weak bank regulation, insecure land tenure and other property rights, and inadequate mechanisms for contract enforcement strongly discourage lending and joint-equity investments. The private sector in Guinea tends to be very risk-adverse. The result is that private sector activity is skewed towards commercial and import activity at the expense of investment in production, processing and export.

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As efforts to improve the performance of the banking sector through policy, regulatory and institution measures begin to bear fruit during the life of AMIP, existing credit facilities will likely prove to be too small. Most domestic credit to the agricultural sector and agribusiness is provided by the two of the six commercial banks in Guinea that are solvent, BICIGUI and the new BPMG. Donor-financed credit lines are also available through the six commercial banks and, for small investors, the Credit Rural, Credit Mutuel, PRIDE, and Peace Corps' rural credit programs. AMIP's Loan Guarantees will complement existing programs by encouraging increased and broader-based lending in Guinea.

Loan guarantees will be open primarily to traders, processors and transporters. The economic viability of the loan program will depend on the specific investments financed. Technical assistance provided to potential borrowers through the Agricultural Marketing Foundation will increase the volume and quantity of bankable project proposals, while banks will be assisted in screening out poor risks. There is reason to believe that profitable opportunities -- offering returns on investment of 15 percent per annum and higher -- exist, for investments in such domains as trucking, processing operations, and the wholesale and export trade of specific products.

Benefits of the loan guarantees will be shared among the participating banks, borrowers and agricultural producers as well as other players in the market. New lending induced by the loan guarantees is expected to exceed the $6.0 million vested in the Guarantee Fund. The banks will benefit through reduced risks and through increases in the volume of lending. Borrowers wil see an increase in the availability of credit for profitable investments. Agricultural producers in the aggregate will experience increases in demand for their products, while failures on the part of traders to pay for their produce will be less likely. An increased scale of operations in markets for horticultural and other products should lead to increased efficiencies and economies of scale, benefiting transporters, workers and even consumers.

Costs will consist primarily of the underlying costs to the borrower of investment and financial transactions, as well as the technical assistance costs. In addition, there will be costs to the banks and to the Fund for pay-outs on bad loans. Although the Loan Guarantee Fund capital will be partially protected through participation fees, it will be depleted over time. On balance, however, these costs should be out-weighed by the benefits described above.

Principal risks to the success of the Loan Guarantee Fund are high default rates and foreign exchange risks. Although past experience in Guinea with defaults on loan guarantees has been dismal, this program provides incentives to participating banks to be more prudent. It will do so by guaranteeing only 50 percent of

the original capital of each loan which is approved for coverage. Furthermore, it provides technical assistance to borrowers, through the Foundation, to develop bankable projects and it assists the commercial banks to screen out poor clients. Since loan guarantees will be denominated in Guinean Francs, the risks of currency depreciation are assumed by the participating banks. A 20 percent reserve against guarantee commitments will protect the solvency of the Fund (which will be held in dollar accounts).

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ANNEX D

FAA SECTION 611(E) CERTIFICATION

FAA SECTION 611 (e) CERTIFICATION

1. Project

The Guinea Agricultural Marketing Investment Project (AMIP) is a five-year, $20 million project ($12.5 million AID Grant and $7.5 million in local currency counterpart equivalent) that will serve as a catalyst to stimulate and galvanize Guinea's private sector to invest in agricultural export and marketing. The Goal of AMIP is to increase per capita income from non-mining sources. The project's Purpose is to promote growth and increased efficiency in agricultural markets.

To achieve its purpose, AMIP will have two components, the Agricultural Marketing Foundation (AMF or "The Foundation") and the Agricultural Marketing Loan Guarantee Fund (AMLGF or "The Fund").

The AMF will be formed, led and managed by and for private economic actors and will function to: (a) assist the Guinean private sector to increase domestic and export marketing; (b) promote increased investments in agricultural production, processing and related activities; and (c) provide a range of business services e.g., loan proposal and application preparation, proposal feasibility analysis, etc. Moreover, the Foundation will serve as a catalyst for policy dialogue between the GOG and the private sector in order to bring about changes in the policy and regulatory environment that are essential for ensuring increases in agricultural exports and marketing. The AMLGF will improve access to financial resources for potential investors. While some short-term credit financing is available at this time, greater innovation is required in risk sharing in order to broaden the depth and the base of private sector activity in agricultural marketing. The Fund will provide needed resources in the form of loan guarantees to encourage financial institutions to increase short, medium and long term credit for agribusiness activities. Collectively, the Foundation and the Fund will serve as intermediaries between commercial banks and potential, but inexperienced investors, by strengthening the advisory, financial, and information services needed and by improving access to financial resources necessary for investment. In so doing, the resources and dynamism of the commercial sector to expand agricultural production, processing, and marketing can be harnessed.

All aspects of institutional and technical feasibility have been studied and sufficient procedures and safeguards have been built into plans for implementation. Principally, the Agricultural Marketing Foundation (AMF)and the Agricultural Marketing Loan Guarantee Fund (AMLGF) have been designed with requisite oversight and USAID approval requirements to insure their successful participation in the Project.

2. Financial and Human Capability of Host Country to Maintain and Utilize the Project

The GOG and Guinean private sector have participated intensively in the design of this project. Since the thrust of the Project is in strengthening the Guinean private sector's capacity to lead in the development of agricultural marketing to meet export and domestic demand, most of the Project will be focused on that sector. The

institutional and human resource limitations of establishing the AMF and AMLGF have been identified and technical assistance, training, and commodities to overcome them will be supplied by the Project. The adequacy of this assistance and of implementation abilities of the AMF and AMLGF will be continually monitored. It will also be evaluated at mid-term and be subject to conditions precedent designed to protect USAID's investment.

In terms of sustainability of the AMF, pending successful implementation to be evaluated in the third year of the project, the GOG will provide an endowment which will finance operating costs into the future from earnings on the endowment fund's investment(s). A portion of the AMF's financing will also come from membership dues. The sustainability of the AMLGF will depend on the extent of its use through disbursement to cover guarantees during the life of the project. However, a prudent approach has been used in the project design to provide a sufficient margin of funds which will not be committed to guarantees and which will be available for appreciation of costs such as exchange rate or other eventualities in the implementation of the investment projects which the guarantees will cover.

3. Implementation and Sustainability of the Project

AID has had experiences with support to the development of organizations such as the AMF and in the implementation of guarantee funds such as the AMLGF. Lessons from those experiences have been thoroughly analyzed and discussed in the Project Paper. These experiences and the substantial groundwork laid for this Project with the Guinean private sector and the GOG lead the Mission to conclude that the Guinean private sector and the GOG will have the ability to maintain and utilize the development assistance to be provided through the AMIP.

4. Certification

Based on the information contained herein, I certify that the Government of Guinea and the Guinean private sector have both the human and financial resources to effectively maintain and utilize this project, per Section 611(e) of the Foreign Assistance Act of 1961, as amended.

By: William G. Kaschak

William G. Kaschak
Director
USAID/Guinea

Date: 7/16/92

ANNEX E

STATUTORY CHECKLIST

ANNEX E

STATUTORY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance Resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

Yes

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise.)

Yes

3. **Congressional Notification**

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If none is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?	This project was contained in the FY 93 Congressional Presentation.
b. Notice of new account Obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?	N/A
c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?	N/A
4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of $500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	Yes

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?	N/A
6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the water resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	N/A
7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?	While the Project does not involve a cash transfer or NPA, the funds backing the AMLGF Stand-by LOC will be held in a separate account
8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?	N/A
9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international	Yes

trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Long Term TA will be from US

11. **Local Currencies**

a. Recipient Contributions (FAA Secs 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in the lieu of dollars.

The USG does not own excess Guinean Francs. The GOG will make a $7.5 million contribution.

b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. Separate Account (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

LC generations will not result.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and

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disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. **Trade Restrictions**

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

PD15 and PD71 procedures will be followed before disbursement of funds.

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags,

The Project contains safeguards to prevent such assistance.

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?	No
14. **PVO Assistance**	
a. **Auditing and registration** (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?	No
b. **Funding sources** (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?	N/A
15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).	Yes
16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversation Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is	Yes

impractical or is likely to cause signifiant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation state?

17. **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased? Yes

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. No

19. **Abortions** (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

b. Will any funds be used to lobby for abortion? No

20. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? No

21. **US-Owned Foreign Currencies**

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a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.	The USG does not own excess foreign currencies.
b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No
22. **Procurement**	
a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Yes
b. U.S. procurement (FAA Sec. 604(a)): Will procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?	Yes
c. Marine insurance (FAA Sec. 604(d)): If the cooperative country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	N/A
d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A
e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which	N/A

receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)	
f. Cargo preference shipping (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?	Shipping is not excluded from compliance.
g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	Yes Yes
h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?	Yes
i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?	Yes
j. Consulting services (FY Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise	N/A

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provided by law or Executive order)?

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

Yes

Yes

l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

23. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

c. Large projects, Congressional approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of

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assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

24. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

25. **Communist Assistance** (FAA Sec. 620(h)): Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

26. **Narcotics**

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

27. **Expropriation and Land Reform** (FAA Sec. 620(q)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

28. **Police and Prisons** (FAA Sec. 660):

Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes
29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?	Yes
30. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	N/A - DFA Funds
31. **Military Personnel** (FAA 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?	Yes
32. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues?	Yes
33. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?	Yes
34. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?	Yes
35. **Repression of Population** (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	Yes
36. **Publicity or Propaganda** (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support	

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or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?	No
37. **Marine Insurance** (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?	Yes
38. **Exchange for Prohibited Act** (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States official or employee, expressly prohibited by a provision of United States law?	No
B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY	
1. **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research	Project arrangements prevent such assistance.

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that is intended primarily to benefit U.S. producers?	
2. **Tied Aid Credits** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?	No
3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small business, and small incomes of the poor)?	No
4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political process essential to self-government.	See Project Paper
5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes
6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help	See Project Paper

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efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

7. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes

8. **Benefit to Poor Majority** (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? Yes

9. **Abortions** (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA" and sec. 535):P

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? No

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access

to, a broad range of family planning methods and services?	N/A
e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?	N/A
f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No
g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?	No
10. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
11. **Disadvantaged Enterprises** (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are Black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvanged (including women)?	0 %
12. **Biological Diversity** (FAA Sec. 119(g)): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystem or other wildlife habitats;	No No

(c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?	No No
13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):	
a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?	Yes
b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainability managing forest resourcses; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the	N/A

establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Governmentagencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. Government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; No

(2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No
No
No
No

No

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

14. **Energy** (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? N/A

15. **Sub-Saharan Africa Assistance** (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector; (c) to be provided in manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the

Yes

Yes

Yes

Yes

critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?	Yes Yes
16. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plan species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e)local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.	N/A
17. **Deobligation/Reobligation** (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?	N/A
18. **Loans**	N/A
a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.	N/A
b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?	
c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2	

percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

19. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

N/A

20. **Agriculture, Rural Development and Nutrition, and Agricultural Research** (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural

N/A

research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs, explicitly addressing the problem of malnutrition of poor and vulnerable people.

c. Food security: Describe extent to which capacity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

21. **Population and Health** (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mother s and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. **Education and Human Resources Development** (FAA Sec. 105): If assistance is being made for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal

N/A

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education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

23. **Energy, Private Voluntary Organizations, and Selected Development Activities** (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is: N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises,

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marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. Economic and Political Stability (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA? — N/A

2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? — N/A

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).) — N/A

4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA Sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).) — N/A

5. **Cash Transfer Requirements** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)): If assistance is in the form of a cash transfer: — N/A

a. Separate account: Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

b. Local currencies: Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

c. U.S. Government use of local currencies: Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

d. Congressional notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance.

ANNEX H

AGENCY FOR INT'L DEV. TELECOMMUNICATIONS CENTER

PAGE 01 OF 02 STATE 145190 071749Z 4461 024330 A107305
ORIGIN AID-00

ORIGIN OFFICE AFCW-03
INFO AFDP-06 RDPO-01 AFAR-05 OL-01 POSP-01 POAR-05 GC-01
GCAF-02 FVA-01 RDAA-01 STFN-02 SDB-02 SPEC-01 AMAD-01
FABP-02 AFON-06 /041 A0 06/0529Z

INFO LOG-00 AF-00 AGRE-00 CIAE-00 DODE-00 EB-00 TRSE-00
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DRAFTED BY: AID/AFR/CCWA:CMORGAN-CM· .GUIN/AMIP/GUIDE
APPROVED BY AID/AFR/CCWA:MGOLDEN
AFR/CCWA:CROZELL (DRAFT) AFR/CCWA:SALLEN (DRAFT)
AFR/CCWA:AFORD (DRAFT) AFR/ONI:THYERS (DRAFT)
GC/AFR:PJOHNSON (DRAFT) AFR/DP:DWILSON (DRAFT)
AFR/ARTS:THOBGOOD (INFO) AFR/ARTS THERLEHY (INFO)
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INFO AMEMBASSY ABIDJAN

UNCLAS STATE 145190

AIDAC ABIDJAN FOR REDSO/WCA/PDO

E.O. 12356: N/A
TAGS:
SUBJECT: GUINEA AGRICULTURAL MARKETING AND INVESTMENT PROJECT (AMIP) 675-0221 - PP GUIDANCE CABLE

1. SUMMARY. THE PROJECT COMMITTEE (PC) MET TO DISCUSS SUBJECT PID ON MARCH 31, 1992. THE ISSUES MEETING PARTICIPANTS INCLUDED REPRESENTATIVES FROM AFR/CCWA,

AFR/ONI, AFR/DP, GC/AFR, AFR/ARTS AND USAID/GUINEA. THE PURPOSES OF THE ISSUES MEETING WERE TO: (A) DETERMINE WHETHER THE PID WAS CONSISTENT WITH AGENCY REQUIREMENTS, INCLUDING LEGISLATIVE, HANDBOOK, POLICY AND STRATEGY CRITERIA; (B) IDENTIFY KEY ISSUES TO BE RESOLVED BY THE ECPR; AND (C) RECOMMEND TO THE ECPR TO APPROVE OR DISAPPROVE THE PID. BECAUSE OF THE SUBSTANTIVE DISCUSSIONS THAT TOOK PLACE AT THE ISSUES MEETING, THE PC WAS ABLE TO SUCCESSFULLY RESOLVE ALL OF THE ISSUES THAT WERE RAISED AND AN ECPR WILL NOT BE NECESSARY. USAID IS AUTHORIZED TO PROCEED WITH THE DEVELOPMENT OF THE PROJECT PAPER (PP) ACCORDING TO THE GUIDANCE PROVIDED BELOW. FURTHER, THE DIRECTOR, USAID/GUINEA, IS AUTHORIZED TO APPROVE THE PP AND AUTHORIZE THE PROJECT SUBJECT TO DOA 551 LIMITATIONS. USAID/GUINEA IS TO BE COMMENDED ON THE HIGH QUALITY AND SUBSTANCE OF THE PID AS WELL AS FOR ITS SOLID DEFENSE AND CANDID RESPONSES TO THE ISSUES AND

CONCERNS RAISED. END SUMMARY.

2. ISSUE ONE. ARE REGULATORY AND POLICY CONSTRAINTS TO INCREASED AGRICULTURAL MARKETING BEING SUFFICIENTLY ADDRESSED BY THE GOG?

DISCUSSION THE PC QUESTIONED THE EXTENT AND DEGREE TO WHICH REFORMS IN THE POLICY AND REGULATORY ENVIRONMENT HAVE BEEN IMPLEMENTED BY THE GOG. THE PID WAS SKIMPY ON DETAIL WITH RESPECT TO HOW THE LIBERALIZATION OF THE POLICIES AND REGULATIONS THAT DIRECTLY IMPACT ON MARKETS WAS PROCEEDING. FOR EXAMPLE, ARE THERE EXISTING REGULATIONS THAT THE PRIVATE AGRIBUSINESS COMMUNITY STILL

FINDS CONSTRAINING TO ITS MARKETING ACTIVITIES? IF SO, HOW WOULD AMIP ADDRESS THEM? THE PC ACKNOWLEDGED THAT SOME OF THESE REGULATORY AND POLICY ISSUES ARE BEING ADDRESSED IN OTHER MISSION PROJECT AND NONPROJECT ACTIVITIES. HOWEVER, IT WAS EMPHASIZED THAT A PID AND A PP SHOULD BE QUOTE STAND ALONE UNQUOTE DOCUMENTS, NOT DEPENDENT ON ASSUMED KNOWLEDGE OF THESE OTHER ACTIVITIES.

RECOMMENDATION. DURING PP DEVELOPMENT, THE MISSION SHOULD LAY OUT ALL OF THE REGULATORY CONSTRAINTS TO INCREASED AGRICULTURAL MARKETING, HOW THEY ARE BEING ADDRESSED AND BY WHICH GOG OR DONOR ACTIVITIES. THE ANALYSIS IN THE PP SHOULD CLOSELY EXAMINE THE IMPORT DUTY TARIFF STRUCTURE FOR INPUTS AND MACHINERY REQUIRED FOR MARKETING ACTIVITIES TO DETERMINE IF AND HOW MUCH IT RAISES THE COSTS OF MARKETING THEREBY ADVERSELY AFFECTING MARKETING EFFICIENCY. THE PP SHOULD DISCUSS IN MORE DETAIL HOW THIS PROJECT OR OTHER ACTIVITIES IN THE MISSION PORTFOLIO WILL DEAL WITH THE ONEROUS AUTHORIZATION REQUIREMENTS AND FEES THAT STILL BURDEN AGRICULTURAL MARKETING AGENTS AND INVESTORS. IN ADDITION, THE PP SHOULD ADDRESS THE GOG'S PLANS FOR STREAMLINING OR CLARIFYING THE AMBIGUOUS LEGISLATION CONTROLLING THE FORMATION AND STATUS OF PRIVATE PRODUCER AND TRADER ASSOCIATIONS.

3. ISSUE TWO. WILL THE TYPICALLY HIGH COLLATERAL RATES CHARGED BY COMMERCIAL BANKS SERVE AS A DISINCENTIVE TO ENTREPRENEURS SEEKING LOANS FROM THE AGRICULTURAL MARKETING INVESTMENT GUARANTEE FUND (AMIGF)?

DISCUSSION. THE PID FORESEES A PARTNERSHIP BETWEEN

COMMERCIAL BANKS AND THE AMIGF, IN WHICH AMIGF WILL GUARANTEE LOANS MADE BY THE BANKS TO ENTREPRENEURS. BECAUSE THERE ARE RISKS TO THE COMMERCIAL BANKS, THEY REQUIRE COLLATERAL, SOMETIMES 70-200 PERCENT. THE PC WAS CONCERNED THAT MANY POTENTIAL INVESTORS MAY NOT POSSESS

SUFFICIENT RESOURCES TO MEET THIS LEVEL OF COLLATERAL REQUIREMENT. THE PID DID NOT INCLUDE A SPECIFIC STRATEGY TO SHOW HOW THESE COLLATERAL RATES WOULD BE LOWERED OVER TIME TO ATTRACT MORE INVESTORS AND ENABLE THE BANKS TO TAKE ON MORE OF THE RISK. THE PID STATED THAT INITIALLY THE AMIGF WOULD PROVIDE GUARANTEES FOR ONLY SHORT-TERM FINANCING/QUICK INFUSION LOANS, WHICH IS ALREADY BEING DONE QUITE SUCCESSFULLY IN THE INFORMAL CREDIT SECTOR. OVER TIME, AS INVESTORS' ASSETS INCREASE AND AS BANKS GAIN CONFIDENCE IN INVESTORS, MEDIUM AND LONG-TERM FINANCING WOULD BE EMPHASIZED, BUT THIS PROCESS AND ITS ANTICIPATED AND UNANTICIPATED IMPACTS MUST BE THOROUGHLY UNDERSTOOD PRIOR TO AUTHORIZATION. THE PP FIRST MUST OUTLINE A RATIONALE FOR ENTERING INTO COMPETITION WITH THE PRIVATE SECTOR AND AN ANALYSIS TO DETERMINE IF OR TO WHAT DEGREE THE AMIGF WILL DISPLACE INFORMAL SECTOR ACTIVITY.

RECOMMENDATION: AS A PART OF THE INSTITUTIONAL ANALYSIS, THE PP SHOULD PROVIDE DETAILS OF THE AMIGF SCHEME THAT WILL ENCOURAGE GREATER INVOLVEMENT EARLY ON BY THE COMMERCIAL BANKS AND THAT WILL ENCOURAGE THEM TO LOWER COLLATERAL RATES. FURTHER, PP SHOULD INCLUDE A PLAN THAT WILL TRANSFER, AS QUICKLY AS POSSIBLE, MORE AND MORE OF THE RISK INVOLVED IN SHORT, MEDIUM AND LONG-TERM FINANCING TO COMMERCIAL BANKS. TIME-LIMITED GUARANTEES MAY BE THE

WAY OF DOING THIS THE PC ALSO RECOMMENDED THAT EARLY ON IN THE DEVELOPMENT OF THE PP, USAID SEEK GUIDANCE ON THE LEGAL ASPECTS OF SETTING UP A LOAN GUARANTEE FUND FROM THE GENERAL COUNSEL AND/OR FROM THE REGIONAL LEGAL ADVISOR (MISSION REPRESENTATIVES MET WITH GC/PRE, AS RECOMMENDED BY THE PC, AND DISCUSSED THE LEGAL ASPECTS OF SETTING UP THE LOAN GUARANTEE FUND)

4 ISSUE THREE WOULD THE AGRICULTURAL MARKETING

FOUNDATION (AMF) BE FINANCIALLY VIABLE AND SUSTAINABLE AT THE END OF FIVE YEARS?

DISCUSSION. THE PC NOTED THAT THE PID GAVE ONLY SCANT ATTENTION TO THE QUESTION OF THE AMF'S FINANCIAL FEASIBILITY AND SUSTAINABILITY. THE PC QUESTIONED THE ABILITY OF THE FOUNDATION TO LURE SUFFICIENT INVESTMENT TO SUSTAIN IT AFTER A.I.D.'S SUPPORT ENDS IN FIVE YEARS. IN ADDITION TO FINANCIAL CONSIDERATIONS, THE PC WAS CONCERNED ABOUT THE COMPOSITION OF THE AMF'S BOARD OF DIRECTORS AND ITS BOARD OF TRUSTEES AND ITS RELATIONSHIP TO THE GOG. ALTHOUGH THE PID MENTIONED THAT COMMUNITY BUSINESS LEADERS WERE CONTACTED, THEY WERE NOT IDENTIFIED BEYOND THEIR FUNCTIONS. IT WOULD BE USEFUL FOR THE FINAL AUTHORIZING DOCUMENT TO DEMONSTRATE GREATER KNOWLEDGE OF THE COMMUNITY

BUSINESS LEADERS BY PROVIDING A MORE IN-DEPTH PROFILE OF THESE INDIVIDUALS IN ORDER TO BE CONFIDENT THAT THESE POTENTIAL AMF MEMBERS ARE THE TYPE OF MEN AND WOMEN WHO WILL BE ABLE TO MANAGE AND OPERATE THE AMF AND THE AMIGF IN AN OPEN, TRANSPARENT AND EFFECTIVE MANNER.

IN OTHER COUNTRIES WHERE A.I.D. HAS SUPPORTED INDIGENOUS FOUNDATIONS, PROBLEMS FREQUENTLY DEVELOPED AS THE FOUNDATION CAME INTO DIRECT COMPETITION WITH GOVERNMENT MINISTRIES OR AGENCIES THAT FUNCTIONED IN A SIMILAR MANNER. WHILE THIS MAY BE UNAVOIDABLE, THESE MATTERS SHOULD BE CLARIFIED UP FRONT TO AVOID OR MINIMIZE THE POTENTIAL FOR CONFLICTS OF INTEREST WITH GOG AGENCIES OR OFFICIALS, WHO MAY HAVE PARALLEL DEALINGS WITH THE PRIVATE SECTOR. IN ADDITION, CLARITY ON THESE MATTERS WOULD HELP CIRCUMVENT THE POSSIBILITY OF THE PRIVATELY-RUN AMF LOSING A MEASURE OF ITS INDEPENDENCE FROM THE PUBLIC SECTOR. THE GOG NEEDS TO FULLY UNDERSTAND THE IMPLICATIONS OF A COMPETING PRIVATE SECTOR FOUNDATION.

RECOMMENDATION. THE INSTITUTIONAL ANALYSIS SHOULD ADDRESS THE ABILITY OF THE AMF TO ATTRACT INVESTMENT TO ALLOW IT TO BREAK AWAY FROM DONOR FINANCING AND BE FINANCIALLY SELF-SUPPORTING AFTER FIVE YEARS. SECONDLY, THE AMF CHARTER SHOULD CLEARLY DESCRIBE THE: (A) RELATIONSHIP OF THE AMF TO THE GOG; (B) FUNCTIONS AND SALARY STRUCTURE FOR BOTH THE BOARDS OF DIRECTORS AND TRUSTEES; (C) ELIGIBILITY REQUIREMENTS FOR BOARD AND FOUNDATION MEMBERSHIP; AND (D) OBSERVER STATUS ROLE OF THE USAID MISSION.

5. IN DEVELOPING THE PP FOR AMIP, THE MISSION SHOULD PAY PARTICULAR ATTENTION TO THE FOLLOWING GUIDANCE, WHICH IS BASED ON CONCERNS RAISED AT THE ISSUES MEETING:

A) BENCHMARKS AND INDICATORS. FOR PP DEVELOPMENT MISSION SHOULD OBTAIN A COPY OF THE JANUARY, 1992 AGRIBUSINESS DEVELOPMENT REPORT, PREPARED FOR AFR/ARTS/FARA BY ABT

ASSOCIATES. THE REPORT CONTAINS A LIST OF SUGGESTIONS THAT CAN BE USED TO STRENGTHEN THE PID LOGFRAME, WHICH CONTAINS SOME INDICATORS THAT ARE TOO BROAD AND NEED TO BE REFINED. FOR EXAMPLE, IT IS AN ASSUMPTION OF THE PROJECT THAT PRODUCTION WILL INCREASE; HOWEVER, AN INCREASE IN PRODUCTION WILL NOT BE THE BEST INDICATOR OF ACHIEVEMENT OF THE PROJECT PURPOSE SECONDLY, THE LOGFRAME DOESN'T INCLUDE INCREASES IN VOLUME AND VALUE OF EXPORTS AS AN INDICATOR OF SUCCESS.

B) TRAINING. GIVEN THAT AMIP WILL UTILIZE COMMERCIAL BANKS TO HELP MANAGE THE AMIGF, THE PROJECT SHOULD NOT

ONLY PROVIDE TRAINING FOR INVESTORS AND ENTREPRENEURS, BUT ALSO TO COMMERCIAL BANK PERSONNEL, POSSIBLY IN CONJUNCTION

WITH OTHER DONOR ACTIVITIES. THESE INDIVIDUALS SHOULD RECEIVE TRAINING IN LOAN APPRAISAL, RISK ANALYSIS AND PROPOSAL PREPARATION. THE MISSION IS ENCOURAGED TO CONTINUE WORKING WITH APDF/ABIDJAN.

C) GRAY AMENDMENT. THE PP SHOULD CONTAIN A PLAN THAT WILL SHOW HOW IT INTENDS TO INVOLVE GRAY AMENDMENT ENTITIES IN PROJECT IMPLEMENTATION.

6. PURSUANT TO THE AUTHORITIES DELEGATED TO THE MISSION DIRECTOR IN DELEGATION OF AUTHORITY NO. 551, AS AMENDED, USAID MAY PROCEED WITH PP DEVELOPMENT AND APPROVAL AND PROJECT AUTHORIZATION SUBJECT TO THE GUIDANCE CONTAINED HEREIN. PLEASE ENSURE THAT THE COMPLETE AUTHORIZATION PACKAGE IS SENT TO AFR/CCWA WITHIN TWO WEEKS OF PROJECT OBLIGATION. AFR/CCWA UNDERSTANDS MISSION INTENDS TO

OBLIGATE THIS PROJECT BY AUGUST, 1992. PLEASE ADVISE OF ANY SLIPPAGE IN THIS DATE VIA THE NORMAL OYB IMPLEMENTATION REPORTING PROCEDURES. BAKER

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ANNEX I

ILLUSTRATIVE
SCOPES OF WORK FOR TECHNICAL ASSISTANCE TEAM

ANNEX I

AGRICULTURAL MARKETING INVESTMENT PROJECT

SCOPE OF WORK: LONG TERM TECHNICAL ASSISTANCE

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ANNEXI

SCOPE OF WORK: TECHNICAL ASSISTANCE

AGRICULTURAL MARKETING INVESTMENT PROJECT (675-0221)

I. INTRODUCTION

1. General Background

The Agricultural Marketing Investment Project (AMIP) is a five-year, $20.00 million project - $13.0 million AID Grant and $7.5 million in local currency equivalent - that will serve as a catalyst to stimulate and galvanize Guinea's private sector to invest in agricultural marketing and export. AMIP will be the flagship of USAID/Guinea's economic growth strategy. The Project's Purpose is the same as Strategic Objective One of USAID's Country Program Strategy: growth and increased efficiency of agricultural markets. AMIP's goal is to increase per capita income from non-mining sources. Benefits will include increased investment, employment and income for agricultural producers, traders and agribusiness operators.

USAID considered various options for promoting growth and efficiency in agricultural markets. It was found that many of the critical constraints identified in sectoral analyses were already being addressed. Policy dialogue and public sector institutional strengthening efforts to lessen macroeconomic, policy and social constraints, for example, are already supported by USAID, The World Bank and France against the backdrop of an IMF Enhanced Structural Adjustment Facility. Similarly, the World Bank, European Community, France and others will provide assistance to address agricultural production constraints, particularly for horticultural products and tree crops. Several donors, including USAID, are engaged in road construction and rehabilitation projects, while the World Bank is leading an effort to improve port and airport facilities. There remains a need, however, to assist the private sector in playing a larger role in policy formulation and to improve financial and business services. This requirement cannot be met by existing public sector institutions.

On the basis of this assessment, USAID has identified the need to support the founding and initial operations of a truly private sector organization, one that will be formed, led and managed by and for private economic actors. This organization will develop medium and large enterprises involved in agricultural exporting and marketing, promote participation of the private sector in the public debate over policies affecting agricultural businesses, and help the private sector to improve business services.

There is, in addition, a critical demand for improvements in financial intermediation. While short-term credit is currently

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available for large importers, greater innovation is required in risk sharing in order to broaden the depth and base of private sector activity in the whole chain of agricultural marketing and export activities.

2. Project Components:

AMIP will have two major components: The Agricultural Marketing Foundation (AMF) and the Agricultural Marketing Loan Guarantee Fund (AMLGF).

The Foundation will:

- Assist the Guinean private sector to increase domestic and export marketing.
- Promote increased investments in agricultural production, marketing, processing and related activities (e.g.: transport, storage, packing)
- Provide a range of business services.
- Serve as a forum for policy dialogue between the Government and the private sector in order to bring about changes required in the policy and regulatory environment to ensure increases in agricultural marketing and exports.

The Fund will provide needed resources to financial institutions to increase short, medium and long term credit for promoting agricultural marketing activities: Domestic, regional and agribusiness exports to Europe and N. America. Fund implementation will be phased beginning with short-term loan guarantees, while gradually introducing longer term lending.

Foundation operations from year four onwards will be financed primarily from interest income earned on the Endowment Fund, membership fees and revenues from business services. Sustainability of the Foundation will be addressed by establishing financial self-sufficiency via the Endowment and by phased implementation to ensure a small, effective staff and lowest possible overheads.

The Structure of the Agricultural Marketing Foundation:

The Agricultural Marketing Investment Project provides for the creation of a not-for-profit private sector Agricultural Marketing Foundation. Supporting the Foundation will be an Agricultural Marketing Foundation Endowment Fund. Interest and investment income from the Endowment will ensure the sustainability of the Foundation beyond the end of the project.

A Board of Trustees will be named to provide policy guidance, budgetary and management oversight, and evaluation and audit of the activities of the Foundation and Endowment Fund described above. The Trustees will retain professional external assistance to provide legal counsel, and audit services.

A Board of Directors elected from the private sector membership of the Foundation will provide operational oversight over Foundation operations under broad guidelines, policies and directives of the Board of Trustees.

An Executive Director (ED) will carry out the day-to-day supervision of all activities of the Foundation under the general direction of the Board of Directors. The ED will prepare plans and budgets, and supervise the activities of permanent and short term specialists assigned to the Foundation in order to reach the fundamental objectives of increased agricultural exports from Guinea to regional and overseas markets.

The Foundation in meeting its export-oriented objectives will carry out training and development of Guinean agribusinessmen and exporters; provide a range of export-related information, reference and research services; and deliver direct support to exporters in preparing business proposals, credit applications, market entry plans, and market planning activities in African regional and overseas markets. The focus of these activities, however, must be directly related to specific needs of private sector exporters in concluding and delivering against export orders.

The ED will be the Foundation's primary contact with the Agricultural Marketing and Loan Guarantee Fund in assisting the membership in accessing the resources of the AMLGF. The ED will also be the Foundation's primary liaison with outside organizations such as the African Project Development Facility, other donors, and multi-lateral institutions.

The ED will maintain close and collaborative working relationships with the Board of Directors and with Foundation members, and design and implement activities to involve rank and file membership in Foundation activities.

The AMF will be structured around three operating units, each to be headed by a qualified Guinean and support staff. The three units will be (1) Market Research, Information and Analyses unit (2) Training and Outreach unit and (3) Business and Financial Management Unit. The Executive Director of AMF will be responsible for the overall supervision and management of the three units.

<u>The Agricultural Marketing Loan Guarantee Fund:</u>

The Fund will provide loan guarantees to participating banks, to enable the banks to increase the volume of credit available for

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marketing and export project based on economic and financial feasibility. The loan guarantee will cover fifty percent of the lenders risk. Minimum and maximum loan sizes will be $100,000 and $300,000, respectively.

3. USAID's Objectives and Critical Success Factors

The objectives of the Institutional Contractor selected to implement AMIP will mirror those of USAID: to secure growth and increased efficiency of agricultural markets. The goal is to increase per capita income from non-mining sources.

The operational planning, staffing and management of the AMIP must be focused on achieving tangible and measurable results in increasing Guinea's agricultural exports to regional and overseas markets, and to demonstrate that increased volumes of agricultural exports translate into additionality of employment and income.

While AMIP provides for a broad range of support services to private sector exporters - training, information, business services, surveys and feasibility studies, guarantee and credit instruments, and proactive partnering and market entry initiatives - these are not AMIP objectives. They are a means to an end - that end being a demonstrable increase in agricultural scales and exports, and increased employment and incomes. Responses to this RFP must reflect a clear understanding of this basic principle and be reflected in the technical assistance proposals.

USAID will measure success - and will relate the validity of all AMIP activities proposed and undertaken by the Institutional Contractor - against the very direct and measurable impact of these activities in increasing domestic scale exports and employment. AMIP progress reports and evaluations will measure progress and contractor performance against these criteria.

II. OBJECTIVES OF THE CONTRACT

USAID/Guinea will enter into a contract on the basis of full and open competitive bidding to select an Institutional Contractor able to organize, staff and manage a resident project implementation team of long-term expatriate specialists in agricultural export marketing, short-term advisors and consultants, and resident local staff as required over the life of the project.

III. SCOPE OF WORK

1. Institution contractor

A. General

The Institutional Contractor will be responsible for the

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phased implementation of the Agricultural Marketing Investment Project to reach the objectives outlined in this RFP and further detailed in the Project Paper.

Phase I includes all planning, start-up and capacity building activities over a 12- to 18-month period which will establish the Foundation and its associated Endowment and Loan Guarantee Fund as operating entities. A limited range of training, information, business and research services, and short-term credit activities financed under Loan Guarantee Fund will be operational. Export trade transactions promoted by the Foundation will be successfully concluded. All policy and operational manuals governing the activities of the Foundation, the Endowment, and the loan Guarantee Fund will have been prepared, tested and issued in final form. Working and contractual relationships with participating banks, outside advisors, fiduciaries, donors, multilateral agencies, auditors, and GOG agencies will be clearly defined and firmly established. Major issues constraining export development will be researched, identified and initial private sector-GOG dialogue initiated.

During Phase II, which extends to the end of project year five, the contractor will establish close and collaborative relationships with and encourage active participation of the Foundation's membership; recruit, train and develop permanent local staff for the Foundation including replacement of long-term consultants; provide a broad range of exporter training, information and business services to Foundation members; develop and implement medium and long term credit, guarantee and investment programs; conduct export market surveys and feasibility studies, provide exporter-importer and joint venture partner linking, and assist securing private business in financing for major regional and overseas agricultural export initiatives; and promote active and fruitful private sector GOG dialogue resulting in changes in critical export issues and policies.

B. <u>Specific</u>

1. Prepare, present and obtain USAID agreement on a detailed work plan, schedule and budgets for Phase I and a summary action plan for Phase II which will meet project objectives based on a thorough review of project documentation; interviews with leading private and public sector representatives involved in agricultural export markets; and discussions with USAID management and project personnel.

- Organization, staffing and recruitment actions and timetable.
- Office and housing facilities, utilities, equipment and furnishings, security, transport and related requirements and procurement sources.

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- Prioritized listing of all agreements, submissions and approvals required to establish the Foundation, the Endowment and the Investment and Guarantee Fund as not-for-profit organizations under Guinean law.

- Actions required to finalize and publish official policy and operational manuals for the Foundation, the Endowment and the Fund.

- Actions required to mobilize the private sector membership and leadership of the Foundation; elect/name the Board of Trustees and the Board of Directors; and organize working meetings of the Boards and the general membership.

- Detailed statement of Phase I objectives, performance evaluation criteria, work plans, and operating budgets by major activity, and accomplishment benchmarks.

- General statement of Phase II objectives, work plans, capital and operating budgets by activity, evaluation criteria and accomplishment benchmarks.

2. Present the proposed work plans, schedules and budgets to the Board of Directors for their review, approval and submission to the Board of Trustees for approval.

3. Carry out approved Phase I actions for official registration, organization and staffing of the Foundation, the Endowment and the Fund and the procurement of facilities, equipment and services required for operations.

4. Assist the Board of Trustees in the qualification and retention of a Fiduciary and Investment Bank to provide depository, investment, accounting and financial reporting services for local currency funds used to capitalize the Endowment. Ensure that contractual relationships between the parties specify in detail responsibilities, working relationships, approval authorities, periodic and special reporting requirements, and fee and expense schedules.

5. Assist the Board of Trustees in the qualification and retention of legal counsel and external auditors to provide a range of legal, audit and special study services. Ensure that contractual relationships are clearly documented in terms of responsibilities, working relationships, approval authorities, periodic and special reporting requirements, and fee and expense schedules.

6. Assist the Board of Trustees and the Board of Directors in the development of their internal working procedures, recording of proceedings, and preparation of draft policy, strategies, budgets,

and guidance documents.

7. Develop contacts and recommend formal working relationships with national, regional and international organizations such as multilateral and bilateral donors, training institutions, GOG investment and private sector promotion agencies, foreign trade and business associations, International Executive Service Corps (IESC) and American Business Linkage Enterprise (ABLE), the African Project Development Facility and related international organizations. Serve as the Foundation's principal liaison with these organizations along with the AMF Executive Director.

8. Implement the Foundation's approved organization and staffing structure, including the phased recruitment, orientation and on-the-job training and development of senior level counterpart staff hired to manage the Foundation.

9. Establish and maintain close contacts with representatives of private sector companies and associations in general and with Foundation members in particular. Develop, recommend and implement actions for promoting knowledge of and active participation in Foundation activities such as brochures, newsletters, radio and TV presentations, seminars and conferences.

10. Carry out regional and overseas market surveys and market contact activities to develop market entry strategies for Guinean agricultural products; promote close and collaborative business relationships with foreign importers and distributors; and develop joint venture and investment leads and relationships.

11. Organize and facilitate foreign market exploration and contact activities in collaboration with Guinean exporters and potential exporters; and promote and support visits of foreign delegations of importers and distributors to Guinea to meet with local exporters and to evaluate export, investment and joint venture opportunities.

12. Provide a comprehensive range of support and advisory services to exporters in the development of export transactions; prepare feasibility and investment studies in the areas of agricultural production, marketing, processing and related activities and present them to financial institutions, potential investors, and joint venture partners; structure and provide management assistance to export oriented businesses; prepare and present special product, process or geographic market oriented surveys; and provide short-term technical advisory and operational assistance.

13. Provide background research and presentation materials and assist the Board of Directors in the development and convening of Foundation sponsored conferences, workshops and seminars for both Foundation members and non-members to assess training and development needs; present training sessions responsive to these

needs; review export-oriented research findings and cover topics of common interest; identify major regulatory and other issues for follow-on dialogue with Government agencies; provide a forum for Foundation-Government of Guinea discussions; introduce potential investors and joint venture partners; review and recommend changes to Foundation policies, priorities, procedures, and programs; review case studies and lessons learned from actual export transactions facilitated by the Foundation; and such other activities deemed appropriate and approved by the Board of Directors.

14. Identify potentially viable export oriented agribusiness opportunities requiring medium and long-term credits and/or equity investments. Collaborate in the conduct of technical and economic feasibility studies; assess project viability; propose and organize co-investment credits and investments from project sponsors, commercial and investment banks, private investors and joint venture partners, the Agricultural Marketing Investment and Guarantee Fund and other public and private sources of finance as recommended by the Board of Directors and approved by the Board of Trustees. Support the development and implementation of projects approved for such financing within the policy limits established for the Agricultural Marketing Investment Project.

15. Carry out periodic internal program and personnel evaluations, assessments and audits to assess performance against agreed operating goals and benchmarks. Review findings, conclusions and recommendations with the Board of Directors and the Board of Trustees as appropriate and implement approved recommendations. Cooperate to the fullest extent with external audits and evaluations scheduled over the life of the project.

16. Assess the need for short-term technical assistance including the International Executive Service Corps. Establish terms of reference and work scopes, seek USAID approval of short term consultants, orient and introduce consultants, supervise their work and evaluate their performance.

C. EXPERIENCE AND QUALIFICATIONS

The Institutional Contractor selected to implement the Agricultural Marketing Investment Project must demonstrate recent and successful experience in designing, staffing and managing long-term agricultural marketing and export promotion activities in developing country environments. Experience should include the development, installation and management of specific organization and staffing structures, work plans, budgets, and training and development programs which were successful in increasing agricultural marketing and exports to regional and international markets. Experience in French-speaking countries in West Africa is highly desirable. Previous overseas assignments working with USAID

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also is desirable. The contractor must demonstrate its ability to react responsively and in a timely fashion to requests for both long- and short-term consultants and to provide them with the necessary management and administrative back-up support.

The Institutional Contractor will be required to provide a team of four long term specialists including the Team Leader. The latter might be required to serve as the interim Executive Director of the Foundation during its launch and start-up period. Short-term consultants will also be provided on request for specialized research and advisory tasks.

The common denominator among all the long-term consultants is direct experience in the international marketing and financing of agricultural products. Experience and qualifications for the three long-term positions follow.

2. Chief of Party (48 months)

a. The Chief of Party will function as the principal advisor to the Executive Director of AMF and might be required to serve as interim Executive Director of AMF; or the Executive Director of AMF are not in place by the time TA team arrives in-country.

b. As Interim Executive Director he/she will work under the guidance and direction of the Board of Directors in providing a range of supporting and advisory services to the Board of Directors and the Board of Trustees in meeting the objectives of the Foundation, the Endowment.

c. The Chief of Party will serve as advisor to the Executive Director of the Agricultural Marketing Foundation, and will be responsible for assisting the Executive Director in developing and implementing strategic plans, work programs and budgets; recruiting, training and supervising local Guinean staff; and developing collaborative and productive working relationships with counterparts, members of the Foundation, the Board of Trustees and the Board of Directors, and representatives of GOG agencies, commercial banks and other financial institutions, other donors, and multilateral lending and service organizations. The Chief of Party during his tenure will be responsible for recommending and installing approved strategies, policies, work programs and budgets which will meet the essential objectives of the Foundation as described above. He will aslo serve as the technical advisor to the training and outreach unit of the AMF.

d. He will be responsible for start-up activities and general management and supervision of the Foundation during the life of the Project. He/she will represent the contractor with designated USAID personnel in carrying out all contractual obligations and normal working and reporting relationships incidental to this contractual relationship.

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e. The position carries with it a prime responsibility of active participation and assistance in the recruitment, training and development of local Guinean staff - including the position of Guinean Executive Director to ensure the timely and effective transfer of responsibilities.

- Provide guidance and leadership in the establishment of the Foundation, the Endowment Fund and the Loan Guarantee Fund as not-for-profit entities eligible to operate under the laws of Guinea.

- Assist in the establishment of the Board of Trustees and the Board of Directors and act as Executive Secretary to both Boards.

- Report and be accountable to the Board of Directors acting through the Chairman of the Board of Directors for all Foundation responsibilities.

- Maintain close and collaborative working relationships with USAID acting through the assigned Project Officer on all matters relating to the contractual and compliance relationships among USAID, the Institutional Contractor, the Foundation, and the Fund.

- Prepare, present, implement and report progress against medium and long-term strategies, action plans, budgets and benchmarks, and organization and staffing plans to ensure the attainment of Foundation objectives and goals.

- Assign responsibilities and supervise assigned personnel including both long- and short-term technical assistance and local Guinean staff, ensure their training and development, and evaluate and report on their performance.

- Establish specific benchmarks and evaluative criteria to measure and report on progress toward achieving the fundamental export and employment objectives for which the Foundation was created.

f. <u>Qualfication/Experience</u>

The Chief of Party must have demonstrated outstanding leadership skills in previous positions directly related to the organization and management of agricultural marketing and export. Must have demonstrated superior organizational and management skills, and the ability to operate successfully at the highest levels of business and government. Direct experience and contacts in European and/or U.S. agricultural products markets desirable. Successful performance as a profit center manager in such positions highly desirable. Master degree in business administration,

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management, marketing or agricultural economics fields is desirable. Experience in Africa essential. French language capability at a minimum of S3/R3 level essential. Previous experience in similar USAID projects desirable. Must possess high level written and verbal presentation skills.

3. Market Research and Information Specialist (48 person month)

The Market Research and Information Specialist will be responsible for the design, organization, work planning staffing, contracting and supervision of a broad range of market research and information services; direction or participation in feasibility studies and business plans; and the creation of data bank in support of the Foundation's agricultural products export objectives. He/she will recommend staffing levels in these functions and assist in the recruitment, training, development, supervision and evaluation of Guinean staff to carry out the approved research and information program.

a) Will serve as counterpart to the Director, Market Research and Information Unit (AMF) and works in collaboration with the Director of training and outreach unit (AMF) in conducting training and outreach activities of the Foundation.

b) Prepare, recommend and implement objectives, work plans, schedules and budgets for the development of a range of information and reference services of direct assistance to Guinean exporters in preparing market entry plans, feasibility studies and business plans; contacting and negotiating with potential foreign buyers and distributors, joint venture partners, and investors; accessing data on competing supply sources; obtaining information on sources, specifications and costs of equipment, materials, and land, sea and air transport; product consumption, prices and quality specifications in key target markets; and other export-related data. Recommend the use of short-term technical assistance, integrate them into project survey teams or client companies, supervise their work, and evaluate their performance.

c) Recommend and assist in the development and presentation of practical export-related training courses and seminars for Foundation staff and members. Provide on-the-job training for permanent staff assigned to information and research activities.

d) Plan, schedule and supervise market research and market contact activities in regional and overseas markets. Prepare and present findings, conclusions and follow-up

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action recommendations.

e) Work closely with the Foundation membership in the design and conduct of market research, surveys, feasibility studies, and market entry plans. Assist them in the preparation and presentation of project proposals to financial institutions, investors, and joint venture partners.

f) Manage contract for market research/feasibility studies etc.

g) Develop contacts and work in close cooperation with outside public and private associations, multilateral and bilateral agencies, and financial and trade institutions in export promotion, market research, feasibility studies and related activities designed to further the objectives of the Foundation and its membership.

h) Recommend data processing equipment and systems which will meet the Foundation's long-range needs for information, research, and reporting. Manage installation of approved systems and train personnel in their use.

i) Qualifications/Experience

The Market Research and Information Specialist must possess broad and senior experience in the field of market information and research, and have led or participated in export-related feasibility and business planning studies. Direct experience in agricultural products export markets is required. Experience in African and European markets desirable. Direct experience in computer applications to market research and information essential. French capability at the S3/R3 level essential.

Must possess strong analytical skills and the ability to present ideas clearly and logically in both written and verbal presentations. A M.S degree or its equivalent in marketing, economics or agricultural economics desirable. Strong skills in using in computers desirable.

4. <u>Finance and Business Management Specialist</u> (48 person months)

The Finance and Business Management Specialist will be responsible for the following activities:

a) serve as a counterpart to the Director of Administration and Finance (AMF)

b) Organize, direct and report on the Foundation's internal accounting, financial, personnel and administrative services activities.

c) Assess the needs of the Foundation for internal accounting, financial and management reporting systems; administrative and personnel services; and membership support activities. Recommend and install approved systems.

d) Assess and recommend requirements, budgets and procurement schedules for housing, office facilities, furnishings, office equipment, computers, telecommunications, security, transport and related materials and supplies. Initiate procurement orders and install and account for all approved acquisitions.

e) Prepare and submit periodic and special accounting, financial and operating reports presenting accurate and timely statements of the financial condition of the Foundation and the current status of its activities against budgets and benchmarks agreed and approved by the Board of Trustees and the Board of Directors.

f) Work in close collaboration with the Foundation's fiduciary and investment bank, outside legal counsel and the external auditors to ensure the integrity, proper approval and accurate accounting of income to and disbursements from the Endowment Fund; protection of the assets and interests of the Foundation; compliance with all legal and regulatory requirements of the Government of Guinea; and related legal, accounting and financial matters.

g) Assist in the development, review and presentation of feasibility studies and loan guarantees proposed for financing by the Loan Guarantee Fund.

h) Recommend and participate in on-the-job training for Foundation members and permanent staff.

i) Participate as organization, systems and financial advisor on studies and projects undertaken by the Foundation.

j) Recommend the use and specify the work content of short-term technical assistance. Supervise and evaluate their work.

Qualifications/Experience

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The Financial and Business Management Specialist should have broad experience in setting up financial management, accounting and financial control systems and training accountants and book-keepers. He should have experience in implementing sound financial and business management practices. Experience in developing countries and knowledge of A.I.D. operating procedures and practices highly desirable. A French language level of S3/R3 essential. A B.s. degree (with 10 years experience) or Ms. degree (with seven years experience) in accounting and finance. Experience as a management consultant desirable. Supervisory experience essential. Must have excellent analytical and presentation skills.

5. Banking and Finance Specialist (60 person months):

The Banking and Finance Specialist will be responsible for administering the AMLGF. This position will be located in the private bank managing the AMLGF (the Facing Bank). Although a member of the TA team, provided through the same Institutional Contract, s/he will work in close collaboration with the AMF but will report directly to the USAID Project Officer. A key aspect of the AMLGF program is the provision of technical assistance at all stages in the life of a qualifying loan.

Specific responsibilities will include:

a) Organizing and supervising the administering staff of the AMLGF, including a Trade Finance Specialist, a Business Banking Specialist and a Secretary

b) Serving as the principal advisor to the Facing Bank in implementing the loan guarantee program, assuring that the AMLGF operations strictly follow the criteria and guidelines set up to ensure its integrity and efficient operation.

c) Monitoring and reporting to the Project Officer on the status and integrity of AMLGF funds and transactions.

d) Advising and assisting local banks and their private sector clientele to develop and evaluate financing and investment proposals.

e) Serving as a member and executive secretary to the AMLGF Credit Committee which evaluates eligibility of loan proposals for guarantee coverage.

f) Advising and assisting Participating Banks in following each qualifying loan in order to assure proper loan administration and to anticipate difficulties; this may entail playing a role in the restructuring of poorly performing loans, should the need arise, and in the collection of

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delinquent loans.

g) Coordinating the development of training plans for bank employees who will receive training under the AMIP.

h) Acting as liaison between the AMLGF and the AMF, Central Bank and other institutions as appropriate.

Qualifications/Experience:

The Banking and Finance Specialist must have a Master's Degree in Business Administration or related discipline, and 5 years of relevant working experience. Other requirements are French language proficiency at the S3/R3 level, demonstrated experience in the development and management of loans for trade and investment, experience in developing countries, preferably in West Africa, and supervisory experience. The Specialist should have experience in implementing sound financial and business management practices and experience with A.I.D. operating procedures and practices is highly desirable.

6. Short-term Technical Assistance

The Chief of Party shall be responsible for identifying the need for and recommending the use of short-term consultants and advisors. These may be individuals accessed from the Institutional Contractor or from other donors, multilateral agencies, the International Executive Services Corps, the African Project Development Facility or other sources. Such short-term consultants and advisors shall be accessed and work conducted under terms of approved written objectives, workscopes, schedules and budgets. All such work will be carried out under the direct supervision of one of the members of the long-term technical assistance team.

For the purposes of this RFP the contractor should propose on the basis of a requirement of 40 person months, on the assumption of seven to eight five-week assignments per year for a total of four to 40 person months over the 5-year life of the project.

Short-term consultancies will all be related to the general objectives of the Foundation - the research, definition, development, and financing of export-oriented agribusiness ventures. This implies the need for a broad range of skills in such specialties as agricultural products processing, treatment and packaging; assessment of needs for information, and its sourcing, treatment and retrieval; product and geographic-specific research; international market research and market entry strategy surveys; trade finance; short-, medium and long-term loan guarantees; management control systems design and implementation; management of agribusiness activities; transport, storage and distribution; sales

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and marketing including advertising and sales promotion; product strategic planning; financial and feasibility analysis; and related areas.

All short-term consultants proposed must meet the highest standards of professional, experience, language and country/regional qualifications as specified above for the long-term resident team.

V. REPORTING, MONITORING AND EVALUATION REQUIREMENTS

The Chief of Party will maintain close working relationships with USAID's AMIP Project Officer and be responsive to his needs for formal and informal reporting. Formal progress reports will be prepared and presented at monthly meetings of the Board of Directors and periodic meetings of the Board of Trustees during Phase I of the Project. The Boards shall determine the frequency of their meetings during Phase II. Minutes of the Boards shall be prepared as official documents of the Foundation, the Endowment and the Loan Guarantee Fund and shall be filed along with formal reports submitted by the Executive Director of the Foundation.

A.I.D. mandated external formal evaluations shall be conducted and the end of year two, and four. Formal external audits shall be conducted at the end of year 1, 3 and 5.

VI. PLACE OF PERFORMANCE

Long- and short-term consultants will be based at the headquarters of the Foundation at Conakry, Guinea. The TA team will be located in the offices of the Foundation, provide for its own services, and will not be dependent on USAID for support.

Long- and short-term technical assistance staff might be required to travel within Guinea, in the Region, and in foreign target markets as needed.

VII. SPECIAL CONTRACT REQUIREMENTS

The Institutional Contractor will be required and authorized to procure the housing for the LT TA, office facilities, related utilities, furnishings, equipment and services required for the operations of the Foundation, the Endowment and the Investment and Guarantee Fund, and the activities of the Board of Trustees and the Board of Directors on the basis of approved specifications, quantities and budgets.

The Contractor will undertake the recruitment, orientation, training and development of local Guinean staff on the basis of approved organization and staffing structures.

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The offeror shall acquaint himself with all available information regarding difficulties which may be encountered and the conditions under which the work must be accomplished under any resultant contract. The contractor will not be relieved from assuming all responsibility for properly estimating the difficulties and the cost of performing the services required herein because of his failure to investigate the conditions or to become acquainted with all information concerning the services to be performed.

VIII. LEVEL OF EFFORT

(A) Long-term technical assistance totaling approximately 204 person months from year one through five will be provided in the following areas: Organization Development Specialist who will also serve as Chief of Party; Market Research and Information Specialist; Finance and Business Management Specialist (4 years each) and Banking and Trade Finance Specialist (5 years). In addition, two local hire Guinean staff will be provided in Banking and Trade Finance to work with the Banking and Trade Finance Specialist. These two positions will be for a period of five years each. However the recruitment for the second position will be dependent on the need, workload and pace of progress of loan guarantee program.

The long-term technical assistance team will have major responsibilities for organizing and managing the AMF, recruiting and training local Guinean personnel and establishing a sound operating base for the handover of the Foundation to Guinean private sector management.

(B) Short-term technical assistance of eight person months per year will be provided for a total of 40 person months. Short-term technical assistance will be employed for specific purposes to support the long-term team including preparation of agribusiness development feasibility studies; conduct regional and international market studies; develop and assist in implementing market entry strategies; provide technical support in specific product, processing, packaging, transport and distribution areas; and train and develop local staff.

(C) Technical assistance contractor will be responsible for the following; procurement of commodities; planning and implementation of all training activities; all logistics involved in fielding the TA team and implementing the project.

IX. Other relevant information

1. AMF operating costs will be funded separately by GOG through the counterpart funds. TA contract should not include the operating costs of the foundation. Similarly funds for the

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establishment of the endowment (AMF) will be provided by GOG.

2. Commodities to be procured under the TA contract using $ funds will be jointly used by the TA and AMF.

AGRICULTURAL INVESTMENT PROJECT (AMIP)
ILLUSTRATIVE BUDGET FOR TECHNICAL ASSISTANCE

1.	Long Term TA. (204 PM LOP)	5,394,000
	a. Organization Development Specialist (48 PM) b. Marketing Information/Research Specialist (48 PM) c. Business-Financial Management Specialist (48 PM) d. Banking-Trade Finance Specialist (60 PM)	
2.	Short TA: 8 PM/yr	538,500
3.	Commodities	237,800
	(a) Vehicles (2) (b) Computers (3) (c) Office furniture (d) Photocopy machine (e) Other equipment	
4.	Training-overseas (short term)	337,000
5.	Commodities: GOG support	126,900
6.	AMF Development and Support Costs	50,000
	Total	

ANNEX J

SCOPE OF WORK FOR PROJECT MANAGER

ANNEX: J
(AMIP)-PP

SCOPE OF WORK
PROJECT MANAGER: PSC
AGRICULTURAL MARKETING INVESTMENT PROJECT

1. SUMMARY: USAID IS SEEKING A WELL QUALIFIED U.S. CITIZEN WITH EXPERIENCE IN BUSINESS/ENTREPRENEURIAL DEVELOPMENT FOR A TWO YEAR CONTRACT. THE INDIVIDUAL WILL BE HIRED UNDER A PERSONAL SERVICES CONTRACT (PSC) AND WILL WORK UNDER THE DIRECT SUPERVISION OF THE USAID-RURAL DEVELOPMENT OFFICER (RDO). THE PSC WILL HAVE RESPONSIBILITY FOR OVERALL MANAGEMENT AND IMPLEMENTATION OF USAID/CONAKRY'S AGRICULTURAL MARKETING INVESTMENT PROJECT (AMIP) AND WILL SERVE AS USAID'S PRINCIPAL LIAISON AMONG THE PRIVATE SECTOR AND GOVERNMENT ENTITIES INVOLVED IN THE PROJECT. DETAILS ON THE AMIP PROJECT AND THE PSC'S SPECIFIC RESPONSIBILITIES ARE SUMMARIZED IN PARAGRAPHS 2 THROUGH 6. INTERESTED CANDIDATES SHOULD REVIEW THE MINIMUM QUALIFICATIONS AND OTHER INFORMATION CONTAINED IN PARAGRAPHS 7 THROUGH 10 AND SUBMIT APPLICATIONS USING STANDARD FORM 171 SUPPLEMENTED BY A DETAILED CURRICULUM VITAE (C.V.). THE C.V. SHOULD PROVIDE DETAILS OF RELEVANT EXPERIENCE REQUIRED IN PARAGRAPH 7 TO USAID/GUINEA VIA INTERNATIONAL FAX TO FAX NO. 224-44-19-85, OR INTERNATIONAL COURIER TO USAID/CONAKRY, C/O AMERICAN EMBASSY, CONAKRY, REPUBLIC OF GUINEA. APPPLICATIONS MUST BE RECEIVED NOT LATER THAN FORTY-FIVE DAYS FOLLOWING THE ISSUANCE OF THIS CABLE. APPLICATIONS RECEIVED AFTER THIS DATE WILL NOT BE CONSIDERED. END SUMMARY.

2. BACKGROUND/PROJECT DESCRIPTION: THE AMIP PROJECT IS A FIVE-YEAR PROJECT WITH A PLANNED LIFE-OF-PROJECT FUNDING OF DOLLARS 20 MILLION. THE PROJECT WILL ADDRESS KEY CONSTRAINTS AFFECTING THE DEVELOPMENT, GROWTH, AND PROMOTION OF AGRIBUSINESS, AGRICULTURAL MARKETING AND EXPORT ACTIVITIES IN GUINEA, WITH THE OBJECTIVE OF ACCELERATING THE RATE OF ENTREPRISE AND EMPLOYMENT EXPANSION. THE AGRICULTURAL MARKETING INVESTMENT PROJECT (AMIP) WILL HAVE TWO MAJOR COMPONENTS: THE AGRICULTURAL MARKETING FOUNDATION AND THE AGRICULTURAL MARKETING LOAN GUARANTEE FUND. BRIEF DESCRIPTION OF THE TWO COMPONENTS IS PROVIDED BELOW.

3. THE AGRICULTURAL MARKETING FOUNDATION (AMF) COMPONENT WILL PROVIDE AGRIBUSINESSES AND AGRICULTURAL MARKETERS WITH INSTITUTIONAL SERVICES FOR THE PROMOTION OF INFORMATION AND RESEARCH ON EXTERNAL MARKETS, PRODUCTS DEMANDED, QUALITY, PRICE, NATURE OF COMPETITION, IMPORTING COUNTRY REGULATIONS, ASSISTANCE IN CONDUCTING FEASIBILITY STUDIES ON A COST SHARING BASIS, TRAINING FOR THE AMF MEMBERS, AND POLICY DIALOGUE WITH THE GOVERNMENT. THE SERVICE CENTER COMPONENT OF AMF WILL PROVIDE THE AMF MEMBERS WITH BUSINESS SUPPORT SERVICES (TELEPHONE, FAX, PHOTOCOPY AND COMPUTER SERVICES ON A COST BASIS). OPERATING COSTS OF THE AMF WILL BE PROVIDED BY LOCAL CURRENCY GENERATED BY THE SALE OF FOOD AID COMMODITIES (PL-480 COUNTERPART FUNDS) FOR THE FIRST THREE YEARS OF

THE PROJECT. AMF ENDOWMENT TO BE SET UP EARLY IN PROJECT YEAR THREE WILL PROVIDE THE OPERATING COSTS OF THE AMF FROM YEAR FOUR ONWARDS. THE ENDOWMENT WILL BE FUNDED BY

GOG USING THE PL-480 COUNTERPART FUNDS, THUS ENSURING THE LONG TERM SUSTAINABILITY OF THE AMF. THE AMF WILL BE MANAGED BY AN ELECTED BOARD OF DIRECTORS AND STAFF APPOINTED BY THE BOARD OF DIRECTORS.

4. THE SECOND COMPONENT OF THE AMIP PROJECT, THE AGRICULTURAL MARKETING LOAN GUARANTEE FUND (AMLGF) WILL PROVIDE LOAN GUARANTEES TO COMMERCIAL BANKS PROVIDING LOANS AND CREDITS TO AGRIBUSINESSES AND EXPORTERS. THE DOLLARS 6.0 MILLION AMLGF WILL COVER A MAXIMUM OF FIFTY PERCENT (50%) OF A COMMERCIAL BANK'S RISK ON A LOAN EXTENDED TO AGRIBUSINESSES AND MARKETERS FOR ACTIVITIES DIRECTLY RELATED TO AGRICULTURAL MARKETING, INCLUDING AGRO-INDUSTRIAL PRODUCTION AND/OR PROCESSING OF EXPORT PRODUCTS, IMPORT AND PURCHASE OF EQUIPMENT FOR TRANSPORT, PACKING AND PROCESSING. THE AMIP PROJECT PAPER SETS LIMITS ON THE MINIMUM AND MAXIMUM LOAN GUARANTEES AND A POSSIBILITY OF WAIVERS TO BE CONSIDERED ON A CASE BY CASE, IF NEEDED. USAID WILL PARTICIPATE ON THE CREDIT COMMITTEE APPROVING THE LOAN GUARANTEE.

5. THE PROJECT WILL PROVIDE A THREE PERSON LONG TERM TECHNICAL ASSISTANCE TO THE AMF FOR A PERIOD OF FOUR YEARS, 40 PERSON MONTHS OF SHORT TERM TECHNICAL ASSISTANCE AND COMMODITIES. TECHNICAL ASSISTANCE TO THE AMLGF WILL CONSIST OF A BANKING AND TRADE FINANCE SPECIALIST SUPPORTED BY TWO LOCAL HIRE ASSISTANTS QUALIFIED IN BANKING AND TRADE FINANCE. THIS TA WILL BE FOR A PERIOD OF FIVE YEARS, THE DURATION OF THE AMLGF. THE TECHNICAL ASSISTANCE WILL BE CONTRACTED THRU OPEN COMPETITION AMONG QUALIFIED FIRMS AND INSTITUTIONS AND THE CONTRACTOR WILL BE RESPONSIBLE FOR PROCUREMENT AND TRAINING IN THE PROJECT.

6. SPECIFIC RESPONSIBILITES: THE PSC WILL:

A) BE RESPONSIBLE FOR OVERSEEING AND MANAGING THE IMPLEMENTATION OF ALL ACTIVITIES UNDER THE AMIP PROJECT;

B) ACT AS A LIAISON BETWEEN USAID AND THE GUINEAN PRIVATE SECTOR;

C) REPRESENT USAID ON CREDIT AND COORDINATION COMMITTEES OF THE AMIP PROJECT;

D) ASSIST USAID IN MONITORING AND ON THE DESIGN AND IMPLEMENTATION OF INVESTMENT COVERED BY THE GUARANTEE FUND COMPONENT;

E) ASSIST USAID IN COMPLETING THE FIRST INTERIM EVALUATION OF THE PROJECT, SCHEDULED FOR MID-1993;

F) WORK WITH THE DONOR TO ASSURE THAT IT FUNCTIONS AS AN EFFECTIVE PROJECT OVERSIGHT AND COORDINATION BODY;

G) SERVE AS USAID'S PRINCIPAL POINT OF CONTACT WITH THE U.S. INSTITUTIONAL CONTRACTOR;

H) FOLLOW CLOSELY THE START-UP PHASE OF THE AMF AND AMLGF AND ASSURE COORDINATION BETWEEN THESE AND OTHER PROJECT COMPONENTS;

I) ACT AS A CATALYST TO HELP ESTABLISH FORMAL ARRANGEMENTS BETWEEN THE AMF AND POTENTIAL AMF AFFILIATE ORGANIZATIONS;

J) PLAY A CATALYST ROLE IN CONCLUDING LOAN GUARANTEES TO GUINEAN PRIVATE SECTOR ORGANIZATIONS IN ORDER TO STRENGTHEN THEIR AGRICULTURAL MARKETING AND EXPORT ACTIVITIES; AND

K) ASSIST USAID IN MONITORING PROGRESS ON IMPLEMENTING LEGAL AND REGULATORY CHANGES, THROUGH POLICY AND OTHER REFORM PROGRAMS FUNDED BY OTHER DONORS;

7. QUALIFICATIONS:

A) U.S. CITIZEN

B) AT LEAST A MASTER'S DEGREE IN BUSINESS ADMINISTRATION, MARKETING, BANKING AND FINANCE;

C) FRENCH LANGUAGE FLUENCY (FSI 3 LEVEL);

D) AT LEAST FIVE YEARS EXPERIENCE IN DESIGN/MANAGEMENT OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT, IMPLEMENTING PRIVATE SECTOR DEVELOPMENT PROGRAMS, AND/OR AGRICULTURAL MARKETING PROJECTS IN DEVELOPING COUNTRIES.

E) IN ADDITION, DESIRABLE QUALIFICATIONS INCLUDE:

- EVIDENCE OF ORGANIZATIONAL DEVELOPMENT EXPERIENCE, I.E., EXPERIENCE IN MOTIVATING INDIVIDUALS OR GROUPS THROUGH WORKSHOPS OR OTHER MEANS TO ESTABLISH AND/OR DEVELOP THEIR ORGANIZATIONS;

- MIX OF WORK EXPERIENCE RELEVANT TO AMIP PROJECT ESPECIALLY IN DEALING WITH BANKS, KNOWLEDGE OF BANKING AND TRADE PRACTICES AND FINANCIAL INSTRUMENTS E.G.; LETTERS OF CREDIT, LINES OF CREDIT, LOAN GUARANTEES; AND

- PRIOR EXPERIENCE IN AFRICAN OR OTHER DEVELOPING COUNTRIES AT A SIMILAR LEVEL OF DEVELOPMENT.

8. BENEFITS/OTHER CONSIDERATIONS: THE SELECTED CANDIDATE WILL SIGN A TWO-YEAR PERSONAL SERVICES CONTRACT AND RECEIVE HOUSING, EDUCATION ALLOWANCE FOR SCHOOL-AGE CHILDREN, AND OTHER ALLOWANCES AND BENEFITS CONSISTENT WITH THOSE PROVIDED TO U.S. DIRECT HIRE PERSONNEL AND IN CONFORMANCE WITH POST POLICY AND AIDAR REGULATIONS. SALARY WILL BE NEGOTIATED BASED ON SALARY HISTORY. THE SELECTED INDIVIDUAL MUST ALSO COMPLETE MEDICAL EXAMINATIONS AND REQUIRED SECURITY CLEARANCE PROCEDURES.

9. LOCATION: THE PSC WILL RESIDE IN CONAKRY, THE CAPITAL OF GUINEA. CONAKRY IS AN ATTRACTIVE SITE FOR EXPATRIATES AND THEIR FAMILIES WITH AN EXCELLENT INTERNATIONAL (ENGLISH LANGUAGE) SCHOOL

(K-8). THERE IS ALSO A FRENCH LYCEE (K-12). THE PSC WILL BE BASED AT THE USAID/GUINEA OFFICE IN CONAKRY BUT WILL BE EXPECTED TO SPEND A PORTION OF HIS/HER TIME IN THE FIELD.

10. TIMING: DEPENDING ON TIME NEEDED FOR CONTRACT NEGOTIATION, SECURITY CLEARANCES AND PREPARATIONS TO LOCATE IN GUINEA, THE CONTRACT COULD START AS EARLY AS OCTOBER 1992.

AGRICULTURAL MARKETING INVESTMENT PROJECT

ILLUSTRATIVE BUDGET - INSTITUTIONAL CONTRACTOR

The Illustrative Budget which is attached is provided for Mission guidance only.

A decision will have to be made as to whether the long-term technical assistance of three people over five years will be contracted on a PSC or an Institutional Contractor basis. It would appear from the PID Table 2, AMIP Illustrative Summary Budget, that the budget was calculated on the basis of the PSC option. This option is probably not in the best interests of the Mission in terms of contracting, management and supervision work loads. The following points summarize the issues.

1. Estimating the costs for a three-man team of long-term consultants on a PSC basis using starting salary levels of $83,500, $75,000 and $65,000 for a five-year total of $1,154,082, and non-compensation costs over five years - including a 25% overseas differential - of $2,240,547 yields a total budget figure over five years of $3,394,629. This figure compares closely with the PID budget number of $3,400,000.

2. The use of essentially the same estimates as item 1. above on an Institutional Contractor basis with an accompanying 150% add-on - 2.5 times compensation - plus the 7% fee for all contractor disbursements - yields an estimate of $5,621,168 for the long-term three-man team.

- Estimating the 40 person months of short-term technical assistance on the basis of item 2. above - using a consulting firm - yields a number of $1,263,151 as against the PID estimate of $500,000. While this number could be markedly reduced by using Personal Services Contractor or Independent Contractor type contracts, it is highly doubtful that the Mission could locate and contract up to seven individual specialists per year.

In summary, if an Institutional Contractor is retained for both the long-term and the short-term technical assistance, the budget could reach $6,884,319 over a five-year period as opposed to the PID estimate of $3,900,000. The use of an 8A type firm with much lower overheads could bring the costs down dramatically.

Even the large accounting firms may be willing to lower their overheads on the basis that a great deal of the work is being carried out abroad rather than out of their offices. The 1.5 add-on to total compensation costs could possibly be reduced, for example, to 1.0 for the three full-time technical assistance team yielding a number of $4,970,848 as against the 1.5 load of

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$5,621,108. Calculated on the same 1.0 basis for both the long- and short-term specialists, the estimate would be reduced to $6,046,689 from the 1.5 multiplier which yielded $6,884,319 - both numbers compared to the PID budget of $3,900,000.

ANNEX K

CFMS APPROVAL PROCESS

3.2.2 Project Identification and Approval Process

Documentation of projects/activities proposed for financing by P.L. 480 counterpart funds must be submitted to the SC for review. The identification and approval process is described as follows:

STEP 1: The Strategic Committee will meet to discuss those projects which USAID/Guinea and the GOG wish to fund with counterpart funds. A list of potential projects is developed and sent to the Technical Unit.

STEP 2: The Technical Unit will visit each of the proposed implementing organization to assess whether each possesses the financial capability to manage funds and the technical capacity to implement the proposed activity.

STEP 3: The Technical Unit will recommend to the Strategic Committee in writing either that (1) the project be funded directly; (2) the project implementing organization first receive technical assistance to correct some technical or financial deficiency before being funded; or (3) the project be rejected because it does not meet the program's eligibility requirements or because of the existence of severe limitations or deficiencies in management capabilities.

STEP 4: The Strategic Committee will review the recommendations of the Technical Unit and approve the feasible projects.

STEP 5: Upon approval the feasible projects, the Strategic Committee will send a countersigned letter to USAID/Guinea requesting authorization for funding of the approved projects through USAID issuance of Program Implementation Letter (PIL). The request for funding will contain the list of approved projects, a line item budget for each of those projects and a copy of the TU Certification that the project implementing organization has both the financial and technical capacity required to effectively manage the project. This certification must also include the name of the project implementor's bank and the separate account number where the funds will be deposited. No authorization will be forthcoming from USAID/Guinea without this certification.

STEP 6: USAID/Guinea will send a PIL to the Strategic Committee to confirm the CS final approval, thus authorizing funding. Copies of the PIL will go to the Executive Director of the Technical Unit and to the National Directors of Budget, Treasury, Public Investment, and Cooperation.

This PIL may be used to approve financing for one or several projects at once. It authorizes disbursement up to the total amount allocated to a project according to the line item budget submitted by the project implementing organization and reviewed by the TU. Once the PIL is issued by USAID, the TU will take over the overall responsibility for the management and control of the counterpart funds.

STEP 7: Upon receipt of USAID/Guinea's PIL, the TU will establish a Contract for the Use of Counterpart Funds between the CFMS and the implementing organization of each approved project. This contract will indicate the total local currency funding to be provided by the TU and stipulate the terms and conditions for disbursements to the project as specified in the attached sample contract in Annex C, especially the following:

a) All funds received from the TU will be deposited into a separate account at the implementing agency's bank;

b) all funds must be spent according to the approved line item budget with a 10% fungibility in line item spending, but any line item change of more than 10% must be expressely approved by the Technical Unit;

c) no subsequent funds will be disbursed without the receipt of complete and accurate financial reports; and

d) agreement that either the Technical Unit or an outside group representing the Strategic Committee and/or USAID/Guinea can audit the organization's books at any time for a period of three years after the projects completion.

Any deviation from the terms of the contract will result in an immediate suspension of financing and a formal notification from the TU to the GOG.

Step 8: For each approved project having signed a financing contract with the CFMS, the TU will establish a schedule for quarterly disbursements, and will request from the SC an authorization for quarterly disbursement to the said projects.

Section 3.3 - Counterpart Fund Disbursement Process and Procedures

Step 1: Upon receipt of USAID/Guinea's PIL authorizing funding, the SC's concurrence for quarterly disbursement to approved projects and copies of contracts between the CFMS and project implementors for the use of counterpart funds, the Technical Unit will prepare the disbursement:

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- the Accounting Department prepares checks for approved projects;

- checks are approved by the auditor based on the substantiating documentation, (i.e., the PIL and the TU certification);

Step 2: Once checks are approved by the auditor and prior to their signing by the TU/Executive Director, the CS request USAID/Guinea final concurrence for disbursement through issuance of an Administrative Approval for Disbursement that certifies that each disbursement is pursuant to a disbursement plan previously approved by PIL and a statement signed by the auditor that funds are available;

Step 3: Upon receipt of USAID/Guinea Administrative Approval for each disbursement, the Executive Director signs the checks made out in the name of the project implementing organizations. The Executive Director will not be authorized to sign the checks prior to receipt of the Administrative Approval for Disbursement issued by USAID/Guinea Director or his designate;

Step 4: The Executive Director will deliver the checks along with supporting documentation to the National Director of Treasury for his countersignature. The National Director of Treasury must be one of the signatories of checks so that the system conforms to the GOG's financial regulations.

Step 5: The signed checks will be disbursed directly to the project implementing organizations.

For an efficient tracking of funds, the checks must be deposited into a separate bank account or sub-account of the financed project, in the commercial bank of the project implementing organization.

Disbursement amounts should be sufficient to cover at least ninety (90) days of project operating expenses.

Step 6: After a period of 90 days or when the project has expended at least 80% of the first advance, the TU will furnish an additional advance for the next 90 days. In order to comply with GOG public budget management regulations, the TU must request and obtain the SC concurrence prior to any subsequent quarterly disbursement. The subsequent disbursements will be made only upon receipt of a documentation verifying the expenditure of at least 80% of the original disbursement. Such documentation must be furnished to the TU with a quarterly financial report that each project implementing organization will submit. The supporting documentation must include copies of all receipts, vouchers and

schedules of payment to project personnel. No new disbursement will be made without an audit of expenses compared to the line-item budget under each authorization.

The TU will initiate all new disbursements up to the maximum amount authorized in the PIL and checks will be issued as described above. All supplementary financing must obtain the approval of the SC and confirmed by issuance of a USAID/Guinea PIL.

For all new project implementing organizations, i.e., those who have no prior track record in managing counterpart funds, the disbursement of the second advance will be contingent on a TU audit of the implementing organization's expenditures. This audit will occur before the end of the first 90 days to detect any problems requiring corrective measures prior to proceeding with the second disbursement and to avoid any delay in disbursements to the project.

3.2.2 Processus d'Examen et d'Approbation des Projets

Les justificatifs des projets/activités candidats au financement sur fonds de contrepartie P.L. 480 devront être soumis au CS pour examen. L'examen et l'approbation se feront selon le processus décrit ci-dessous:

Etape 1: Le CS se réunit pour discuter des projets que l'USAID et le GDG souhaitent financer avec des fonds de contrepartie. Une liste des projets potentiels est établie et transmise à l'UT.

Etape 2: L'UT visite chaque organisation exécutante des projets proposés pour évaluer si chacune possède la capacité financière requise pour gérer les fonds et la capacité technique adéquate pour mettre en oeuvre l'activité proposée.

Etape 3: L'UT recommande par écrit au CS soit (1) l'approbation du financement direct du projet, soit (2) la fourniture d'une assistance technique à l'exécutant du projet pour corriger les insuffisances techniques ou financières constatées, soit (3) le rejet pur et simple de la requête de financement du projet parce qu'il ne satisfait pas aux exigences d'admissibilité du programme ou en raison de l'existence de limitations ou insuffisance sévères dans les capacités de gestion.

Etape 4: Le CS revoit les recommandations de l'UT et approuve les projets réalisables.

Etape 5: Après avoir approuvé les projets, le CS transmet à l'USAID une requête officielle demandant l'autorisation de financer les projets approuvés par émission d'une Lettre d'Exécution de programme (PIL). La requête pour financement inclura la liste des projets approuvés, les postes budgétaires individuels pour chacun, et une copie de la certification par l'UT que l'organisation chargée de l'exécution du projet possède à la fois les capacités techniques et financières nécessaires pour gérer le projet de manière efficace. La certification doit aussi inclure le nom de la banque de l'exécutant du projet et le numéro de compte où les fonds seront déposés. Aucune autorisation de financement ne sera accordée par l'USAID sans cette certification.

Etape 6: L'approbation par le CS des projets à financer est officiellement confirmée par l'USAID par l'émission d'une Lettre d'Exécution de Programme (PIL) autorisant le financement. Une copie de la Lettre d'Exécution de Programme est transmise au Directeur Exécutif de l'UT, aux Directeurs du Budget, du Trésor, des Investissements Publics et de la Coopération.

La lettre d'Exécution de Programme peut être utilisée pour approuver le financement pour un ou plusieurs projets à la fois. Elle autorise le déboursement à hauteur du montant total demandé pour un projet en fonction des postes budgétaires individuels soumis par l'institution chargée de l'exécution et révisés par l'UT. Une fois l'autorisation de financement délivrée par l'USAID, l'UT assume l'entière responsabilité de la gestion et du contrôle des fonds de contrepartie.

Etape 7: Dès réception de la Lettre d'Exécution de Programme de l'USAID, l'UT du SGFC établit, avec l'institution d'exécution de chacun des projets approuvés, un **Contrat Pour l'Utilisation des Fonds de Contrepartie** indiquant le montant total du financement en FG qui sera fourni par l'UT, et stipulant les termes et conditions régissant les déboursements de fonds de contrepartie pour les projets, comme spécifiés dans le Modèle de Contrat figurant en Annexe C, notamment les exigences suivantes:

(a) tous les fonds reçus de l'UT devront être déposés dans un compte séparé à la banque de l'institution d'exécution;

(b) tous les fonds devront être déboursés conformément aux postes budgétaires individuels approuvés, avec 10% de flexibilité pour des modifications de montants entre les postes individuels, mais l'obligation d'obtenir l'approbation expresse de l'UT pour toute modification de montant de plus de 10%;

(c) aucun déboursement ultérieur ne sera fait sans la réception des rapports financiers complets et précis incluant les reçus de liquidation et tous autres justificatifs pertinents; et

(d) accepter que les livres comptables soient vérifiés par l'UT ou tout autre groupe de vérification externe représentant l'UT, l'USAID ou le GDG à tout moment jusqu'à la période de trois ans après l'achèvement du projet.

Toute violation des termes de ce contrat pourra entrainer un arrêt immédiat de financement et une notification au GDG.

Etape 8: Pour chacun des projets appouvés ayant passé avec l'UT un Contrat pour l'utilisation des fonds alloués, l'UT devra établir un échéancier de déboursement, et adresser au CS, sur une base trimestrielle, une requête d'autorisation de déboursement trimestriel pour lesdits projets.

Section 3.3 - Processus et Procédures de Déboursement des Fonds

Etape 1: Dès réception de l'autorisation de financement de l'USAID, de l'autorisation de déboursement trimestriel du Comité Stratégique, et des copies de contrats signés entre le CS et les organisations d'exécution des projets approuvés, l'UT prépare le déboursement:

- Le département de la Comptabilité prépare un chèque pour chaque projet approuvé;

- Les chèques, accompagnés des documents justificatifs (à savoir l'autorisation de déboursement et la certification de l'UT) sont transmis au Vérificateur de l'UT pour approbation;

Etape 2: Une fois les chèques approuvés par le Vérificateur et avant leur signature par le Directeur de l'UT, le CS doit demander et obtenir de l'USAID/Guinée la délivrance d'une Fiche Administrative d'Approbation de déboursement certifiant que chaque déboursement est conforme au plan de déboursement précédemment approuvé par Lettre d'Exécution de Projet (PIL) et à la déclaration de disponibilité des fonds signée par le Vérificateur.

Etape 3: A réception de la Fiche Administrative d'Approbation émise par l'USAID/Guinée pour chaque déboursement, le Directeur Exécutif de l'UT signe le(s) chèque(s) libellé(s) au nom de (des) l'organisation(s) d'exécution du (des)projet(s). Le Directeur Exécutif n'aura autorité de signer les chèques qu'à la réception de la Fiche Administrative d'Approbation de déboursement signée par le Directeur de l'USAID/Guinée ou son représentant autorisé;

Etape 4: Le Directeur Exécutif emmène ensuite les chèques, avec les documents justificatifs d'accompagnement, chez le Directeur National du trésor, pour contresignature. Le Directeur du Trésor doit être l'un des signataires des chèques pour que le système soit conforme aux stipulations contenues dans la réglementation de la gestion financière publique.

Etape 5: Les chèques signés sont remis directement aux institutions d'exécution des projets.

Pour un suivi efficace des fonds, les chèques doivent être déposés sur un compte séparé, ou un sous-compte du projet financé, dans la banque commerciale de l'organisation d'exécution du projet.

La période entre la réception de l'autorisation par l'UT et le déboursement pour les projets ne devra pas excéder sept jours ouvrables.

Le montant du déboursement sera suffisant pour couvrir les dépenses de fonctionnement du projet pendant au moins 90 jours.

Etape 6: Après une période de 90 jours, ou lorsque l'exécutant du projet a dépensé au moins 80% de la première tranche, l'UT fournit une tranche additionnelle pour 90 jours supplémentaires après avoir sollicité et obtenu du Comité Stratégique l'autorisation de déboursement de la deuxième tranche. Les déboursements suivant seront effectués seulement après réception d'une documentation vérifiant la dépense de 80% du déboursement originel. Une telle documentation doit être fournie à l'UT avec un rapport financier trimestriel que chaque exécutant de projet aura à soumettre. La documentation justificative devra comprendre les copies des reçus et les bordereaux de paiement du personnel. Aucun nouveau déboursement ne sera effectué sans une vérification des dépenses au regard des postes budgétaires individuels approuvés sous chaque autorisation.

L'UT prendra l'initiative de tous les déboursements ultérieurs jusqu'à concurrence du montant maximum autorisé dans la Lettre d'Exécution de Programme et de la manière décrite ci-dessus. Tout financement supplémentaire devra obtenir l'approbation du CS et la confirmation par Lettre d'Exécution de Programme de l'USAID/Guinée.

Pour les institutions d'exécution de projets nouveaux, à savoir ceux pour lesquels un précédent n'a pas encore été établi pour la gestion des fonds de contrepartie, le déboursement de la seconde tranche dépendra de la vérification, par l'UT, des dépenses engagées par l'exécutant du projet. Cette vérification interviendra avant le terme de la première période de 90 jours pour détecter tout problème exigeant des mesures de correction avant de procéder au second déboursement, et pour éviter tout retard dans les déboursements du projet.

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