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UNCLASSIFIED

PROJECT PAPER

GUINEA-BISSAU TRADE AND INVESTMENT PROMOTION SUPPORT PROJECT, NO. 657-0021

AUTHORIZED: September 29, 1992
Amount: $19,997,000

AGENCY FOR INTERNATIONAL DEVELOPMENT

ACTION MEMORANDUM FOR THE A.I.D. REPRESENTATIVE

FROM: GDO, Robert E. Mitchell

DATE: September 29, 1992

SUBJECT: Guinea-Bissau Trade and Investment Promotion Support Project, No. 657-0021

I. PROBLEM

Your approval is requested to (1) approve the Trade and Investment Promotion Support (TIPS) Project Paper and, (2) authorize a grant of $19.997 million from the FAA, Section 496, Development Fund for Africa appropriation to Guinea-Bissau for the TIPS Project. It is planned that a total of $3,000,000 will be obligated in fiscal year 1992, with the remainder to be obligated over a six-year period subject to availability of funds.

II. BACKGROUND

The Government of Guinea-Bissau (GOGB) began in 1983 to shift from a command economy development strategy to one relying on market forces and the private sector. The World Bank and IMF played key roles in helping the GOGB initiate this transition. IMF financial and technical assistance resources focussed on macroeconomic and financial stabilization. World Bank financial and technical assistance resources supported structural adjustment, including economic liberalization.

Towards the end of the 1980s, government and some donors recognized that policy reform efforts were being stymied by three obstacles. First, the country's one-party political system discouraged broad participation in the formulation and implementation of reform policies. This awareness led to a political opening and plans for the country's first multiparty-democratic elections scheduled for within the year. Second, economic liberalization was based on government's decision not to enforce existing laws and regulations that were designed in support of a command economy. However, the nation's entire legal, regulatory and institutional infrastructure were and still are, in large part, unfriendly to private sector trade and investment in a market economy. Third, there is a serious shortage of qualified personnel in the public and private sectors who are capable of improving "governance" and taking advantage of the new private sector trade and investment opportunities government hopes to make possible through its reform program.

USAID/Bissau responded to and helped shape public and private sector thinking on the above issues and programs to help address them. Drawing on Human Rights (116 E), PD&S, OYB-transfers, HRDA, and ATLAS resources, USAID was able to initiate a program to assist in the development of a new Chamber of Commerce, constitutional and electoral law reform, a new land law,

broadening the perspectives of key members of the judiciary, export promotion, the identification of key constraints to marketing in critical growth sub-sectors, and important policy-dialogue initiatives.

Because USAID's CPSP did not adequately address the direction of reforms, the forces behind them, and obstacles to continuing progress, a refined program strategy was prepared. AID/W approved this strategy and the TIPS Project Paper in May, 1992 (STATE 181490). TIPS represents some 90 percent of USAID's program effort and activity, and the program strategy is merged with the TIPS logframe.

Both the program strategy and the TIPS Project Paper were formulated in close cooperation with private and public sector counterparts, the World Bank, selected other donors, and both AID/W and REDSO/WCA. There is broad understanding, agreement and support for TIPS.

III. PROJECT DESCRIPTION

The Trade and Investment Promotion Support Project will assist in removing policy, legal and regulatory constraints to increased private trade and investment in critical growth sub-sectors, as well as provide direct trade and investment assistance services to the private sector.

The goal of TIPS is "to achieve market-oriented economic growth that is broad-based and sustainable." The project's purpose is "to increase private sector trade and investment in the critical growith sub-sectors."

The Project is organized in five separate components:

1. A Policy Dialogue and Formulation component will strengthen the capacity of the Government of Guinea-Bissau ("GOGB") to formulate sound trade and investment policies and plans for their implementation. Working through a Presidential Commission or similar governmental body, and collaborating with modern and traditional private sector groups, the component will finance training, technical assistance and other interventions and inputs to institutionalize analytical capabilities and participatory procedures as a standing GOGB function.

2. A Legal and Regulatory Formulation and Reformulation component will work with the Ministry of Justice and other relevant GOGB agencies to enhance their capacity to research, draft, and disseminate legislation and administrative regulations. Through training, technical assistance and other inputs, this component will focus on the analysis and codification of existing legal regimes and the formulation of new

codes and regulations to encourage trade and investment. Areas of focus may include, but are not limited to land tenure, natural resources management, commercial and contract law.

3. A Legal and Administrative Adjudication component will address the organization, equipping, and training of judicial courts, executive agencies, lawyers and other regulators to administer the business law regime through modern and traditional adjudicatory systems.

4. A Private Sector Interventions component will finance studies, training, technical assistance and other inputs to local business associations to enhance entrepreneurial skills and their access to investment prospects, and to promote foreign investment in Guinea-Bissau. The Project will work through local business associations, such as the Chamber of Commerce.

5. The Project will also finance project audits, evaluations, and other project-management activities.

Project Inputs

Approximately $14.5 million of project financial resources are required to obtain project inputs that impact directly on the project's ability to undertake planned activities and to produce planned outputs. Inputs include 28 person years of local and expatriate long-term technical assistance, 90 person-years of short-term assistance, 15 person-years of short-term training, as well as an estimated $750,000 in commodities, $475,000 for local costs of seminars, workshops and outreach, and support for an estimated 12 trade missions.

IV. ANALYSES AND STATUTORY REQUIREMENTS

Analyses of the technical, institutional, financial, economic, and social aspects of the project were conducted during the preparation of the Project Paper. These analyses found the project to be institutionally, financially, socially, economically, and technically sound, as well as consistent with the bilateral and regional development policies and strategies of A.I.D., other donors, and the GOGB.

Waivers

In view of Guinea-Bissau's status as a relatively least developed country, the AA/AFR waived the 25% host country contribution, FAA, Section 110 (a), per STATE 240318. Other waivers that my be required for the project are within the authority of OAR/Bissau with REDSO/WCA concurrence.

-C

Congressional Notification

A CN was submitted to Congress on August 10, 1992 and expired on August 25, 1992 without objection, per STATE 309820.

Initial Environmental Examination

A negative determination pursuant to 22 CFR 216.3 (a)(2) received the concurrence of the AFR Bureau Environmental Officer on August 4, 1992. However, in accordance with REDSO/WCA's subsequent review of the Project Paper, it was agreed that "the IEE would be amended prior to the commencement of any implementation activities relating to forestry and before there is any irreversible commitment of project funds to the forestry sector." (ABIDJAN 16197) This stipulation will be added to the Project Paper and to Annex I of it.

V. FINANCIAL SUMMARY

It is planned that a six-year project with an A.I.D. contribution totaling $19.997 million in life-of-project funding will be approved. The first-year obligation will be $3 million. The host country cash and in-kind contribution over the life-of-project will be $380,000. Table A presents estimated project expenditures, by input and year.

VI. IMPLEMENTATION RESPONSIBILITIES

A. Grantee

The Minister of Plan and International Cooperation will sign the Grant Agreement on behalf of the GOGB. However, the project will work through and with a number of private and public sector entities, including but not limited to the Chamber of Commerce, the Bar Association, the judiciary, the Popular National Assembly, Presidential Commissions or similar entities, and selected ministries, including Justice, Finance, Agriculture, Commerce and Tourism, and Natural Resources and Industry. A Project Advisory Board will be established to represent these various interests and groups.

B. Contractor

A master contractor from the U.S. will be responsible for managing up to 90 percent of Project funds to mobilize and deploy resources required to achieve the outputs established for each component of the project, as well as harmonization among them.

C. A.I.D.

A.I.D. has an initial start-up role and a continuing oversight one. During the start-up period (until the master contractor establishes operations in Bissau), A.I.D. will (1) continue on-

TABLE A

ESTIMATED PROJECT EXPENDITURES, BY INPUT AND YEAR

EXPENDITURES ($000)

PROJECT YEARS

INPUTS	1	2	3	4	5	6	TOTAL
Technical Assistance	200.0	1,735.0	2,165.1	2,427.2	2,082.4	1,783.5	10,393.2
Training	100.0	324.4	593.6	637.3	423.9	374.2	2,453.4
Group Actions	20.0	85.4	194.8	198.6	202.6	171.1	872.5
Project Commodities	200.0	100.0	200.0	100.0	100.0	50.0	750.0
Admin./Logistical Support & Office Operations	480.0	961.5	870.5	887.1	904.2	992.7	5,026.0
Other Misc.	--	30.0	30.0	--	--	30.0	90.0
Evaluation	--	--	65.4	--	70.8	73.6	209.8
Audit	--	--	68.1	--	60.0	73.6	201.7
TOTAL	1,000.0	3,236.3	4,187.5	4,250.2	3,843.9	3,480.1	19,997

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project collaboration with key project participating institutions, and (3) initiate procurement of project office space, housing, and associated furnishings and equipment, as well as project vehicles.

A.I.D. will retain continuing responsibility for providing overall policy and technical direction to the master contractor, as well as for high-level policy dialogue. A.I.D. will manage project funds to meet these responsibilities through regular and special evaluations, trouble-shooting, audits, and other activities for which A.I.D. may have a comparative advantage and is able to respond in a timely manner.

VII. RECOMMENDATION

A. Authority

Delegation of Authority 551, as amended, authorizes you, with the concurrence of the Director, REDSO/WCA, to authorize a project that has a life of project under 10 years, an authorized obligation level under $20,000,000 and that raises no substantial policy issues and requires no AID/W waivers that have not already been obtained. REDSO concurrence was obtained on September 28, 1992 (ABIDJAN 16197). This six-year $19,997,000 project was reviewed in Abidjan and AID/W at both the PID and Project Paper levels and all policy issues have been resolved, per STATE 181490 and ABIDJAN 10875. The only AID/W waiver required has been obtained. Accordingly, the project meets the DOA 551 criteria for field authorization.

B. Recommendation

That you sign the attached Project Authorization, thereby authorizing obligations not to exceed $19,997,000 for the Guinea-Bissau Trade and Investment Promotion Support Project.

APPROVED: Michael H. Lukens

DISAPPROVED: _____

DATE: Sept. 27, 1992

Attachments: Project Authorization
Project Agreement
Project Paper

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

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

DOCUMENT CODE: 3

COUNTRY/ENTITY: GUINEA-BISSAU

3. PROJECT NUMBER: 657-0021

4. BUREAU/OFFICE: AFRICA 06

5. PROJECT TITLE (maximum 40 characters): TRADE AND INVESTMENT PROMOTION SUPPORT

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 98

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 92 B. Quarter 4 C. Final FY 97

8. COSTS (3000 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)	(3,000)	(0)	(3,000)	(19,997)	(0)	(19,997)
(Loan)	(0)	(0)	(0)	(0)	(0)	(0)
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)					380	380
TOTALS	3,000	0	3,800	19,977	380	20,377

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS 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				0	0	3,000	0	19,997	0
(2)									
(3)									
(4)									
TOTALS				0	0	3,000	0	19,997	

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

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To increase private sector trade and investment in critical growth sub-sectors through improved governance.

14. SCHEDULED EVALUATIONS

Interim MM 08 YY 94 MM 08 YY 96 Final MM 09 YY 98

15. SOURCE/ORIGIN OF GOODS AND SERVICES

☐ 000 ☐ 941 ☐ Local ☐ Other (Specify) 935

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

17. APPROVED BY

Signature: Michael F. Lukomski

Title: Michael F. Lukomski, A.I.D. Representative to Guinea-Bissau

Date Signed: MM 09 DD 29 YY 92

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

NAME OF COUNTRY: Republic of Guinea-Bissau

NAME OF PROJECT: Trade and Investment Promotion Support

PROJECT NUMBER: 657-0021

1. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Trade and Investment Promotion Support Project for Guinea-Bissau ("Grantee"), involving planned obligations not to exceed $19,997,000 in grant funds over a period of six years from the date of authorization, subject to the availability of funds in accordance with the A.I.D. authorization OYB allotment process, to help in financing the foreign exchange and local currency costs of the project. The planned life of the project is six years from the date of initial obligation.

2. The Trade and Investment Promotion Support Project ("Project"), will assist in removing policy, legal, and regulatory constraints to increased private trade and investment in critical growth sub-sectors, as well as in providing direct trade and investment assistance services to the private sector.

The Project is organized in five separate components:

A. A Policy Dialogue and Formulation component will strengthen the capacity of the Government of Guinea-Bissau ("GOGB") to formulate sound trade and investment policies and plans for their implementation. Working through a Presidential Commission or similar governmental body, and collaborating with modern and traditional private sector groups, the component will finance training, technical assistance and other interventions and inputs to institutionalize analytical capabilities and participatory procedures as a standing GOGB function.

B. A Legal and Regulatory Formulation and Reformulation component will work with the Ministry of Justice and other relevant GOGB agencies to enhance their capacity to research, draft, and disseminate legislation and administrative regulations. Through training, technical assistance and other inputs, this component will focus on the analysis and codification of existing legal regimes and the formulation of new codes and regulations to encourage trade and investment. Areas of focus may include, but are not limited to land tenure, natural resources management, commercial and contract law.

C. A Legal and Administrative Adjudication component will address the organization, equipping, and training of judicial courts, executive agencies, lawyers and other regulators to administer the business law regime through modern and traditional adjudicatory systems.

D. A Private Sector Interventions component will finance studies, training, technical assistance and other inputs to local business associations to enhance entrepreneurial skills and their access to investment prospects, and to promote foreign investment in Guinea-Bissau. The project will work through local business associations, such as the Chamber of Commerce.

E. The Project will also finance project audits, evaluations, and other Project management activities.

3. The Project Grant Agreement, which may be negotiated and executed by the officers 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, covenants and conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Suppliers

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

b. Conditions Precedent to Disbursement

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

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in the Project Agreement and the names of any additional representatives, together with a specimen signature for each person specified in such statement;

(b) A legal opinion by the Supreme Court of the Grantee that this Agreement is valid and binding upon the Grantee under the laws of the Republic of Guinea-Bissau.

Covenants

Project Evaluation. The Parties agree to establish a monitoring and evaluation program as part of the Project. Except as the Parties may otherwise agree in writing, there will be an evaluation at the end of two project years, another at the end of the fourth project year, and a final evaluation during the sixth year of the Project. The first and second evaluations will assess progress toward planned objectives, identify problems (including possible adverse environmental impact) and recommend modifications in the Project, if necessary to resolve any problems. Final evaluation will assess progress toward planned objectives, identify lessons learned and determine the desirability of follow-on efforts.

Participation by Non-Governmental Entities.

(a) The Grantee agrees that it will furnish full opportunities for consultation and participation in the Project by non-governmental interest groups, including members of different political parties.

(b) The Grantee agrees to establish a selection mechanism to A.I.D.'s satisfaction to ensure that training and travel opportunities under the Grant are afforded on the basis of relevance to project purpose, need and capacity without regard to political, ethnic or gender affiliations.

Non-Competition.

(a) The Grantee agrees that the assistance furnished under the Grant will not be used to procure studies, project profiles of investment potential or for the establishment of facilities designed for the manufacture of textiles, apparel, footwear, handbags, flat goods, work gloves or leather wearing apparel for the export to the United States or to third country markets in direct competition with the United States.

(b) The Grantee agrees that assistance furnished under the Grant will not be used to finance any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference or training in connection with the growth or production in Guinea-Bissau of any agricultural commodity or other commodity in surplus on the world market where such commodity is likely to be exported in competition with U.S. producers of the same or similar products and cause substantial injury to such U.S. producers.

Taxation.

(a) This Agreement and the Grant will be free from any taxation, duties, or fees imposed under laws in effect in the territory of the Grantee,

(b) To the extent that (1) any contractor, including any consulting firms, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

Prohibited Uses of Grant. The Grantee agrees that funds made available under the Grant may not be used (a) to provide support for the military, police or paramilitary or other security forces or for retired personnel of such forces; (b) for the performance of research concerning or inducement to abortion as a method of family planning; (c) for the procurement of luxury goods or gambling equipment; (d) for the repayment of interest or principal of public or private debts.

Environmental Protection. The Parties are committed to a policy of environmentally sustainable development, and agree that :

(a) No activity under the Project will proceed without mitigating action if environmental impact evaluation indicates that the results of such activity are likely to have a deleterious impact on the environment;

(b) The Project will collaborate with the Natural Resources Management Project of the International Bank for Reconstruction and Development to the maximum feasible extent.

4. The AA/AFR has waived the requirement of 25% host country contribution, FAA Section 110(a), for this project (92 STATE 240318).

5. Pursuant to Delegation of Authority 551, as amended, the Director, REDSO/WCA concurred in this authorization on September 28, 1992 (ABIDJAN 16197). The CN expired without objection on August 25, 1992 (STATE 309820).

Signed Michael F. Lukomski
Michael F. Lukomski
A.I.D. Representative
OAR/Bissau

Dated Sept. 29, 1992

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I. EXECUTIVE SUMMARY

A. Recommendation

1.1. The Trade and Investment Promotion Support (TIPS) Project is a six-year effort financed by a Development Fund for Africa (DFA) grant of $19.98 million to assist Guinea-Bissau in its efforts to achieve market-oriented economic growth that is broad-based and sustainable. The project will achieve this objective by promoting increased private trade and investment (T+I) in Guinea-Bissau's critical growth sub-sectors, all of which fall within the DFA critical sector of agriculture or are directly related to it. Major emphasis is placed on the removal of policy, legal and regulatory constraints to increased T+I, and on the provision of direct T+I assistance to the private sector. Thus, the project promotes the development of a market-friendly environment at the same time that it helps the private sector to better respond to that improved environment.

1.2. The TIPS Project has been designed at a critical moment in Guinea-Bissau's history. After more than a decade of socialist economic policies under a one-party state, Guinea-Bissau is attempting to make the transition to a market-economy and to a more open political system.

B. Project Goal, Critical Growth Sectors and Project Purpose

1.3. The **goal** of the Trade and Investment Promotion Support Project is identical to the goal of the USAID program in Guinea-Bissau:

> **To achieve market-oriented economic growth that is broad-based and sustainable.**

1.4. With a current per capita income of only $180 per year, it is all too obvious that Guinea-Bissau must achieve and sustain significant real economic growth rates in order to improve the livelihood of a broad segment of its mostly rural population.

1.5. Within the context of continued market liberalization and macroeconomic stability, the achievement of such economic growth (broad-based and sustainable) requires increased trade and investment in Guinea-Bissau's **critical growth sub-sectors**:

(1) the **production**, **processing** and **marketing** (domestic

and/or export) of **rice**, **cashews**, **fruits** and **vegetables**, and **forest** and **fisheries products**;

(2) **commerce**, to provide broad access to inputs required for increased production, processing and marketing; and to make available the consumer goods without which there is little incentive to work harder, produce and market more; and

(3) **services**, to support production, processing and marketing activities, and, again, also to satisfy consumer demands.

1.6. The **purpose** of the TIPS Project is, thus, also identical to the **strategic objective** of the USAID program:

To increase private sector trade and investment in the critical growth sub-sectors.

1.7. To achieve the goal of economic growth that is broad-based and sustainable, investments in the critical growth sub-sectors must be balanced. For example, increased commercial production of fruit for export might (a) have a minor impact on GDP (growth), (b) affect few people directly (broad-based), but (c) have a major impact on export earnings and government revenues (sustainability). On the other hand, increased production, processing and marketing of domestic rice might (a) have a modest impact on GDP, (b) affect the entire Balanta tribe which composes some 30% of the population (broad-based), and (c) contribute little to increased government revenues, but cause a significant reduction in rice imports (sustainability). Thus, the project aims at promoting a **set** of trade and investment actions that **overall** will produce the desired results.

1.8. The process of increasing trade and investment in Guinea-Bissau is a complex and difficult one because the policies, legal, regulatory, and judicial systems upon which trade and investment relationships depend are not in place, and because the processes by which policies, laws, and regulations are formulated and implemented are flawed. A central flaw in these processes is the lack of participation by the private sector and by a broader segment of the public sector. For this reason, the TIPS Project must go considerably beyond the conventional approach to assisting trade and investment activities: It must promote **increased participation** at the same time that it supports improvements in some of the **most fundamental elements of trade and investment activities** -- sectoral policy, trade and investment laws and regulations, the system for adjudicating business conflicts and for enforcing laws and commercial relationships -- at the same time that it provides **direct support** to the private sector in its efforts to identify and take advantage of trade and investment opportunities in the new environment.

C. Project Components and Outputs

1.9. The objectives of each of the four components of the TIPS Project may be summarized as follows:

(1) to develop and ensure wide acceptance of priority T+I policies and implementation strategies for critical growth sub-sectors;

(2) to (re)formulate, ensure wide acceptance, and implement priority T+I statutes and regulations;

(3) to improve adjudication of T+I legal and regulatory conflicts; and

(4) to improve the ability of private sector entrepreneurs to respond to the new T+I policy, legal and regulatory environment.

1.10. Associated with each component is a set of specific outputs the project will produce.

1. Trade and Investment Policies

1.a GOGB will have developed clear, consistent, economically sound and widely accepted policies to promote private trade and investment in the critical sub-sectors.

1.b. GOGB will have identified and analyzed statutory, regulatory, judicial and other "supply-side" constraints to implementation of these trade and investment policies; and,

1.c. GOGB will have developed action plans, including budgets, to remove constraints to implementation of these policies.

2. Trade and Investment Statutes and Regulations

2.a. Clear, consistent and widely accepted statutes governing public-private and private-private trade and investment transactions will have been formulated and/or reformulated; and

2.b. Executive regulations and procedures for implementation of public-private trade and investment transactions will have been revised to eliminate hidden costs, bureaucratic delays, redundant approval processes, and lack of transparency.

3. Adjudication of Trade and Investment Legal and Regulatory Conflicts

3.a. The formal court system will have been restructured and upgraded to facilitate efficient, fair, and impartial adjudication of conflicts regarding T+I transactions.

3.b. Appropriate executive offices will have established clear, transparent, and efficient mechanisms for the administrative adjudication of private-public conflicts regarding executive T+I regulations and procedures.

3.c. Lawyers' expertise in T+I formal laws and regulations, as well as in traditional conflict resolution systems, will have been improved.

4. Direct Trade and Investment Assistance to the Private Sector

4.a. Selected private interest groups will have been strengthened and will have provided T+I support services to their members.

4.b. T+I promotion services will have been expanded; and

4.c. The analytical base for promoting increased T+I will have improved.

D. Project Resources

1.11. To produce the above outputs, the TIPS Project will require the following **inputs**:

INPUTS	NUMBER OF INPUT UNITS	LOP COST ($ 000)
Technical Assistance		
Long-Term (expatriate)	13.0 PY	4,746.3
Long-Term (local)	15.0 PY	359.6
Short-Term (expatriate)	180.5 PM	4,741.6
Short-Term (local)	900.0 PM	546.0
Training (short-term, off-shore)	183.0 PM	2,453.6
Group Actions		
Trade Missions	At Least 12	397.8
Local Costs of Seminars, Workshops and Outreach	As Required	475.0
Project Commodities	As Required	750.0

Administrative/Logistic Support and Office Operations		
Bissau Office	5 Years	2,948.4
Home Office	5 Years	2,078.0
Other Misc. Direct Costs	As Required	150.0
Evaluation (external)	3 Evaluations	209.9
Audit (external)	2 Audits	141.8
TOTAL		19,998.0

II. DEVELOPMENT CONTEXT

A. Structure of the Economy

2.1. Guinea-Bissau is a small nation of approximately one-million inhabitants located on the west coast of Africa. The general topography consists of a coastal plain deeply interspersed with rivers, and a transition plateau forming the Bafata plain in the center of the country and the Gabu plain to the southeast. Most of the largest urban centers are located on the banks of the two main rivers, the Cacheu and the Geba. The capital and major port, Bissau, has a population of about 200,000. Total population is growing at an average annual rate of 2.3%.

2.2. Guinea-Bissau is among the poorest and least developed countries in the world. Literacy and life expectancy rates are very low. Average per capita income in 1991 was approximately $180. About 75% of the population live in rural areas and derive their livelihood directly from agriculture through about 100,000 smallholder family farms concentrated in villages ("tabancas"). Smallholders account for more than 90 percent of agricultural output and produce mainly food crops. These small farmers have only recently begun to re-emerge into a cash economy after years of misguided economic policies. Most peoples' lives are still largely governed by kinship rules and customary laws. There are more than 20 ethnic-linguistic groups in the country.

2.3. The agricultural sector plays a fundamental role in the economy of Guinea-Bissau, contributing close to half of GDP, employing about 85% of the economically active population, and generating some 80% of export earnings. Production of agricultural crops represents approximately 74% of the total contributions of the sector, the remainder coming from animal husbandry (16%) and forestry (10%). The major food crop is rice, followed by sorghum, millet, corn, sugar, and beans. Major export crops are cashews, palm kernels, peanuts, and cotton.

2.4. Guinea-Bissau has substantial resources in forestry and fisheries. Exploitation of forest resources is still relatively limited in scope. Exploitation of marine resources is undertaken by foreign fishing firms operating both legally and illegally. Fishing contributes only about 2.3% of GDP, but provides a significant source of foreign exchange earnings and public revenues. Wood exports average about $1 million per year.

2.5. The manufacturing sector represents about 10% of GDP and employs about 9% of the economically active population. Only about 4,200 of the 16,000 employees are in the modern sector; the remainder are in the informal sector. Agro-industries and beverages contribute 62% of production in this sector. There are some 1,800 small, private, semi-industrial units primarily involved in food processing.

2.6. Commerce, transport and private services are contributing a growing percentage of GDP, 28.9% in 1989 compared to 24.9% in 1986.

B. Shift in Development Strategies

2.7. Shortly after independence, Guinea-Bissau adopted a socialist model of economic development under the leadership of the Party for the Independence of Guinea and Cape Verde (PAIGC). The government assumed a leading role in the economy, a role that became enshrined in the constitution. Private ownership of the soil, subsoil, water, minerals, forests, energy resources, industrial production, infrastructure, transportation, information and communications, banking, and insurance was banned. A number of state-owned agencies were created to implement an industrialization strategy that was to be built on the surplus labor and capital of the peasantry in the rural areas. These agencies included state marketing boards responsible for purchasing agricultural commodities at a pre-established official rate and for selling consumer and investment goods in return.

2.8. By the early 1980s, the limits of this centrally-planned economic strategy became apparent. Major investments financed by foreign loans had been made in large, inefficient industrial projects and manufacturing. At the same time, the inefficient state marketing system, price controls, and an overvalued exchange rate resulted in sharp declines in agricultural production and exports, as well as in the growth of a parallel exchange market. Increasingly, Guinea-Bissau became dependent on foreign aid to finance the importation of basic necessities. By 1983, the country was saddled with a large external debt, growing monetary arrears, severe fiscal imbalances, high inflation, and profound dependence on foreign aid.

2.9. Whether out of necessity or choice, the Government of Guinea-Bissau declared its intent in 1983 to reverse the policies of the past and embark on a process of fundamental economic reform. The new development strategy was to be market-oriented, agriculturally-based, and private sector-led. The beginning of this shift in economic philosophy was marked by the GOGB's request for assistance from the International Monetary Fund and the World Bank. Considerable progress has

been made since then in liberalizing the economy in order to stimulate production and exports.

2.10. A comprehensive stabilization and structural adjustment program was initiated in 1987 under the guidance and close supervision of the World Bank and the IMF (SAC I, 1987-1989). The chief objectives of the program were to re-establish internal and external equilibria, stimulate growth, improve resource allocation, and normalize relations with foreign creditors. The program made significant progress on the liberalization front; trade and price liberalization measures were greatly broadened and the exchange rate was brought largely into line with its market value.

2.11. The economic response to the liberalization measures was immediate. In the period between 1987 and 1990, GDP grew at an average annual rate of 5.1%. Growth of the agricultural sector for the same period was 4.6%. Fishing and manufacturing grew at rates of 3.8% and 3.2%, respectively, for that period while growth of commerce, transport, and private services averaged about 9.8%. From 1987 to 1989, export growth averaged over 20%.

2.12. Despite the considerable progress made in the liberalization area, relatively little progress was made on the stabilization front, to a large extent because of poor coordination, limited understanding of the reforms, and inadequate economic management capabilities among the GOGB agencies involved in the implementation of the reforms. The result was that the budget deficit rose from 36.7% in 1987 to 51.8% in 1989, and far exceeded the program targets imposed by the IMF and the World Bank. The GOGB also failed to control credit, leading to a major expansion in domestic liquidity during 1987-89. Annual inflation rose to an average of 80% for the period. Nonetheless, the early successes of the reform program encouraged the World Bank to support a second Structural Adjustment Program beginning in 1989.

2.13. The objectives of the second reform program (SAC II, 1989-91) were to promote economic stability, diversify growth, reduce the role of government in the economy, and reduce the external debt burden to manageable proportions. While progress was again made in the areas of trade and price liberalization, exchange rate reform, and some restructuring of public expenditures, difficulties in maintaining macroeconomic stability continued, and the GOGB failed to meet its 1989 fiscal, monetary and balance of payments targets. As a result, the IMF and the World Bank did not disburse program assistance in 1990. Moreover, the IMF declined to negotiate a third year of its structural adjustment facility, although it did participate in establishing a shadow monetary program for 1990.

2.14. 1991 was a crucial test of government's commitment and ability to implement stabilization. After some slippage in the first half of the year, stringent fiscal and credit

controls were applied that resulted in lower inflation and a narrowing of the gap between the official and parallel exchange rates to 10% by the end of the year. Considerable progress was registered in recovering principle payments for non-performing loans made by a bankrupt government lending institution. The intention of these stringent measures was to meet the 1991 targets established in conjunction with the IBRD and IMF so that the final tranche of SAC II could be disbursed and planning for SAC III could commence.

2.15. Discussions in Washington this January between GOGB representatives and the IBRD indicate that SAC III will focus on deepening rather than broadening of the reform program already underway. It was recognized that it is one thing to adopt a policy and another to implement it. Government was seen to lack the management and implementation skills and the legal and regulatory framework supportive of policies it had already adopted. Therefore, SAC III will concentrate on reforming the fiscal system, strengthening the Central Bank, cooperating (with USAID) in legal and regulatory reform, and carrying forward privatization.

2.16. This narrowing of the reform agenda reflects an appreciation by the IBRD, IMF, GOGB, USAID, and others that the policy reform process as it was being implemented had serious limitations that would make it unsustainable over the long term. First, the decision to embark on a comprehensive economic reform program had been made by a relatively small leadership group; neither the reforms nor the rationale behind them had been fully discussed or publicly vetted within the government or with the private sector, new political parties, or the donor community at large. As a result, the reforms are not widely understood or accepted by those responsible for implementing them or by those who will be most impacted. Second, economic reforms and financial discipline were being imposed externally, but the GOGB agencies responsible for implementing the reforms lacked the skills, structures and procedures to proceed with the reform process. Third, because reforms have been imposed from the "top-down," those most affected by the policy reforms, especially the private sector, have been left out of the policy-making process. Finally, it became apparent that the impact of the policy reforms was limited by other institutional, legal, regulatory, and judicial constraints, and that the growth rate of the various sectors was again beginning to decline. From an annual average of 4.5% since structural adjustment was initiated, the estimated rate for 1991 is 2.8%. With the population growing at 2.3%, per capita income is currently improving only slightly.

2.17. In addition to the fundamental economic reforms initiated as far back as 1983, the GOGB and party leaders began in the late 1980s to discuss seriously the need for political liberalization to accompany economic reform. 1991 was declared the "Year of Democracy," and a government-led movement to pursue changes in the constitution and in the

political system gained momentum. With technical assistance from USAID, the Commission on the Revision of the Constitution and the Electoral Law proposed amendments that were accepted by the Popular National Assembly (PNA) in May 1991. The PNA then promulgated a new party law permitting the creation of a multi-party system. The law called for multi-party local elections for 1992 and a national election for 1993. Moreover, the constitutional amendments opened the way for private property and private business activities. Finally, the GOGB began to discuss changes in the judicial, executive, and legislative branches of government that would facilitate a separation of powers.

C. Current Situation and Prospects

2.18 GDP in Guinea-Bissau is estimated at about $189 million. With a population totaling around 1,000,000, per capita GDP is estimated at $180 per year. Guinea-Bissau is poor, but there is no doubt that government's market liberalization policies since the mid-1980s have improved the domestic terms of trade in favor of the traditional, rural majority. More and more, the traditional population is moving into the cash economy. As general economic activity increases, participation should be increasingly broad-based.

2.19. Because of on-going stabilization and structural adjustment programs, the GOGB budget is under extreme pressure. Tax revenues, though increasing over recent years, in 1991 amounted to only about $15.4 million, or 8.2% of GDP, or 22.6% of total revenues. The remainder is provided by non-tax revenues, $19.3 million, mostly from fishing license fees, and by donor grants, $33.3 million, or 17% of GDP. Government expenditures total about $101 million, or 53.6% of GDP. Despite representing such a relatively high percentage of GDP, government still lacks money to pay salaries and to finance operating costs (e.g., for health and education) on a timely basis. Government salaries at the mid to high level average about $28 to $33 per month. The overall budget deficit in 1991 was $33.2 million (commitment basis), or 17.6% of GDP.

2.20. The current account deficit on the Balance of Payments in 1991 registered $45.1 million, 23.9% of GDP. Exports totaled $17.7 million, of which cashews, fish and shrimp, and wood were the major foreign exchange earners. Imports, including rice, totaled $63 million, or 33.3% of GDP. Fishing license fees provided $12.8 million in service revenues, while official transfers accounted for $44.2 million.

2.21. Despite its current low level of economic development, Guinea-Bissau does have the potential to achieve economic growth that is both broad-based and sustainable. Clearly it will be a long-term effort, and donor support will be required for the foreseeable future. The country, however, is moving in the right direction, and is doing its best to take full

advantage of the financial, technical, and other support provided. There have been policy-implementation problems, but these are to be expected in a country with Guinea-Bissau's level of development and short history within the world of competition and market pricing.

2.22. As to the future, a just-published report prepared for the UNDP projects an average annual rate of growth in GDP for the 1992-94 period of about 4%, which is quite consistent with previous World Bank estimates. Agriculture and fisheries are expected to the leading growth sectors, jointly registering an average annual growth rate of 4.7%. Major assumptions upon which these projections are based are: that stabilization and structural adjustment targets are essentially met, and that the **private sector plays a leading role.** Major factors cited as impacting on the private sector's ability to play a leading role are: confidence in the government and its ability to carry forward policy reform; a further reduction of the public sector role in the productive economy, and a corresponding increase in credit to the productive private sector; publication and execution of a new land tenure law in 1992; improved implementation of the new investment code; and, finally, a revision of the legal, regulatory and judicial environment to make it consistent with current policy, and to allow the private sector to play a decisive role in the development process.

III. CRITICAL GROWTH SECTORS

3.1. The TIPS Project will promote private trade and investment in certain critical sub-sectors that, after significant research and analysis, were identified to be the sectors with greatest opportunity for creating sustainable and broad-based economic growth in Guinea-Bissau. These sub-sectors are:

(1) the **production, processing and marketing** (domestic and/or export) of **rice, cashews, fruits** and **vegetables**, and **forestry** and **fisheries products**;

(2) **commerce**, to provide broad access to inputs required for increased production, processing and marketing, and to make available the consumer goods without which there is little incentive to work harder, produce and market more; and

(3) **services**, to support production, processing and marketing activities, and, again, also to satisfy consumer demands.

3.2. To varying degrees, increased private trade and investment in each of the identified critical growth sub-sectors will contribute to:

(1) economic **growth** (increased production and sale of domestically produced goods and services; i.e., increased GDP);

(2) the **sustainability** of growth (increased government tax revenues and, thus, a reduced government budget deficit; or increased exports or reduced imports and, thus, a reduced balance of payments deficit); and

(3) **broad-based** participation in growth (either directly through increased incomes, or indirectly through increased government-provided health, education and other services, or physical infrastructure financed through increased tax revenues).

3.3. Recent developments in the private sector indicate that Guinea-Bissau has the entrepreneurs who, under appropriate conditions, will take advantage of the trade and investment opportunities in the identified sub-sectors.

A. The Re-Emerging Private Sector

3.4. Because the scope of private sector activities in Guinea-Bissau was severely restricted from the time of independence in 1974 up to the mid-1980s, the sector is still in its early stages of development. Nevertheless, Guinea-Bissau's entrepreneurs and its private sector are far from homogenous. Their activities range from the traditional to the modern, and from the informal to the semi-formal and the formal.

3.5. The traditional agricultural sector consists of about 100,000 family farms clustered around rural villages or "tabancas." The average plot size is 3.5 hectares or less. "Tabancas" produce mainly food crops (rice, sorghum, millet), but also some production for export (cashews and palm kernels). Historical statistics indicate that small farmers grow for the market when prices are attractive and consumer goods can be purchased with the income earned. When the terms of trade turn against them, these small family farms retreat to subsistence agriculture and life organized according to the customary law of the more than 20 ethnic-linguistic groups.

3.6. Modern agriculture is represented by four types of commercial farms ("pontas"; the concession-holders are "ponteiros"): (1) "old pontas" that were established before independence and are now performing reasonably well, notwithstanding the recent cut-off of credit to them and their decapitalization; (2) "traditional sector new pontas" that developed after independence and currently cultivate small areas successfully; (3) "urban elite ponteiros" who work their concessions that they established since independence and appear to show promising possibilities, although they have limited access to credit; and (4) "weekend ponteiros" established by urban elites since the mid-1980s. Their pontas consist of big concessions that have benefited from large amounts of credit, but are performing badly.

3.7. Pontas have as one of their major objectives production for export using modern inputs and hired labor. Their main crops are sugarcane and export products, such as tropical fruits, groundnuts, palm kernels and cashews.

3.8. By the end of 1992, a USAID-supported review of the ponteiro situation will help identify measures to stimulate production and profitability in the sector. This study and earlier ones supported by USAID found wide variations among pontas in size, technology, and profitability. Furthermore, of the more than 350,000 ha of land in concessions, only an estimated 8,000 are cultivated, primarily in cashews. Whereas growth of this sector will contribute to foreign exchange earnings and tax revenues, and, thus, sustainability, improvements in the more traditional sector are necessary in order to contribute to broad-based participation in growth.

3.9. Guinea-Bissau's commercial and light manufacturing assembly sector is rapidly recovering from years of repression. Informals exist throughout the country; semi-formals consist of the growing number of retail traders seeking to rent stalls in public markets (currently being expanded and modernized with IBRD assistance). The formal sector includes approximately 5,000 firms licensed by the Ministry of Commerce and Tourism, as well as another 720 firms that are also registered. Recent surveys also report about ten medium to large construction companies, about twelve sawmills and distilleries, and one new joint venture private bank that will join an existing one. Guinea-Bissau has a highly competitive private trucking service sector. Other new services (packing, computers, marketing consultants, accountants, medical offices, pharmacies, private schools) are beginning as well. General commerce, as well as commerce in productive inputs, is also expanding, particularly in Bissau, but also in more rural areas.

3.10. According to recent World Bank surveys, the vast majority of the formal private enterprises were established in the past 2-3 years, largely in response to the economic reform program initiated in 1983 and expanded in 1987. The GOGB is seeking to enhance the role of the private sector and market forces, and reduce the role of the public sector.

3.11. Although there is little hard data on the public/private sector mix of economic activities, the weight is clearly shifting in favor of the latter. The agricultural sector is all private, and the private sector has moved heavily into areas such as transportation and commerce, which were previously dominated by the public sector. In retail and wholesale trade, for example, the private sector has just about taken over.

3.12. In summary, Guinea-Bissau has a growing private sector, and its entrepreneurs are responding to market liberalization and market forces in the agricultural, commercial, light-manufacturing, and service sectors.

B. Potential for Private Trade and Investment in Critical Growth Sub-Sectors

B.1. Agricultural Sub-Sectors (Rice, Cashews, Fruits and Vegetables, and Forestry)

3.13. Guinea-Bissau has considerable unexploited agricultural potential, with close to 1.2 million hectares of arable land and approximately 2 million hectares of forest. According to some estimates, only 30% of available arable lands is under cultivation and with lower yields than could be obtained with appropriate intermediate technologies.

3.14. Structural adjustment appears to have provided the right incentives to agricultural production. Agricultural exports (mainly cashews) have increased in response to world and local prices by about 20% per year for several years in a row. Small farmers have started to produce food crops, and small commercial enterprises are being set up in the rural areas.

3.15. Although small family farms will continue to form the broad base for increased agricultural production, modern private entrepreneurs are expected to take a growing role in the sector, both at the level of production, processing, and marketing as well as in the provision of services to the agricultural sector (i.e., input supplies, rental of tractors and technical assistance to the "pontas"). There are also plans to streamline and partially privatize rural extension services to provide technical support to associations of small agricultural producers as well as to commercial farmers.

3.16. The investments being made now to expand production demonstrate that individual farmers and farmers' associations respond well to market forces and, therefore, can be expected to continue to respond positively to further improvements in the enabling environment.

3.17. The prospects for increasing production, processing and marketing of rice, cashews, fruits and vegetables, and forestry resources are quite good. Palm kernels, cashew and groundnut exports alone provided nearly 70% of export earnings, or about US$12.6 million in 1990. Rice production grew at an average annual rate of 4.1% in the 1987-1990 period, while fruits and vegetables, cashews, and forest products grew at 2.9%, 12.7%, and 27%, respectively. The World Bank estimates that "the combination of domestic and export demand could support a 4-5 percent annual growth rate of agricultural production through the end of the decade."

B.1.(a) Rice

3.18. Rice production has increased substantially since the introduction of price reforms. Production increased from less than 85,000 tons in 1983 to a peak level of 162,000 tons in 1989. Nonetheless, current production levels of rice are insufficient to meet domestic need and, as a result, Guinea-Bissau imports approximately 40-45,000 tons per year, both commercially and as food aid. Increasing rice production for domestic consumption would have a significant impact on the balance of payments, since rice imports represent a significant percentage of the total value of imports (close to 16% in 1990 and about 25% in 1991).

3.19. Although the current level of rice production is low, it is not limited by the availability of land. There is virtually no reliance on application of inputs, with the result that yields are low (typically 0.8 tons/ha). Farmers have also been discouraged from increasing production by the

low farm gate prices created by previous fiscal and monetary policies, and by difficult transport conditions. While increases in production levels can be achieved by putting more land under cultivation, significant gains can only be made through increased investment in technology, infrastructure, and appropriate rural extension services. Farmers have begun to import higher yield varieties from Guinea, and the Ministry of Rural Development and Agriculture is disseminating Rock V. Farmers show a willingness to invest in tools and other inputs and, if price, transportation, and other constraints are lessened, self-sufficiency in rice is an economically viable and attainable goal.

3.20. In addition to the higher incomes that can result from investment in inputs and higher yielding varieties, opportunities exist for small and medium-sized rice mills and storage facilities. Increased production resulting from higher farm gate prices is also likely to spur investment in land and water transport and overall expansion of the distribution system. Ongoing USAID-financed research on rice processing and marketing, when combined with past USAID-financed research on rice production, will provide much improved information on specific trade and investment opportunities.

3.21. Because rice is grown almost entirely by small farmers, increased production, processing, and marketing will have broad person-level benefits, and to the degree this growth reduces imports, significant balance of payments effects may also be realized.

B.1.(b) Cashews

3.22. Cashew production traditionally was concentrated in the northwest, but has become more widespread, partially encouraged by the USAID-funded ASAP Project that reduced the export tax on cashews from 47% to 30%. In the period from 1986 to 1990, cashew production more than doubled, while cashew exports nearly tripled in tonnage from 6,000 to 16,400. Foreign exchange earnings from cashews more than doubled for the same period. Cashews are the country's leading export crop, with exports in 1990 valued at $11.6 million, or 60% of the total value of exports. With the increase in value of the cashew, smallholders have gone into cashew production which, traditionally, has been dominated by commercial farmers.

3.23. Climatic conditions are good for the further development of this tree crop. Opportunities for investment in cashew production include land and other inputs to increase production, introduction of improved varieties to meet world market competition, cashew kernels processing units, as well as "CNSL" (lubricant) production, and expansion of the commercial production of alcohol from the cashew fruit for the domestic market.

3.24. Larger farms are the major producers of this export crop, but harvesting is done primarily by village women. Thus, continued growth of the sub-sector will contribute to export earnings and increased tax revenues. Person-level effects will be modest but broad-based.

B.1.(c) Fruits and Vegetables

3.25. Until recently, fruit crops were taken mostly from trees planted around the house. These crops include cola, mangoes, papayas, oranges and limes. Banana production is distributed throughout the country, usually in small plots. The long dry season and the need for irrigation have been deterrents to the development of plantations in Guinea-Bissau. Recently, commercial farms have started to invest in irrigation systems, and diversify into fruit and vegetable crops such as cantaloupes, pineapples and green beans. Production has reached levels that are supporting exports of fruit and vegetable crops in small quantities.

3.26. Fruits are a significant source of potential growth in foreign exchange earnings. Because irrigation is required to raise most fruit crops in Guinea-Bissau, however, production will be of interest primarily to commercial farms. Traditional farmers might increase production for local markets as the return to a cash trade, rather than a barter system, continues to expand in rural areas.

3.27. Traditional processing of oil palm fruit in Guinea-Bissau extracts only two of the three products that can be derived from the palm: unrefined palm oil and the kernel. Further processing of the kernel is more technically complex, but yields a second, highly-valued oil. Cracked palm kernels also bring a higher price than unprocessed kernels. The cost and technology involved suggest that there are only opportunities for a small number of secondary oil extraction facilities in Guinea-Bissau. However, investment in palm nut cracking machines, whether by individual entrepreneurs in regional centers or community groups in smaller towns, can provide added value to the farm gate and export price.

3.28. Export earnings from palm oil products have averaged around $685,000 over the past three years. Expansion of the volume of oil palm product exports is constrained by climatic conditions in Guinea-Bissau. However, opportunities clearly exist to increase sustainability by exporting products with higher value added.

B.1.(d) Forestry

3.29. Guinea-Bissau has good forestry resources potential that, if properly managed, could provide a sustainable source of tax revenues and export earnings. Forests cover approximately 2 million hectares (about two-thirds of the land area). Total wood reserves are estimated at some 48 million cubic meters. Commercial timber reserves are estimated at 1.8

million cubic meters. In 1990, wood products contributed more than 11% of export earnings.

3.30. An estimated 60-80% of total logging is consumed locally for heating and cooking, carpentry and construction. Until 1987, commercial forestry was controlled by a parastatal. About a dozen private (mainly) foreign sawmills are currently in operation. Two species of mahogany and African rosewood represent 90% of total timber production.

3.31. Classified and protected forests do not exist yet, and in the last few years it is estimated that exploitation of forestry resources has occurred at a much faster pace than their replenishment. With assistance from the World Bank, the GOGB is developing an action plan that will, among other things, promote the development of forest industries, establish fuel wood plantations, and define policies concerning community-based management and utilization of forest resources. Progress in this area is constrained at present, however, by the current law limiting land ownership to the state, an issue that the World Bank looks to TIPS to help resolve.

3.32. The capital required to develop the forestry sub-sector of Guinea-Bissau adequately is considerable by local standards. Therefore, joint ventures with foreign partners will be required to provide the capital and management expertise needed to develop the industry in an ecologically sound manner. It will be necessary to revise the current policies of granting licenses and permitting log exports in order to provide the necessary incentives to foreign investors. The principal opportunity that exists to increase the export earnings from the forestry sector is one of increasing the value-added to the product, i.e., exporting sawn timbers and other semi-finished products instead of logs. With adequate sawmill equipment, it would be possible to meet local demand for timber and lumber from species more plentiful and more easily replaced than the two species now being cut. The long-term benefits of increased export earnings and a modest foreign investment considerably outweigh any that are achieved by current policies.

3.33. Fire wood and charcoal plantations present an opportunity that is consistent with the efforts to halt further degradation of forestry resources. Fire wood and charcoal plantations, for example, can be started with a small investment on land leased from the GOGB on a long-term basis.

3.34. Opportunities also exist to develop wood products. Waste timber from current cutting operations is suitable for some local furniture production and wooden tools and utensils. There are several species of timber in abundance in Guinea-Bissau that have not been adequately considered for use in construction or in manufacture of various wood products.

3.35. Growth of the forestry sector, if properly regulated, will contribute to sustainability through increased exports and foreign exchange earnings, and will have broad-based person and community-level effects.

B.2. Fisheries

3.36. The fisheries sector has excellent potential for development. Guinea-Bissau's seaboard is one of the richest West African fishing grounds, with an estimated annual potential of some 280,000 tons. The annual catch of high value species, including shrimp, is estimated at some 170,000 tons, worth about $100 million. Even though fisheries account for a small proportion of GDP (about 2%), the contributions of this sub-sector have significant implications for the balance of payments and the government budget. In 1991, it is estimated that earnings from fisheries exports and license fees represented close to 49% of foreign exchange earnings, up from 28% in 1987. Moreover, fishing license fees alone provided close to 46% of government revenues in 1991, up from 29% in 1987.

3.37. Despite these substantial increases, Guinea-Bissau still receives only a fraction of the value of its fisheries resources. Inequitable agreements with foreign fishing companies, inability to adequately patrol the territorial waters for illegal fishing, absence of on-land facilities for fishing fleets, and inadequate sector policies have limited the extent to which the country has been able to exploit the sector's potential and establish linkages with the rest of the economy.

3.38. There are three types of fishing in Guinea-Bissau: artisanal coastal fishing, industrial fishing, and fishing by foreign vessels operating under license. The percentage of the total catch by each is 5%, 1%, and 94%, respectively. Artisanal fishing is carried out generally as a supplement to farming activities rather than as a full-time occupation. The methods used are traditional and involve an estimated 7,300 fishermen. Industrial fishing is carried out by six enterprises, the majority of which have mixed public/private capital. They employ an estimated 300 workers.

3.39. Foreign vessels capture the species with the highest commercial value. Although they are required to deliver part of the catch to the local market as partial compensation for access to the fishing grounds, the multiplier effect on the local economy is quite limited. Provisions, and maintenance and repair services are obtained elsewhere, and all processing is done offshore, creating little or no employment for Guinean nationals. The GOGB currently receives less than $15 million in license fees and compensatory payments (half that much before the 1990 revisions in the fisheries agreements).

3.40. The supply from these three sources translates into an intake of 7 kg of fish per capita, less than half the estimated consumption level of fish in neighboring countries. Although the domestic market is not saturated, the price controls previously in effect provided no incentives to fishermen to increase the size of their catch to meet the potential demand.

3.41. Coastal fishing activities, for example, provide opportunities for immediate cash income as well as longer-term local investment. The waters in the coastal region are too shallow for the industrial fishing boats and so are left to the Guineans. Most of the fishing is artisanal and is pursued on an infrequent basis to meet supplemental food needs. The fishing is done from locally-built log canoes with no facilities for icing the catch.

3.42. Larger, outboard motor-powered boats from Senegal are available that enable fishermen to carry ice and about 1.5 tons of fish. The cost of the canoes is relatively low, and decent returns can be obtained even by landing less-highly valued fish. The greater utility of the Senegalese design also suggests that an opportunity exists to develop a local canoe-building industry around this design.

3.43. Fish is eaten both fresh and dried in Guinea-Bissau. At present, there are insufficient drying and curing facilities to meet the potential demand for these fish products. These facilities can be set up with quite modest investments and would make it possible to market fish into areas distant from Bissau. Other potential opportunities include various retail or maintenance and repair services associated with the coastal fishery industry.

3.44. Increased trade in fish and shellfish is constrained severely by the lack of ocean-going fleet and the small size of the catch. However, a foreign investor recently established a scheme for buying the catch off each canoe from a small refrigerated ship. Once the ship is full, it off-loads the day's catch to one of the larger industrial fishing boats working in deep water. With the removal of price controls on fish, there is also adequate incentive for fishermen to bring their catch to local markets.

3.45. Finally, foreign exchange earnings from fisheries can be increased through revised licensing fee structures and increased monitoring and enforcement of catch limits.

3.46. Growth of this sector will have its most important effects on sustainability through increased government revenues (license fees) and foreign exchange earnings. Broader person-level effects will be realized only in the mid to long-term.

B.3. Commerce and Services

3.47. Private commerce, transport, and other services have been the fastest growing sector since the beginnings of structural adjustment in 1987. For the 1987-1990 period, this sector grew at an average annual rate of 9.8%. Now it accounts for close to 29% of GDP.

3.48. With liberalization there has been a considerable increase in retail and service activity. As noted earlier, an estimated 5,000 registered firms and micro-enterprises are now operating in Guinea-Bissau, but informal enterprises exist throughout the country. Various products, including productive inputs, as well as cloth, wooden tools and furniture items are appearing in the markets. Small food stores are opening in the larger villages and towns in increasing numbers. And, other new services (packing, computers, marketing consultants, accountants, pharmacies, medical offices, private schools) are beginning as well in Bissau and some other larger cities, such as Bafata. In addition to these recent investments, there is a wide range of opportunities for setting up service facilities in both the agricultural and the fishing sub-sectors.

3.49. As noted previously, in Guinea-Bissau the private sector plays the major role in the transport sector, representing about 95-100% of passenger transport and about 70% of cargo. Transport, particularly water, presents significant opportunities for entrepreneurs and for employment. The transport sector is comprised of some 2,636 kms of roads, a deep-water port, and 27 coastal ports, an international airport, and 17 aerodromes for internal traffic. Only a small fraction of domestic demand for urban transport is being satisfied; an estimated 90% of urban travel is done by foot.

3.50. Clearly there are no real limits on the range and level of private commercial and service activities that can develop in Guinea-Bissau as the economy expands.

C. Summary

3.51. Despite Guinea-Bissau's current low level of economic development, the economy does present significant opportunities for increased private sector trade and investment that would contribute to economic growth that is broad-based and sustainable. Clearly, continued donor support will be required for the foreseeable future. However, Guinea-Bissau must take full advantage of its external support by now increasing the role and contribution of its private sector.

3.52. Increased private trade and investment in the different critical growth sub-sectors will have differing impacts. Impact potentials are summarized following paragraph 3.53 below.

3.53. Growth in the sub-sectors requires the active participation of private sector entrepreneurs willing to risk their resources for trade and investment. There seems to be a sizeable reservoir of these entrepreneurs in all sectors and at all levels. The number of formal, semi-formal and informal undertakings has been rapidly increasing, and the contributions of these entrepreneurs is reflected in the growth of the overall economy and in each of the identified sub-sectors. However, the next chapter will report that growth is tapering off and that private entrepreneurs have become reluctant and/or unable to respond to improvements in the market environment that stabilization and structural adjustment reforms have helped create. The reasons for this reticence are seen in Chapter IV's analysis of constraints to increased private trade and investment.

Sub-Sector Growth Implications for Person-Level Effects and Sustainability

Sub-Sector	GDP	Broad-Based	Sustainable Budget	Sustainable BOP
Rice	L	H	L	M/H
Cashews	H	M	H	H
Fruits/vegetables	L	L	M	H
Forestry	L	H	H	M
Fisheries	L	L	H	H
Commerce/services	H	H	M	L

L = Low, M = Medium, H = High

IV. CONSTRAINTS TO INCREASED PRIVATE TRADE AND INVESTMENT IN CRITICAL GROWTH SECTORS

4.1. USAID, the World Bank, the UNDP, and other donors have sponsored research and private sector workshops over the past two years to identify major constraints to increased private trade and investment in general and in the critical growth sub-sectors in particular. Individual donors on their own or in cooperation with one another are funding projects to reduce constraints created by Guinea-Bissau's underdeveloped financial sector and its inadequate physical and social infrastructure. Sufficient attention has yet to be given to other major constraints that research studies have identified. These constraints are found in:

The policy and policy-making environment;

The legal, regulatory and judicial framework; and

Limited private sector business support services.

4.2. Major progress in removing these constraints is necessary to allow, facilitate, and encourage foreign and domestic entrepreneurs to expand their trade and investment activities in the critical growth sub-sectors and thereby assure sustainable growth that is broad-based and market-oriented.

A. Constraints in the Policy and Policy-Making Environment

4.3. Investor confidence in the sustainability of a favorable, stable macroeconomic environment is critical for increased private investment and trade. In this regard, "getting the prices right" is an important step towards encouraging trade and investment. In addition, the GOGB has made significant progress, under the guidance of the IMF and the World Bank, in the area of structural reform (price and trade reform, exchange rate reform and some restructuring of public expenditures).

4.4. However, more is required than macroeconomic stability and structural adjustment. The GOGB needs what it has yet to formulate, adopt, and implement: **clear, consistent, and well-accepted policies on private trade and investment in the critical growth-sub-sectors** that were identified earlier.

4.5. The absence of such policies is rooted primarily in the manner in which policies are formulated and implemented in Guinea-Bissau. Major **constraints** to formulating, adopting,

and implementing specific policies supportive of private T+I in the critical growth sub-sectors are:

- **Absence of coordination among the public sector agencies** involved in the development of policy or between them and the private sector. Policy-making is done on a largely ad hoc basis.

- **Absence of mechanisms to effect private sector participation** in the process of developing policies and planning their implementation.

- **Lack of private sector institutions and mechanisms to advocate** private sector interests in policy and implementation fora.

- **Lack of a solid analytical/research base** on which to base policy.

- **Lack of technical and analytical skills** on the part of GOGB institutions responsible for policy formulation and implementation to formulate and implement effective policies.

4.6. USAID believes, and A.I.D.'s experience in Africa bears out, that policy reforms that do not involve broad-based participation are not sustainable. The policy-formulation and policy-implementation process in Guinea-Bissau has not been participatory. USAID/Bissau believes that, if the constraints and deficiencies described above are not addressed, the achievements to date in the policy arena may not be sustainable. Moreover and most importantly, **failure to develop clear, consistent, economically sound, and widely-accepted policies will limit the prospects for growth of trade and investment in the critical sub-sectors.**

4.7. Up until now, the policy reform program has been largely defined by foreign experts and ratified by the leadership of the ruling party. Reforms have been largely "top-down," externally-defined, and externally-driven. As a result, they are not widely understood or widely accepted by the government officials charged with implementation, or by the private sector groups that will be most impacted by the reforms. In addition, mechanisms for coordination among different government agencies, and between government agencies and private sector institutions are very weak.

4.8. Mechanisms are required to coordinate policy-making and policy-implementation among different government agencies. Improvements in the technical and analytical capabilities of GOGB institutions charged with formulating trade and investment policies affecting the critical sub-sectors are also needed. Finally, mechanisms are needed to facilitate dialogue between the private and public sectors, and to facilitate private sector participation in the formulation of

policies on trade and investment development in the critical sub-sectors. Unless these constraints to policy-formulation and implementation are addressed, the policy reform process will not be sustainable and the achievements to date will most likely be reversed.

4.9. Only one group, the Chamber of Commerce, Industry and Agriculture, is providing any significant representation of private sector interests in Guinea-Bissau. USAID began working with the Chamber soon after its establishment two years ago. With support channelled through the Africa Private Enterprise Project, the Chamber has been effective in developing a regional organization and building membership. The Chamber has been officially recognized by the GOGB and appears to be effective in its policy dialogue activities.

4.10. Dialogue with the government has been through informal meetings, the submission of suggested reforms to key ministers, and one-on-one discussions. Newsletters and other media programs are underway, training programs are soon to be initiated, and a forthcoming first-ever national convention will help to firmly establish the Chamber's credentials as a major representative of the private sector.

4.11. The Chamber already has about 650 members in six different regional groupings, representing a cross-section of the banking, agricultural and commercial sectors. Membership is open to all enterprises regardless of size or origin of capital. Its success to date notwithstanding, an organization of the small size of the Chamber has limits on the extent of its advocacy activities. The Chamber also has a limited absorptive capacity and cannot be hurried along in its important role by excessive assistance from the donor community.

4.12. In addition to the Chamber, efforts of NGOs are leading to small groups of 2-10 individuals in some towns forming loosely organized farmer and merchant associations. A new law on cooperatives has been drafted, and trade associations (in addition to an existing one in the transport sector) are beginning to emerge.

4.13. In summary, organizations are beginning to emerge to advocate the interests of the private sector. Government has ministries and offices that could participate with one another and private sector interest groups in the policy-formulation and implementation process. But there are serious constraints to the initiation and performance of this process. They include an absence of mechanisms to coordinate public sector agencies and to involve the private sector in pclicy-formulation, the weakness of private sector policy-advocacy groups, and the low level of analytical and technical skills required to conduct basic research and to formulate and implement effective policies.

B. Constraints in the Legal, Regulatory, and Judicial Framework

4.14. Although intermittent progress has been made in Guinea-Bissau in adopting externally defined policies that are more conducive to private sector development, comparable progress has not been made with respect to the legal, regulatory, and judicial framework. This framework currently presents a formidable array of constraints to private sector development, and to growth of trade and investment in the critical sub-sectors in particular. A recent survey of enterprises in Guinea-Bissau by the World Bank found that 80% considered the legal and regulatory framework a serious problem; only 6% did not consider it a problem. The main problems in this area include outmoded laws that have either been inherited from the colonial period (e.g., commercial code) or are remnants of the staunchly socialist era (e.g., the constitution), rigid land and labor laws, and extensive reliance on direct controls or case-by-case decisions.

4.15. The legal system in Guinea-Bissau is largely based on colonial legislation that has often superseded native and customary laws. In an effort to avoid a legal void, the Popular National Assembly, in one of its first acts after independence, affirmed the role of colonial legislation. Colonial laws, however, have become outdated and do not conform to current realities. To modify the colonial laws, different pieces of legislation have been passed since independence. These include: laws ("leis") enacted by the People's National Assembly; decree-laws ("decretos-leis") enacted by the Government with the approval of the Assembly; and decrees("decretos") enacted by the Government. The GOGB also issues executive resolutions and directives of an administrative nature under the headings of circulars ("circulares"), regulations ("regulamentos"), and directives ("despachos"). These various laws, however, were not codified to permit ready identification and enforcement. As a result, it is difficult for potential investors and even for the courts to identify what set of laws applies to a given situation. With the transition to a market economy and the need for greater flexibility and information, this issue has become critical. The co-existence of traditional and customary rules, old colonial laws, socialist laws, and recently-enacted laws and regulations to promote private sector activities sends conflicting and confusing signals to both domestic and foreign investors.

4.16. The supreme law in Guinea-Bissau is the Constitution. It dates back to the time of independence and was designed for a command economy that severely limited the scope for private activities. Thus the **private sector lacks a clearly defined legal basis** on which to operate. Although the constitution was amended in April 1991 to permit private ownership, most of the existing laws and regulations still seem to have, at least

de jure, an anti-business bias. Nonetheless, in line with its current economic policies, the GOGB has in recent years passed some legislation to increase the scope of, and incentives for, private entrepreneurial activities. An Investment Code offering incentives to private, including domestic, investors has been announced, and two private commercial banks have been established despite the previous prohibition of private banks by the Constitution. Moreover, with assistance from USAID/Bissau, the GOGB is revising its land tenure laws.

4.17. The manner in which the laws and regulations are implemented and enforced also poses major constraints. The environment is de facto very liberal, and restrictive laws are rarely enforced. In fact, most entrepreneurs and business managers are for the current moment less concerned about the laws and regulations than the bureaucratic and discretionary manner in which they are implemented. They complain of lack of transparency and accountability that opens the door for corruption and favoritism, and of the lack of information about the laws and procedures themselves (i.e., the rules of the game).

4.18. Many of these constraints arise out of the still incomplete nature of the transformation from a highly centralized command economy in which there is little scope for the private sector to one in which the latter is expected to play a key role. At a more practical level, however, these constraints are found at the level of people and institutions involved in the process of formulating and implementing statutes and regulations, and adjudicating conflicts. These **constraints** include:

- **Limited capabilities within the Popular National Assembly** (PNA) to formulate or re-formulate statutes and regulations.

- **Limited capacity within the Gabinete de Estudios, Legislacao e Documentacao (GELD)**, the office responsible for reviewing and drafting legislation.

- **Limited private sector participation** in the formulation of statutes and regulations and **poor coordination among the various government units** responsible for developing laws and regulations affecting trade and investment.

- **Limited implementation planning capabilities** within the various agencies involved.

4.19. Additional constraints to trade and investment in the critical sub-sectors emerge when the prevailing system for enforcement of laws and regulations and for the adjudication

of business-related conflicts is considered. The main **constraints** arise from:

- **Limited capacity of the court system** to adjudicate conflicts and to enforce decisions.

- **Lack of knowledge of and confusion about the role of customary law** within formal statutes.

- **Lack of fair and transparent mechanisms for administrative adjudication.**

- **Limited supply of trained legal professionals.**

4.20. The court system is very weak and lacks the ability to enforce decisions. In addition, mechanisms for administrative adjudication of conflicts are not fair and transparent. Thus there is no effective mechanism for adjudicating conflicts, redressing grievances, enforcing contracts, or preventing unfair market practices. Moreover, because the judiciary in Guinea-Bissau is under the Ministry of Justice, it is not independent of the executive branch. In this context, investors know it will be difficult to go to court for resolution of a contract dispute or other legal issue and will be reluctant to invest. If the case does go to court, there is no assurance that the magistrate will be familiar with the law or apply it appropriately. Moreover, in cases involving disputes with the government, investors are likely to be concerned with adequate recourse, given the lack of separation between the judiciary and the executive. A fuller description of the judicial system is provided in the institutional analysis in Annex F.

4.21. Yet, if the private sector is to invest in the critical sub-sectors, it must have confidence in the legal system in place. Uncertainties about the rules of the game for ownership and exchange are among the major concerns of foreign investors according to World Bank surveys conducted in other countries. Uncertain land tenure reduces the incentive to invest in land improvements. Lack of an adequate legal system to enforce contracts engenders insecurity. Lack of information about laws and regulatory procedures limits the private sector's ability to respond to market signals.

4.22. A recent World Bank report (that drew heavily on USAID research and design activities over the past eighteen months) succinctly summarizes the constraints and challenges encountered in Guinea-Bissau's legal, regulatory, and judicial environment:

> 4.23. The development of the private sector requires the creation of an enabling environment that aims at the removal of ... constraints. Reform in the legal and regulatory framework would need to include: simplifying and streamlining the system of business registration, tax administration, and the procedures for customs clearance.

The system of land tenure and property rights would need to be reformed to increase the security of long-term investors, simplify the transfer of ownership and lease rights, and systematize the ownership and registration of land. At the very least, individuals and groups must be permitted to mortgage land for the purpose of obtaining credit. The respective roles of the customary (traditional) and statutory laws in land ownership would also need to be clarified and an effective mechanism for settling land disputes and conflicting ownership claims be put in place. The labor laws also need to be changed to conform to actual practice, which is often different from the letter of the laws. This would remove the uncertainties that the existing, potentially restrictive labor laws create for some, especially foreign investors, who may interpret the laws in a literal manner. The objective of the legal and regulatory reforms should be creation of clear and simple laws that are effectively applied in an even and transparent manner. The establishment of an efficient judiciary is critical for achieving this objective.

4.24. In the area of legal and regulatory reform, priority areas include: (a) thorough review of laws and regulations with a view to eliminating outmoded, redundant and contradictory laws, and reconciling and consolidating the various pieces of legislation currently in existence; (b) strengthening the capacity of the court system and its ability to enforce legal judgements; (c) simplifying the system of business registration by consolidating the number of steps/stops/application forms needed for approval with a view to eliminating the need for multiple approvals; (d) simplifying the procedures for the acquisition, transfer and ownership of land, and improving institutional capability for record-keeping and resolving disputes over conflicting ownership claims; (e) simplifying and streamlining the system of tax administration and customs clearance procedures; and (f) introduction of legislation against unfair market practices nd monopolistic tendencies.

C. Constraints from Limited Business Support Services

4.25. Because the scope of private sector activities in Guinea-Bissau was very restricted from the time of independence in 1974 up until the mid-1980s, there was little need to develop institutions and services that would assist the sector in developing new skills and identifying new opportunities for investment. The major **constraints** to developing capabilities in this area are:

1. **Inadequate business advisory services,**

2. **Limited private sector training services,**

3. **Lack of information and promotional support services, and**

4. **Absence of research and analytical capabilities.**

4.26. As the number of small and micro-enterprises increases, there will be a growing need to assist these first-time entrepreneurs develop basic business skills and systems. At present, there is no organization in Guinea-Bissau to provide this assistance. The limited assistance that is being provided in entrepreneurial management is coming from some of the NGOs operating in Guinea-Bissau. While this assistance is useful and effective, it is not widely available or sustainable.

4.27. The low skill and literacy level of workers in Guinea-Bissau discourages foreign investment in all but the most basic industries. The two vocational schools in the country are both in the south and are receiving assistance from a NGO. One offers agriculture extension training and the other is for the trades.

4.28. A traditional institute of public administration offers limited training in some basic office and management skills, a program that the private sector seems to evaluate negatively. USAID-funded programs within the Chamber of Commerce, Industry and Agriculture will draw on a variety of sources to offer Chamber members training and other services. Still, at this early stage of development of the private sector in the country, it is not likely that any privately-financed vocational or business management schools will be set up independently of the USAID-assisted Chamber.

4.29. Potential investors are discouraged by the lack of information about laws, procedures, and business opportunities in Guinea-Bissau. A newly-established investment promotion agency (GAI) supported by the World Bank is expected to fill these gaps to some extent. Its principal function is to coordinate the approval process of incentive applications, but it also has the potential to play a role in information dissemination and investment promotion. Currently, however, GAI lacks qualified personnel to conduct information-gathering and trade and investment promotion efforts.

4.30. The private sector and its Chamber of Commerce, Industry and Agriculture are responding in an ad hoc manner to external events. It will be difficult for the sector and its representatives to establish their own agendas until they have access to skills required for policy analysis, the design of training and other programs, evaluation and monitoring of government programs, and a standard array of planning, marketing, and feasibility studies. These are rare skills in Guinea-Bissau, but some of the consultants that government uses (e.g., in several developing research centers) would be available to the private sector. Private sector leaders, however, have not been exposed to the perspectives their new

roles require. Several recent private sector workshops clearly indicate that private sector leaders are very fast learners and are eager both to develop and to gain access to new analytical perspectives and skills.

4.31. In summary, entrepreneurs in Guinea-Bissau may not be able to adequately and fully respond to the trade and investment opportunities in critical growth sub-sectors made possible by improvements in the policy, legal, regulatory and judicial environment. Direct "supply-side" interventions will be needed to remove the constraints to the development of capabilities to provide essential advisory, training, informational, promotional, research, and analytical services.

D. Other Constraints

4.32. In addition to the policy, legal, regulatory, judicial, and direct private sector support services constraints described above, development of the private sector and of trade and investment in particular is limited by other factors, including the social and physical infrastructure, and the unavailability of credit. While no one agency is addressing the legal and regulatory constraints that are the focus of the TIPS project, several international donor agencies in Guinea Bissau are addressing the latter set of constraints. Thus, even though USAID/Bissau recognizes the importance of these other constraints, the approach taken in designing the TIPS Project is to rely on other donors to address these types of problems. These constraints and the activities of other donors are described briefly below.

D.1. Physical Infrastructure

4.33. Delivery of infrastructure services (electricity, water supply and drainage, and transportation networks) in Guinea-Bissau is less than adequate and poses an important constraint to the expansion of trade and investment. The supply of electrical power, for example, is unreliable, with frequent outages and breakdown. Most of the relatively larger firms have their own small power generators. The installed capacity of self-producers in the Bissau area is greater than that of the EAGB, the parastatal in charge of generating and distributing electricity. These investments absorb resources that could be used to expand production. The impact of inadequacies in the supply of power falls most heavily on the smaller enterprises that cannot afford to install their own generators. The World Bank is currently financing a project aimed mainly at the rehabilitation and expansion of electricity generation and fuel storage and handling facilities.

4.34. Even though roads are in poor physical condition, Guinea-Bissau's transport infrastructure comprises some 2,636 km. of roads, of which 544 km. are paved and the remainder are

earth roads. However, given the alternatives available by river transport, the existing road network when properly rehabilitated could be considered adequate for the country's needs. Guinea-Bissau also has an international airport, a deep-water port, and 27 coastal ports.

4.35. There are three major projects to upgrade the transport infrastructure during 1990-92. These projects are financed by IDA, EDF, AFDB and Arab Funds. Feeder roads to support agricultural development, especially in the south of the country, which produces a lot of rice and has been identified as a priority development area, will be improved under an on-going World Bank infrastructure rehabilitation project.

4.36. Improvements in other urban infrastructure services are also planned. The African Development Bank is planning to assist with improvements in the water supply and drainage systems of Bissau. The French Cooperation Fund will provide technical assistance and basic equipment to rehabilitate solid waste collection centers in Bissau and to strengthen the administrative and accounting departments of the municipality. The World Bank, through its Social and Infrastructure Relief Project, is addressing maintenance and repair problems in schools, health centers, markets, and streets in Bissau and in other secondary urban centers.

D.2. Social Infrastructure

4.37. Education, health, and socioeconomic levels in Guinea-Bissau are very poor. Only one third of the population is literate, infant mortality is 140 per 1,000, and life expectancy is only 47 years. The social infrastructure has been and continues to be the target of much international donor assistance. The educational system, for example, is funded primarily by foreign donors, who are providing approximately 99 percent of the investment expenditures and almost 87% of recurrent expenditures.

4.38. A recent survey by the World Bank found that lack of skilled manpower was a critical problem for private firms, and that firms complained of poor work habits, high absenteeism, and low motivation. The problem arises from the generally low levels of education of the population and must be addressed through the development of basic primary education, focussed literacy programs, vocational training, and specialized skill development programs (e.g., accounting, basic financial management, computation skills).

4.39. Although many donors are assisting with these types of programs and the GOGB has shown an increasing concern for human resources development in recent years, the private sector needs to be involved in the provision of specialized training programs. The TIPS Project will in fact be assisting in that regard through support to the Chamber of Commerce, Industry and Agriculture and other private organizations.

4.40. Outside of trading and informal sector activities, there is a shortage of entrepreneurial capabilities in Guinea-Bissau, reflecting the fact that entrepreneurial development depends to a large extent on past experience and exposure to business operations which until recently were limited to the public sector. Given that most of the existing entrepreneurs are in the informal and microenterprise sectors, the development of entrepreneurship requires assisting those sectors to "graduate" to the modern sector where they can take advantage of opportunities to grow and expand. Reform and simplification of licensing and regulatory procedures of the type the TIPS Project will support will encourage "graduation" since such procedures are especially onerous for small enterprises. The TIPS Project, under the business support services component described above, will also support the development of entrepreneurship through basic training in bookkeeping and management offered through the Chamber and other private organizations.

D.3. Financial Sector

4.41. In Guinea-Bissau the financial sector is very undeveloped, and sources of term credit to finance expansion and long-term investments are lacking. A recent survey by the World Bank found that lack of credit, including short-term financing for working capital, was an urgent problem for almost 80% of the respondents. Nevertheless, because the World Bank is playing the lead role in assisting Guinea-Bissau with development of its financial sector, USAID/Bissau will coordinate TIPS activities very closely with the Bank and address only legal aspects of the financial markets that the Bank is not addressing.

4.42. Until March 1990, the National Bank of Guinea-Bissau (BNG), a public sector bank, was the only bank in the country. It combined traditional central banking functions with commercial and development banking operations. The latter two were handled by two units within the bank, one for short-term and another for medium- and long-term lending. Development (term) lending was carried out by DESECO, which provided loans to agriculture (mainly commercial), fisheries, construction, and manufacturing.

4.43. In December 1989, the GOGB issued a decree that relieved the BNG of commercial and development banking functions and reorganized it into a traditional central bank with mainly supervisory and regulatory functions. And, even though the current constitution prohibits private banks, the decree, intended as a stopgap measure pending a constitutional amendment, also authorized the formation of the first private bank in Guinea-Bissau. The new International Bank of Guinea-Bissau (BIGB) has 75% private foreign and domestic ownership, and 25% government ownership. Very recently, a second joint venture bank was set up.

4.44. While the government's participation provides some guarantee that the private banks will not be closed for operating in violation of the constitution, development and operation of even a modest level of financial sector activity will be constrained until the present legal conflict is resolved. Development of the financial market is also constrained by the current laws governing property ownership and transfer, and by the lack of laws establishing the sanctity of contracts. Unless appropriate laws are developed governing commercial transactions, including contracts and mortgages, it will not be possible for entrepreneurs and businesses to obtain credit through the banking system. Even if the existing parallel market expands to meet this demand for credit, the higher rates and shorter terms generally provided by the parallel market will limit the pace and extent of private sector investment and trade. The activities proposed under the TIPS Project will deal directly with these types of legal constraints within the financial sector.

E. Summary

4.45. From the above description of constraints it should be obvious that the GOGB and the TIPS Project are confronted with a formidable task in seeking to accelerate private trade and investment in the critical growth sub-sectors. More importantly, the background provided should make it clear that the TIPS Project must carry out concurrent efforts that: (1) assist the GOGB in formulating policies more effectively with input from the private sector; (2) assist in (re)drafting laws and regulations to encourage trade and investment, and also assist in the implementation of laws and regulations; (3 improve the capacity of the judicial system to adjudicate trade and investment conflicts; and (4) build the capacity of the private sector both to (a) advocate change and participate in rule-making and (b) identify and take advantage of trade and investment opportunities through greater access to information, training, and technical assistance.

V. PROBLEM DEFINITION AND PROJECT RATIONALE

A. Definition of the Problem

5.1. With a current per capita income of $180, and its heavy reliance on donor support, it is all too obvious that Guinea-Bissau requires sustained, broad-based economic growth to better the living conditions of its mostly rural and traditional population.

5.2. Such growth is possible, provided private sector trade and investment can be increased in the critical growth sub-sectors.

5.3. Such increased private-sector trade and investment has not been forthcoming because of a number of serious constraints:

1. Lack of a stable macro-economic environment.

2. Lack of clear government policy regarding the critical growth sectors.

3. Deficiencies in the trade and investment legal, regulatory and judicial environments.

4. Lack of adequate direct trade and investment support to the private sector.

5. Deficiencies in the physical and social infrastructure.

5.4. Other donors are primarily dealing with constraints 1 and 5, the macro-economic environment and infrastructure. They and the GOGB look to USAID and the TIPS Project to deal mainly with the problems associated with constraints 2, 3 and 4:

> **Guinea-Bissau does not have clear, consistent and widely accepted policies supportive of private sector trade and investment in the critical growth sub-sectors.**
>
> **Mechanisms do not exist to coordinate public sector agencies and to involve the private sector in policy-formulation and implementation; private sector policy-advocacy groups are weak; and there is a low level of technical and analytical skills required for the formulation and implementation of effective policies.**

The private sector lacks a clearly defined legal and regulatory base on which to operate.

There are only limited capabilities in the legislative and executive branches of government to coordinate among themselves and assure the participation of the private sector in (re)drafting and implementing required laws and regulations.

Guinea-Bissau lacks mechanisms and capabilities to fairly adjudicate trade and investment conflicts and to enforce decisions.

While policy, legal, regulatory and adjudicatory improvements are essential, the absence of private sector advisory, training, information, promotional, research, and analytical services and capabilities will limit the ability of the private sector to respond to promising trade and investment opportunities in critical growth sub-sectors.

B. Project Rationale

5.5. The underlying rationale of the TIPS Project is that the success of creating a new, favorable macroeconomic policy environment depends heavily on the formulation, adoption and implementation of fundamental and often broad scope reforms in the legal, regulatory, and institutional infrastructure. Reforms in this infrastructure, however, will not in themselves be sufficient to assure stimulation and growth of private sector activities where there was little before.

5.6. The TIPS Project recognizes that a transition from a command economy to a market one cannot be accomplished without significant participation of the private sector in economic activity. Increased participation is central to the process of creating sustainable policy reforms. Just putting the appropriate monetary and fiscal policies in place will not bring about the prolonged expansion of private sector activities that are essential for sustained economic growth, especially if those policies appear to be imposed from the outside, are "top-down" and, therefore, are not widely understood or accepted.

5.7. In addition to participatory policy reform processes to revise (and even completely overhaul in some cases) the legal and regulatory infrastructure that supported the command economy, it will also be necessary to assist the private sector to assume its responsibilities for expanding trade and investment. Decades of living with a command economy have left many countries with an entire generation of managers and potential entrepreneurs who have no experience in operating in an economy driven by market forces and not by a central

authority. These potential entrepreneurs form the "supply side" that must respond to the new opportunities presented by the improved environment.

5.8. This rationale is consistent with the recent experience of AID and other development agencies. And, it is consistent with the recent history of economic reform in Guinea-Bissau.

5.9. There is considerable evidence from recent studies by USAID/Bissau, the World Bank, and other donors, and from discussions with the GOGB and the private sector, that significant private investment has not been forthcoming in Guinea-Bissau, in large part because of a lack of confidence in the policy, legal and regulatory environment. This environment, as it currently exists, cannot support the commercial transactions and business relationships that are the very essence of doing business in any market-oriented economy. Until supportive private trade and investment policies are widely understood, accepted and adopted, property rights are respected, contracts enforced, and the government is perceived as being supportive of private sector investment, the scale of investment required to propel Guinea-Bissau's economy forward will not take place.

5.10. Present economic policy is almost exclusively set by the World Bank and the International Monetary Fund (IMF), and "accepted" by a small leadership within the GOGB. Because policy reforms were externally defined, the GOGB did not develop and institutionalize a sustainable policy-formulation and implementation policy. At the same time, present legal, regulatory and judicial systems are a hybrid of Portuguese colonialism, with a socialist overlay, that lately have been allowed to atrophy under the current "laissez-faire" regime. Regulatory systems are burdensome, and judicial and regulatory enforcement haphazard. Uncertainty in this type of environment raises the transaction costs and the level of risk sufficiently to discourage investment.

5.11. The GOGB has demonstrated its desire to encourage private sector business and enhance opportunities for growth. Progress during the past six years in adopting economic policy reforms is evidence of its commitment. However, persistent pursuit and implementation of appropriate macroeconomic policies and institutional reforms are required. The success of these reforms will critically depend on the implementation of sound legal, regulatory, and judicial reforms. Furthermore, the required reforms will be far more demanding than those adopted to date.

5.12. In light of the difficulty other African nations have had in implementing reforms, the USAID/Bissau Mission believes that achievement of a sustainable growth objective is possible only when private trade and investment policies are formulated, adopted and implemented <u>and</u> when this implementation is also accompanied by supply-side assistance provided to local business.

5.13. Accordingly, the TIPS project emphasizes helping the GOGB to adopt private trade and investment policies through participatory processes for policy formulation and implementation, while at the same time assisting entrepreneurs to take advantage of the resultant improved policy, legal and regulatory environment as it pertains to trade and investment.

5.14. Increased participation is the organizing theme of the TIPS Project and will form the basis of project assistance in support of improvements in the policy, legal, and regulatory framework. Scott Spangler's (AID/AA/AFR) recent policy cable entitled "Beyond Policy Reform -- A Concept Paper," focused attention on "creating a sustainable process for sound development policy." This paper reached two basic conclusions:

(1) non-governmental entities must be drawn into assessing, formulating and implementing development strategies in all sectors. This creates an indigenous constituency for policy implementation and reduces the importance of donors as strategists and watchdogs.

(2) Special attention must be given to promoting private entrepreneurship. Without an expanding economic base created by entrepreneurship, the resources needed to sustain human development will not be generated and poverty will not be alleviated.

5.15. The TIPS project recognizes that policy adoption and implementation efforts must avoid "top down" approaches. Favorable private T+I policy reforms that lack widespread support because they are externally-driven will not be sustainable. This concern is particularly relevant in the context of Guinea-Bissau because its citizens have no experience in truly participatory government processes and have never experienced a government fully supportive of their entrepreneurial initiatives. As a result, current political participation is low and entrepreneurship is limited--as might be expected in a country with over a decade of socialist government. Thus, in addition to assisting the GOGB in formulating and implementing policies, laws, and regulations through a participatory process for improving the environment for trade and investment, the TIPS project will undertake activities that: foster participatory attitudes and expectations; improve the business and managerial skills of potential investors; and strengthen their entrepreneurial activities. This presents a significant challenge to the USAID and the TIPS Project but one that is essential to confront.

C. Other Donors

5.16. For a small country with modest resources and absorptive capacity of Guinea-Bissau, the donor presence is

quite large. The primary donors, in addition to the U.S., include Germany, France, the Netherlands, Portugal, Sweden, Taiwan and the multi-lateral donors (IBRD, IMF, African Development Bank, EEC, and the UNDP). There is an abundance of large and small projects run by the official donors and 72 NGOs (including 4 Guinean NGOs). The activities of the NGOs are overseen by a government unit, SOLIDAMI.

5.17. With the exception of the World Bank and IMF, most donors are supporting traditional projects designed to remove specific supply-side impediments. For example, about 20 donors and NGOs have traditional agricultural, rural development, and natural resource management projects. The French, Italians, EEC, World Bank, and others have road, port, and other physical infrastructure projects. The Swedes are active in the education sector, and they along with several other donors are working in the health sector as well. The donor community generally recognizes that these traditional project interventions will not be sustainable until Guinea-Bissau has the enabling environment the present project will help create.

5.18. AID and other donors look to the World Bank and IMF for their leadership role in assisting the GOGB in its stabilization and structural adjustment reforms. AID and other donors are supporting these reforms through policy-based cash transfers.

5.19. USAID developed the TIPS Project in close coordination with the World Bank, other donors, the GOGB, and the private sector. For example, the Portuguese will continue their support for the Faculty of Law. They and the Swedes have offered assistance in specific reforms of the penal code and human rights laws. The donor community, especially the World Bank, looks to USAID to address reforms in the legal environment supportive of private trade and investment, as outlined in this Project Paper. Some of these reforms will involve continuing close coordination with the World Bank and other donors -- for example, with the World Bank's project on natural resource management. USAID will develop mechanisms to assure continuing close coordination with other donors relevant to the activities of the TIPS Project.

5.20. The large number of projects and the limited capacity of the GOGB to provide personnel and other resources for these projects have reduced the effectiveness of many otherwise worthy efforts. The GOGB has recognized the shortcomings of its tendency in the past to welcome assistance without regard to priorities or possible duplication of activities, and it has been following a more orderly approach to use of its own resources and those of the donors.

5.21. The TIPS Project will make minimal demands on the scarce GOGB resources. The Project will be implemented through existing organizations primarily and in a low operational fashion. The Project will take advantage of

existing donor activities in agriculture but does not require excessive coordination with these activities to achieve the objectives of the Project.

D. Relation to the DFA

5.22. The TIPS Project is supportive of the DFA in two ways. First, because Guinea-Bissau's economy is based on agriculture, the Project focuses on this DFA critical growth sub-sector through an emphasis on: production, processing and marketing of rice, cashews, fruits and vegetables, and forest and fisheries products; and on commerce and services to support these activities.

5.23. Second, the TIPS Project is directly supportive of two of the DFA's four strategic objectives: (1) To strengthen competitive markets to provide a healthy environment for private sector growth, and (2) to improve the management of African economies by redefining and reducing the role of the public sector and increasing its efficiency.

E. Summary

5.24. USAID/Bissau believes that the economic liberalization measures adopted by the GOGB under instructions from the World Bank and the IMF have largely run their course in sparking economic growth. To fully realize the growth objectives of government's reform package, private trade and investment must be increased. USAID believes, however, that significant increases in private trade and investment will not be forthcoming unless improvements in the legal, regulatory, and judicial environments and processes are made. Moreover, the Mission believes that such improvements cannot be made and sustained without the participation of the private sector itself. Yet, because the private sector is only now beginning to re-emerge after years of suppression, it lacks the institutions and the mechanisms necessary both to make its voice heard and to initiate sufficient trade and investment activities to sustain economic growth.

5.25. The TIPS Project was designed in close cooperation with and has the support of the GOGB, the private sector, the World Bank, and other donors. Mechanisms exist to assure continuing coordination with the donor community.

5.26. The Project's focus on agriculture is supportive of the DFA's emphasis on this critical growth sector, and the Project's support of two of the DFA's four strategic objectives places TIPS in the DFA mainstream.

VI. PROJECT DESCRIPTION

A. Summary

6.1. The Trade and Investment Promotion Support (TIPS) Project is a six-year effort financed by a Development Fund for Africa (DFA) grant of $19.98 million to assist Guinea-Bissau in its efforts to achieve market-oriented economic growth that is broad-based and sustainable. The project will achieve this objective by promoting increased private trade and investment (T+I) in Guinea-Bissau's critical growth sub-sectors, all of which fall within the DFA critical sector of agriculture or are directly related to it. Major emphasis is placed on the removal of policy, legal and regulatory constraints to increased T+I, and on the provision of direct T+I assistance to the private sector. Thus, the project promotes the development of a market-friendly environment at the same time that it helps the private sector to better respond to that improved environment.

6.2. The TIPS Project has been designed at a critical moment in Guinea-Bissau's history. After more than a decade of socialist economic policies under a one-party state, Guinea-Bissau is attempting to make the transition to a market-economy and to a more open political system. Previous sections of this Project Paper described the structure and current conditions of the economy, the recent series of economic reforms, and the immediate, but cautious response of the private sector. Section III identified the critical growth sub-sectors in which increased private T+I would result in economic growth that is broad-based and sustainable. Section IV described the principal constraints that exist to private sector development and to increased private sector T+I in particular.

B. Project Goal, Critical Growth Sectors and Project Purpose

6.3. The **goal** of the Trade and Investment Promotion Support Project is identical to the goal of the USAID program in Guinea-Bissau:

> **To achieve market-oriented economic growth that is broad-based and sustainable.**

6.4. With a current per capita income of only $180 per year, it is all too obvious that Guinea-Bissau must achieve and sustain significant real economic growth rates in order to

improve the livelihood of a broad segment of its mostly rural population.

6.5. Within the context of continued market liberalization and macroeconomic stability, the achievement of such economic growth (broad-based and sustainable) requires increased trade and investment in Guinea-Bissau's **critical growth sub-sectors**:

(1) the **production**, **processing** and **marketing** (domestic and/or export) of **rice**, **cashews**, **fruits** and **vegetables**, and **forest** and **fisheries products**;

(2) **commerce**, to provide broad access to inputs required for increased production, processing and marketing; and to make available the consumer goods without which there is little incentive to work harder, produce and market more; and

(3) **services**, to support production, processing and marketing activities, and, again, also to satisfy consumer demands.

6.6. The **purpose** of the TIPS Project is, thus, also identical to the **strategic objective** of the USAID program:

> **To increase private sector trade and investment in the critical growth sub-sectors.**

6.7. To achieve the goal of economic growth that is broad-based and sustainable, investments in the critical growth sub-sectors must be balanced. For example, increased commercial production of fruit for export might (a) have a minor impact on GDP (growth), (b) affect few people directly (broad-based), but (c) have a major impact on export earnings and government revenues (sustainability). On the other hand, increased production, processing and marketing of domestic rice might (a) have a modest impact on GDP, (b) affect the entire Balanta tribe which composes some 30% of the population (broad-based), and (c) contribute little to increased government revenues, but cause a significant reduction in rice imports (sustainability). Thus, the project aims at promoting a **set** of trade and investment actions that **overall** will produce the desired results.

6.8. The process of increasing trade and investment in Guinea-Bissau is a complex and difficult one because the policies, legal, regulatory, and judicial systems upon which trade and investment relationships depend are not in place, and because the processes by which policies, laws, and regulations are formulated and implemented are flawed. A central flaw in these processes is the lack of participation by the private sector and by a broader segment of the public sector. For this reason, the TIPS Project must go considerably beyond the conventional approach to assisting trade and investment activities: It must promote **increased participation** at the same time that it supports improvements

in some of the most fundamental elements of trade and investment activities--sectoral policy, trade and investment laws and regulations, the system for adjudicating business conflicts and for enforcing laws and commercial relationships--, at the same time that it provides direct support to the private sector in its efforts to identify and take advantage of trade and investment opportunities in the new environment.

B.1. Indicators of Goal Achievement

6.9. Even though it is beyond the manageable interest of the USAID and the TIPS Project, detailed specification of the indicators of goal achievement is essential to establish what is possible with the contributions of the TIPS Project and to give continuing focus to what the TIPS Project is trying to promote over the long-run:

Growth

- From 1992 to 1998, real GDP increases by at least 25%.

Broad-Based

- In each year 1993 through 1998, at least 60% of rural households report increased "income" over previous year.

Market-Oriented

- In each year, 1993 through 1998, the number of rural households reporting money income increases by at least 3.0%.

- In each year, 1993 through 1998, the number of administratively determined prices does not increase above 1992 levels, and those that are administratively determined continue to reflect world prices.

Sustainable

- In each year, 1993 through 1998, the current account deficit on the Balance of Payments is reduced by at least 3.0% per year.

- In each year, 1993 through 1998, the gap between government (tax) revenues and expenditures is reduced by at least 3.0% per year.

B.2. End-of-Project Status

6.10. The full range of interventions contemplated by the TIPS project (assistance in improving the policy, legal and

regulatory environment, plus direct assistance to the private sector through existing private sector entities) is expected to result in the following conditions by 1998, the end of the project:

Domestic Trade

- (Formal sector) number of commercial firms registered increased by 25% over 1992.
- (Semi-formal sector) number of applications for stalls at formal markets increased by 25% over 1992.
- (Informal sector) number of rural households reporting (a) money income, (b) part of production sold, and (c) part of consumption purchased increased by 25% over 1992.

External trade

- Export earnings from cashews, wood and wood products, fish and fish products, fruits and vegetables increased by 25% over 1992.
- Productive input component of imports increased by 25% over 1992.

Investment

- Number (value) of foreign and domestic applications approved and implemented in the critical growth sub-sectors under new investment code increased by 100% over 1992.
- Private investment increased to around 5% of GDP.

C. Project Components

C.1. Summary of Project Components

6.11. To increase private trade and investment in Guinea-Bissau's critical growth sub-sectors and produce the results (end-of-project-status) described in the previous sector will require the elimination, or at best significant reduction, of certain constraints to increased private sector activity. The analysis provided in previous sections described in great detail the specific set of constraints that the TIPS Project will address, as well as those that it will not, and the reasons why. The constraints to private sector activity on which the TIPS Project will focus can be grouped into four categories:

Policy and Policy-Making Constraints

Legal and Regulatory Constraints

Judicial/Administrative Adjudication Constraints

Limited Direct Trade and Investment Support to the Private Sector

6.12. The TIPS Project is designed to have four separate but closely related components to address the above four categories of constraints. The first three will necessarily involve assistance both to GOGB institutions and non-governmental groups in order to facilitate the development of sustainable policies, laws, and regulations that will encourage increased investment and trade by the private sector, both foreign and domestic. The fourth component will involve working through existing private sector entities that in turn will directly assist entrepreneurs to improve their ability to take advantage of the new policy incentives, legal guarantees, and regulatory relief fostered by other project activities. At the heart of each of the components, however, is the central goal of increased participation. Hence, **the private sector, broadly defined to include both the more modern and the more traditional, will necessarily be involved in each of the four components.**

6.13. The objectives of each of the four components may be summarized as follows:

(1) to develop and ensure wide acceptance of priority T+I policies and implementation strategies for critical growth sub-sectors;

(2) to (re)formulate, ensure wide acceptance, and implement priority T+I statutes and regulations;

(3) to improve adjudication of T+I legal and regulatory conflicts; and

(4) to improve the ability of private sector entrepreneurs to respond to the new T+I policy, legal and regulatory environment.

6.14. Associated with each component is a set of specific outputs the TIPS Project will produce. These are described below in Section E.

D. Project Inputs

6.15. Given the objectives of the TIPS project, its goal and purpose, and the absolute necessity of promoting broad public/private and modern/traditional participation in almost all aspects of project activity, the critical input to the project is the human input: technical expertise. This technical assistance (TA) input accounts for almost 52% of total project cost, or approximately $10.4 million over six years. Both long and short-term expatriate personnel, and

long and short-term local-hire are involved. With almost no exceptions, all expatriates must have not only strong technical expertise and extensive practical experience, but also strong Portuguese language capability.

6.16. Three long-term expatriate positions are required. First, a very senior and experienced Project Director (5 person-years), who will have responsibility for overall project direction in Guinea-Bissau. He will devote approximately 60% of his time to the policy component of the project, and the remainder about equally between the legal/regulatory, the adjudicatory, and the direct private sector interventions components. The second long-term expatriate (4 PY) will be a legal/judicial expert who will devote some 90% of his time to the legal/regulatory and adjudicatory components. The third long-termer (also 4 PY), a private sector development specialist, will devote about 85% of his time to direct private sector T&I promotion activities, and split the remainder between the other three components.

6.17. USAID experience in Guinea-Bissau has demonstrated that expatriate TA is most effective when it is combined closely with the best available local talent. Thus, the project will require the services of three technically sound and experienced local-hire professionals, probably two economists and a lawyer, for 5 PYs each. Individuals with an M.A. or equivalent, plus 3 to 5 years professional experience in Guinea-Bissau, are increasingly available. Each would work directly with his or her long-term expatriate counterpart to ensure project team understanding of the local context and to facilitate project interaction with Guinean institutions and individuals.

6.18. Approximately 15 PYs of expatriate short-term TA will be required to meet the objectives of the TIPS projects. The required range of technical expertise and practical experience is extremely broad, ranging, for example, from constitutional law to determining the viability of the export of fruits and vegetables to Europe during the winter months.

6.19. To acquire such expertise, practical experience, and Portuguese language capability will require that more than half of short-term expatriate TA be drawn from sources outside the United States. To date, the USAID has been extremely successful in identifying highly qualified Brazilians, most of whom were educated in the United States, to advance USAID's activities in Guinea-Bissau. Such individuals provide an appropriate balance between strong technical expertise and practical experience working within a development context having both a U.S. influence and a Portuguese heritage, as is the case in Guinea-Bissau. They provide an essential bridge, and when combined with U.S. and Guinean expertise, form a highly productive team.

6.20. USAID experience also demonstrates that highly qualified U.S. expertise with Portuguese language capability

and practical work experience in Portuguese-speaking countries (Portugal, Brazil, Mozambique, Angola, Guinea Bissau, Cape Verde and Sao Tome) is also available.

6.21. The final, and perhaps most essential component of the TIPS project technical assistance team, are the Guineans whom the project will hire on a part-time basis. Some 75 PY of such technical input may be obtained at a cost of only slightly more than $545,000.

6.22. Guinea-Bissau has significant quantities of quality local expertise that, under current development, economic and budgetary conditions is being under-utilized and in many cases simply wasted.

6.23. The current average salary of a mid-to-high level government employee in Guinea-Bissau is approximately $28 to $33 per month. Almost all public and many private offices close their doors at 2:00 p.m., and almost all workers seek other employment in the afternoons and evenings. Private sector wages are approximately equal to government salaries. Those receiving higher salaries (those included in Embassy wage surveys) work for embassies, donors, donor projects, or other international organizations, such as banks or trading companies. The government has no funds to pay overtime nor the usual $10 per day allowance for those appointed to "special commissions" that work during afternoons, evenings and weekends.

6.24. At a cost of $10 per day (for work on afternoons, nights and weekends), TIPS will expend $312,000 to obtain some 50 PYs of short-term local technical assistance. The Project will expend another estimated $234,000 to hire locals at $30 per day for concentrated full-time, short-term assignments.

6.25. In no case will a local-hire consultant be paid for work during his/her normal working hours. The most usual scenario will be similar to the following: a lawyer who works for the Ministry of Justice will be hired at $10 per day to work afternoons, evenings, and weekends with project expatriates and other staff on a study of the impact of a proposed land tenure law on the traditional segments of society. The results of this work will then be fed into a task group of expatriates and Guineans working on a revised draft of the land use law. When a new draft is completed, other Guineans, perhaps from the Traditional Law Institute, or students at the Faculty of Law, would be hired to take the law to rural villages and obtain traditional sector views. These would again be fed back into the law-redrafting process.

6.26. By developing a technical assistance team composed of Americans, Brazilians and Guineans, The TIPS project will not only ensure that there is good coordination, a high level of mutual understanding, and achievement of project objectives, but also that Guinense participation is maximized, as is the transfer of knowledge and methodology.

6.27. It is expected that expatriate and local consultants will develop close working relationships, and that most short-term expatriate TA will be of a repeat nature continued over the life of the project.

6.28. Intimately linked and closely coordinated with all TA activities is short-term training for Guinean counterparts and consultants outside Guinea-Bissau. About 183 person-months, representing just over 12% of total project cost, are anticipated. Almost all of this training will be highly individualized and be of an on-the-job training nature. For example, Guineans from GELD in the Ministry of Justice who are working with expatriate Brazilians to index Guinean commercial codes (using the Portuguese-language computer-based systems employed by the Brazilian senate), will most likely be sent to Brazil to work with the same Brazilian advisors who work with them in Guinea-Bissau. Given the specific implementation problems being addressed by the project, short-term expatriate TA and short-term off-shore training will always be complementary with one reinforcing the other.

6.29. The TIPS Project will also support the costs of large numbers of in-country seminars and workshops, and "outreach sessions" to promote project contacts and interaction with traditional communities (tabancas) outside Bissau. Participants will again be the expatriate and local-hire consultants of the project, Guinean counterparts in the private and public sectors, plus members of non-governmental associations and the general public involved in or being impacted by the activities of the project.

6.30. When specific viable trade and investment opportunities are identified by the project, it will finance Trade Missions to and from Guinea-Bissau to put Guinean entrepreneurs in direct contact with potential investors, buyer and/or suppliers in other countries. In most cases, the same expatriates who worked with their Guinean colleagues to identify the T&I opportunities will be responsible for planning and executing the Trade Missions. A minimum of 12 such missions to Europe, North and South America or Africa are planned.

6.31. Limited commodities will be required to ensure that Guinean public and private sector institutions have the minimum equipment and materials necessary to play their role in achieving project objectives. GELD, for example, will require the development of a basic law library, computers and computer software (from Brazil) to automate the legal indexing and codification process. The Bar Association (OAGB) will require project assistance in obtaining basic office furniture and equipment, such as tables, desks, chairs, manual typewriters, etc. The regional courts will require desks, bookcases, chairs, file cabinets and perhaps some basic court recording equipment. The point is that the TIPS project is not a commodity-drop. Only materials and equipment essential to undertake project activities and produce project outputs,

and for which the public and private sectors simply do not have the money to purchase, will be provided. These requirements will be jointly determined by expatriate and Guinean consultants and counterparts.

E. Project Activities and Outputs by Component

6.32. The nature of **activities** to be undertaken by TIPS expatriate and local-hire staff and project counterparts, and **outputs** they will help produce are described below for each of the four components.

Component 1: Trade and Investment Policies and Implementation Strategies for Critical Growth Sub-Sectors

6.33. Given its competing political and economic needs and objectives, it is essential that the GOGB formulate and begin to implement a set of coherent policies to increase trade and investment in the critical sub-sectors. The TIPS project will help the GOGB to develop, with significant input from the private sector, a list of priority areas for policy attention. Once these policies are prioritized, assistance will be provided in undertaking basic research to more closely define objectives and identify constraints to implementation; developing implementation strategies, such as identification of winners and losers, involvement of disinterested bureaucracies, and establishment of mechanisms to gain private sector input to and thus acceptance and support for the changes contemplated.

6.34. The activities supported by this component will be coordinated by a Private-Public Presidential Commission that President Vieira has agreed to create for the purpose of setting policy priorities among competing interests and deciding upon implementation strategies. The TIPS Project will provide assistance in organizing the Policy Analysis Unit (PAU) that will serve as the technical arm of the commission, and will provide specialists to support the analytical studies and other policy research carried out by the PAU. It is expected that the PAU will organize outreach sessions around the country to obtain comments and develop support for proposed policies. To the extent possible, the TIPS Project will also help develop the capacity of local trade associations, including the Chamber of Commerce, Industry and Agriculture, to broaden the participation of the private sector in the policy-making process. Workshops and short-term training sessions will be provided under this component to help strengthen the capacity of the PAU and others in the public and private sectors to conduct policy-related research and analysis.

6.35. Working with the Commission, the TIPS project will provide technical and other assistance as needed to promote broad-based participation and dialogue to :

-- Clarify and establish critical sub-sector policy priorities among competing interests;

-- Conduct constraints analyses associated with the implementation of these policies; and

-- Formulate and assess the strengths of alternative policies, their implementation plans, and budgets.

6.36. The Commission will serve as a means to an end rather than as an end in itself. Thus, it is not intended to become a permanent institution with its own staff and budget. The Commission will only serve as the "political mechanism" through which the TIPS Project will support a participatory and analytical process leading to development and implementation of clear, consistent, and more widely accepted policies governing private trade and investment in the critical sub-sectors.

6.37. Depending on the critical sub-sector under consideration, the TIPS Project will work not only with the Commission and its sub-committees but also with and through key economic ministries, the AID-assisted Chamber of Commerce, Industry and Agriculture, the Traditional Law Institute (TLI) of the Portuguese-assisted Faculty of Law (F of L), the recently-established Guinea-Bissau Bar Association (OAGB), the National Institute of Studies and Research (INEP), as well as individual entrepreneurs, representatives of other donors, and any of the private sector, trade and or occupational associations now being developed. The project will also support training and other activities to build the capacity of indigenous non-governmental associations to represent their members and to monitor trade and investment in critical growth sectors.

6.38. Although plenary sessions of the Commission will be convened at least quarterly, much of its work and the contributions of the project will be made through technical sub-committees similar to the constitutional revision and land-tenure commissions that USAID has been assisting this past year. Assistance under the project will typically operate as follows:

-- The Commission or its committees will identify an important issue area that must be screened to provide greater definition to policy objectives and implementation problems. The TIPS Project will develop a scope of work for this study and arrange with local and foreign experts to conduct it. During these initial overview studies, the expatriate advisors will establish their credibility and professional contacts for follow-on assignments.

-- TIPS will work with the Commission and its committees to define follow-on research to the initial study. This may entail seminars, workshops and outreach sessions involving those most affected by the issues and possible reforms. When the issues are understood and there is consensus on follow-on analytical work, TIPS will again arrange for the services of local and foreign experts.

-- At this stage, if not before, TIPS will work with technical experts that different ministries and non-governmental interest groups will second to the committees on a part-time basis. These experts will receive on-the-job training in the course of their assignments.

-- The foreign experts will guide and coordinate the contributions of the counterpart technical experts to prepare proposals (policies and, perhaps, associated laws and regulations) to members of the sub-committees.

-- The sub-committees and the Commission will hold additional seminars, workshops and outreach sessions to discuss these proposals and obtain public comments on them.

-- These comments will be incorporated, where possible, in the policy and legal documents subsequently adopted and endorsed by the Commission.

6.39. The inputs furnished by the project (including technical assistance and associated on-the-job training, short-term training outside the country, meetings and outreach sessions) will serve as the means to promote participation in the policy-formulation and implementation planning process and to develop concrete, consistent and widely accepted policies.

6.40. The expected **outputs** from the activities supported under this component include:

1.a GOGB will have developed clear, consistent, economically sound and widely accepted policies to promote private trade and investment in the critical sub-sectors.

1.b. GOGB will have identified and analyzed statutory, regulatory, judicial and other "supply-side" constraints to implementation of these trade and investment policies; and,

1.c. GOGB will have developed action plans, including budgets, to remove constraints to implementation of these policies.

Component 2: Trade and Investment Statutes and Regulations

6.41. This component recognizes that "policy is what policy does." As the recent history of Guinea-Bissau illustrates, the mere adoption of policy reforms does not create private investor confidence. Policies must be translated into clear and consistent statutes and/or regulations, and there must be evidence that these statutes and regulations will be implemented in a fair and transparent manner. An inappropriate legal and regulatory framework, coupled with inconsistent macroeconomic policies and weak institutional reforms, have thus far limited private investment, particularly long-term investment in Guinea-Bissau. As a result, the economic growth that came about as a result of the structural adjustment measures adopted by the government has reached a plateau. Further significant investments and increases in growth will only come with improvements in the legal and regulatory framework complemented by sound macroeconomic policies and the required institutional reforms.

6.42. This element of the TIPS Project is intended to help convert mere policies into statutes and regulations, including but not limited to land tenure, a commercial code, executive regulations for a newly approved investment code, and constitutional revision. The assistance provided will be directed at improving the process by which these statutes and regulations are formulated and implemented, and to ensure that traditional interests are respected and protected. That process will require a coordinated, participatory approach to (re)drafting laws and regulations, compiling and organizing trade and investment statutes into a coherent body of law, issuing legal opinions on proposed legislation and acts of state, informing the business and legal community of appropriate trade and investment laws and regulations, and working to remove unnecessary regulatory requirements.

6.43. Guinea-Bissau currently lacks the trained personnel, systems, and participatory mechanisms required to review, analyze, reformulate and implement statutes and regulations governing trade and investment. Initial steps were taken in 1990 to develop these capabilities through the establishment of the Office of Legal Studies and Documentation (GELD) within the Ministry of Justice. However, even after GELD's expected transfer to the new multi-party legislature, it will still lack the resources required to fulfill its mission within a reasonable period of time. In the interim, the TIPS project will work with and through this existing office, legal departments of key economic ministries, the Faculty of Law, and other organizations to provide needed legal drafting and reference services.

6.44. Assistance within this component will involve technical support, training, workshops, and commodities to improve the capacity of the GELD, the Popular National Assembly, and

private interest groups and organizations to participate in the development of statutes and regulations and in the formulation of implementation strategies. Assistance will take the form, for example, of legal specialists who will be made available to consult with the groups responsible for drafting laws for consideration by the National Assembly. Training programs and workshops will also be organized to provide GELD personnel and legislators with an opportunity to interact with a cross-section of lawyers and other specialists on trade and investment matters. Particular attention will be given to promoting interaction between legal specialists and technicians from the Ministry of Agriculture, Finance, Commerce, etc. who have a much better understanding of the political implications of any given statute or regulation. Participation of individuals and groups from the private sector, including the traditional private sector, in the policy-implementation planning process will also be encouraged through workshops and other joint activities with GELD personnel and legislators.

6.45. TIPS assistance in the prioritization and formulation of statutes and regulations, and in the development of implementation strategies can begin at any point in the process. In the case of commercial codes, for example, the TIPS project will help the GOGB from the outset in the review and formulation of a new commercial code. On the other hand, in the case of the investment code, the policy has already been established and project assistance will focus on helping the GOGB develop relevant regulations and administrative procedures. Thus, the project will have to track the planning and implementation of policies through their different stages and target assistance where it will be most needed.

6.46. In an effort to ensure that modern and traditional laws are harmonized to the degree possible (an especially important consideration for land tenure), research will be conducted in coordination with the Traditional Law Institute and INEP to promote a better understanding of and respect for traditional systems of law, and where possible and necessary, to ensure that traditional law is recognized in formal statutes. The TIPS project will also finance outreach work at the tabanca level to ensure that traditional views are solicited and taken into consideration.

6.47. In sum, the Project will draw on professors and students at the TLI and Faculty of Law, as well as other local and foreign researchers and specialists, for repeated short-term assignments. It will also support in-country formal and on-the-job training, study visits to the U.S. and other countries, and workshops, seminars and outreach involving different private sector interest groups, ministries, key committees of the National Assembly, as well as members of the Lawyers' Bar Association.

6.48. Activities under this component will include:

- -- Compiling, indexing, and codifying high-priority T+I laws.
- -- Conducting legal consistency reviews of proposed new T+I laws and regulations.
- -- Analyzing the needs and objectives to be met by T+I laws and regulations.
- -- Promoting broad participation, institutional linkages, and dialogue among relevant executive offices and non-governmental interest groups.
- -- (Re)drafting laws and regulations on T+I in the critical sectors.
- -- Publishing and disseminating information about new or revised laws and regulations governing trade and investment.

6.49. The expected **outputs** of this component include:

2.a. Clear, consistent and widely accepted statutes governing public-private and private-private trade and investment transactions will have been formulated and/or reformulated; and

2.b. Executive regulations and procedures for implementation of public-private trade and investment transactions will have been revised to eliminate hidden costs, bureaucratic delays, redundant approval processes, and lack of transparency.

<u>Component 3</u>: Legal and Administrative Adjudication

6.50. This component is meant to assist the GOGB provide teeth to the legal and regulatory changes adopted. Investors must have legal recourse to address conflicts among business people. For example, a commercial code is not useful unless a business person can go to the legal system to enforce a contract. Regulations must be streamlined to avoid excessive burdens on business. However, when administrative conflict arises, it must be fairly adjudicated. Achievement of the objectives of component 3 will indicate that a balance has been reached between protecting business and societal interests and maximizing productive efficiency.

6.51. The activities of this element of the TIPS Project will be directed at improving the ability of the court system and administrative tribunals to enforce the laws and regulations

related to trade and investment, and at improving the capacity of the Traditional Law Institute, the OAGB, and others to contribute to the betterment of and to evaluate the courts' and administrative tribunals' adjudication performance.

6.52. Legal and regulatory reforms in support of trade and investment in the critical sectors will place new and unfamiliar demands on the organizations and personnel responsible for adjudicating business-related disputes. The formal court system is thinly dispersed, undermanned, and poorly equipped. The bulk of cases outside Bissau are adjudicated by traditional conflict-resolution systems, lay-adjudicators in popular courts, and local police. Two poorly equipped regional courts and a three-division Supreme Court have primary responsibility for adjudicating trade- and investment- related cases based on current outmoded statutes.

6.53. Significant improvements in the capacity of the judicial system to adjudicate conflicts are needed in order to gain the confidence of the private sector that new or revised laws and regulations will be enforced in an efficient and transparent manner. These improvements will involve: training of personnel in the judicial system and in private law; additional equipment and staff to support better handling of legal cases; information-dissemination activities; technical assistance; and support for meetings, workshops and other means of promoting dialogue between members of the private and public legal profession, and between members of traditional and modern legal systems.

6.54. Similar assistance will be provided to personnel in various ministries responsible for performing tribunal functions and resolving disputes in administrative law settings. Assistance will also be provided under this project element to assure that traditional law is respected in court decisions through seminars and workshops involving village leaders and others responsible for upholding traditional laws and interacting with the formal court system.

6.55. The ability of private sector lawyers to represent their clients is as important as strengthening the courts' abilities to interpret and apply laws, and this ability will be enhanced through training, workshops and seminars provided through the Faculty of Law and OAGB and targeted for this group.

6.56. Technical assistance, training, and modest amounts of commodities will be provided under this component to:

- -- Support the training of judges and lay adjudicators in T+I laws and their adjudication.
- -- Improve the organizational capacity of the courts to handle T+I cases.

-- Assist in organizing administrative courts to handle conflicts arising from trade and investment activities in the critical sub-sectors.

-- Assist the Bar Association in developing continuing education programs on T+I laws and on how lawyers can better serve private clients with T+I legal needs.

-- Strengthen the TLI and other private advocacy groups to represent and promote respect for customary law and traditional mecnanisms for the resolution of land and other T+I legal disputes.

-- Ensure that traditional law, as recognized in formal statutes, is respected by the courts.

-- Facilitate interaction between the formal judicial system and the Bar Association, the Chamber of Commerce, and other private interest groups regarding T+I issues, and facilitate channels for more effective monitoring by the latter of the former.

6.57. Key counterparts involved in some of these activities may include members of the Supreme Tribunal, lower-level courts, the Ministry of Justice, and individual economic ministries responsible for the administrative adjudication of conflicts in particular sectors, as well as members of the Faculty of Law, the Bar Association, TLI, INEP, and the Chamber of Commerce, Industry, and Agriculture.

6.58. The expected **outputs** of these activities include:

3.a. The formal court system will have been restructured and upgraded to facilitate efficient, fair, and impartial adjudication of conflicts regarding T+I transactions.

3.b. Appropriate executive offices will have established clear, transparent, and efficient mechanisms for the administrative adjudication of private-public conflicts regarding executive T+I regulations and procedures.

3.c. Lawyers' expertise in T+I formal laws and regulations, as well as in traditional conflict resolution systems, will have been improved.

Component 4: Direct Supply-Side Interventions

6.59. This component is essential for program success. An improved policy, legal and regulatory environment can only

result in increased investment and trade if an adequate supply-side response from the private sector is forthcoming.

6.60. Guinea-Bissau's growing number of private entrepreneurs must have sufficient information on market opportunities, business skills, networking opportunities, and awareness of changing regulations to take full advantage of the reformed business climate. Because the private sector is only now beginning to emerge after more than a decade of socialist government that discouraged private participation in the economy, members of the sector have only limited access to these types of information and business support services. This project component will thus serve to increase the capacity of private institutions and individuals to take advantage of improvements in the policy, legal and regulatory framework. Assistance will be provided, for example, to organize trade and investment missions to potential markets for Guinean products, promote feasibility studies, facilitate information-dissemination, and improve the business and managerial skills of local entrepreneurs.

6.61. The local private sector currently needs assistance in: developing training programs to enhance general business and managerial skills; acquiring information on domestic and international trade opportunities; developing a research and analysis capability (i.e., access to feasibility studies and market analyses); and obtaining information about "the rules of the game." Rather than working directly with individual firms, TIPS will contribute to the ability of existing organizations to meet these types of needs by working through and allowing private interest groups like the Chamber of Commerce, Industry and Agriculture, as well as the newly created Investment Office within the Ministry of Finance (GAI), to establish themselves as spokespersons for the private sector and as providers of business support services to individual entrepreneurs. To discharge these functions, TIPS will provide local and foreign consultants, training in-country and overseas, T+I missions, workshops, and a modest amount of commodities. These types of assistance will allow the Chamber and other organizations, as appropriate, to:

-- Sponsor training in basic business skills throughout the country for informal, semi-formal, and formal businesses.

-- Commission studies to identify T+I opportunities and to analyze constraints on private T+I as the level of private sector activity increases.

-- Prepare investment profiles and feasibility studies that will then be used to obtain project funding from the Africa Development Bank's private sector window, other financial institutions, and donors.

-- Sponsor two-way T+I missions.

-- Conduct workshops to keep members of the private sector informed of developments and opportunities relevant to T+I in critical growth sectors.

-- Dialogue with Government, the Bar Association and others on improving the legal environment for T+I and on promoting the development of the private sector more generally.

6.62. The expected **outputs** of this component include:

4.a. Selected private interest groups will have been strengthened and will have provided T+I support services to their members.

4.b. T+I promotion services will have been expanded; and

4.c. The analytical base for promoting increased T+I will have improved.

F. Summary

6.63. The **goal** of the TIPS Project is **to achieve market-oriented economic growth that is broad-based and sustainable.** The Project **purpose** is **to increase private sector trade and investment in Guinea-Bissau's critical growth sub-sectors.**

6.64. The **critical growth sub-sectors** are the **production, processing** and **marketing** (domestic and/or export) of **rice, cashews, fruits** and **vegetables**, and **forest** and **fisheries products**, and commerce and services to support these activities.

6.65. Project interventions to achieve the Project purpose are organized into **four components**, each of which addresses the major constraints identified in Section IV of this Project Paper. These components are to: (1) develop and ensure wide acceptance of priority T+I policies and implementation strategies for critical growth sub-sectors; (2) (re)formulate, ensure wide acceptance, and implement priority T+I statutes and regulations; (3) improve adjudication of T+I legal and regulatory conflicts; and (4) improve the ability of private sector entrepreneurs to respond to the new T+I policy, legal and regulatory environment.

6.66. Major **project inputs** are: technical expertise (expatriate and domestic); short-term, off-shore training; seminars, workshops and outreach; trade missions; and limited commodities.

VII. PROJECT IMPLEMENTATION

A. Organization and Resource Requirements

7.1. Table 1 on the following page (Inputs and Costs/Summary Financial Plan) provides the most general statement of project resource requirements and project organization.

A.1. Technical Resources

7.2. Approximately $14.5 million, or 72% of project financial resources, are required to obtain project inputs that impact directly on the project's ability to undertake planned activities and to produce planned outputs. These inputs are:

Technical Assistance (TA)	
- Long-term expatriate	13.0 PY at $4.7 million
- Long-term local-hire	15.0 PY at $359 thousand
- Short-term expatriate	15.0 PY at $4.7 million
- Short-term local-hire	75.0 PY at $546 thousand
Training (Short-term/off-shore)	15.0 PY at $2.5 million
Group Actions	
- Trade missions	12 at $398 thousand
- Local costs of seminars, workshops and outreach	As required at $475 thousand
- Commodities	As required at $750 thousand
TOTAL	$10.4 million

7.3. The 13.0 PY of long-term TA will consist of three positions: policy specialist and team leader (5.0 PY); legal/regulatory/judicial specialist (4.0 PY); and private sector specialist (also 4.0 PY). The average cost of such assistance in Guinea-Bissau is estimated at $365,000 per person-year.

7.4. Elements of cost include: base salary, fringe benefits, allowances (post differential, COLA, temporary lodging, education, and housing and utilities), travel to and from post and R&R, per diem (while on travel status), transport (HHE, POV, consumables and UAB), other direct costs (medical exams, medvac insurance, DBA, housing fix-up, house furnishings and

TABLE N° 1

TIPS PROJECT - GUNEA-BISSAU

INPUTS	NUMBER OF INPUT UNITS	AVERAGE COST PER INPUT UNIT(S)	TOTAL COST FOR INPUT (S)	PERCENTAGE DISTRIBUTION OF TOTAL COST (%)
TECHNICAL ASSISTANCE				
Long-Term (Expatriate)	13.PY	365,103	4,746.3	
Long-Term (Local)	15.0 PY	23,973	359.6	
Short-Term (Expatriate)	180.5 PM	26,269	4,741.6	
Short-Term (Local)	900.0	607	546	
Sub-Total	-	-	10,393.5	51.97
TRAINING (Short-Term/Off-Shore)	183.0 PM	13,408	2,453.6	12.27
GROUP ACTIONS				
Trade Missions	AT LEAST 12	33,149	397.8	
Local Cost of Seminars Workshops and Outreach	AS REQUIRED	-	475.0	
Sub-Total	-	-	872.8	4.36
PROJECT COMMODITIES	AS REQUIRED	-	750.0	3.75
ADMINISTRATIVE/LOGISTIC SUPPORT AND OFFICE OPERATIONS				
Bissau Office	5 YEARS	589,685	2,948.4	
Home Office	5 YEARS	415,596	2,078.0	
Sub-Total	-	-	5,026.4	25.13
OTHER MISC. DIRECT COSTS	AS REQUIRED	-	90.0	0.45
EVALUATION (EXTERNAL)	3 EVALUATIONS	69,993	209.9	1.05
AUDIT (EXTERNAL)	3 AUDITS	67,267	201 8	1.01
TOTAL	-	-	19,997	100.0

equipment, and residential guard and maintenance contracts), plus contractor overhead.

7.5. Unit costs for the above cost elements are based on USAID cost experience over the past fifteen months, AID standard regulations, and reasonable projections of future market price changes.

7.6. Corresponding to the three long-term expatriate positions, the 15.0 PYs of local-hire long-term TA will be provided by three individuals, probably two economists and one lawyer. It is anticipated that each will have an M.A. or equivalent, preferably from the U.S. or Brazil, and at least three to five years of mid-to-high level professional experience in Guinea-Bissau. Average cost to the project for such local-hire services is estimated at about $24,000 per person per year.

7.7. Elements of cost include: base salary, 13th-month salary, severance pay, overtime, and fringe benefits (local social security and health costs). Local-hire staff are not expected to be subject to contractor over-head charges. Unit costs are based on local labor market conditions and Mission local compensation policies.

7.8. The wide range of short-term expatriate expertise required by the TIPS (180.4 PM) project is expected to be drawn about equally from two main sources, the United States and Brazil. Any such Portuguese TA is expected to be obtained via special agreement with the Portuguese Cooperation Program in Guinea-Bissau.

7.9. Average person-month costs are estimated at slightly more than $26,000. Note that the PY cost for expatriate long-term TA ($365,000) is only slightly higher than the PY cost of expatriate short-term TA ($315,000).

7.10. Cost estimates are again based on recent USAID experience, reasonable projections of price changes, and provide for a standard 6-day work week while in Guinea-Bissau. Cost elements include: base salary, fringe benefits (U.S. only), travel, per diem, other direct costs (medical exams, DBA, medvac insurance, ground transportation, etc.), plus contractor overhead.

7.11. The 900 person-months (75 PYs) of short-term local-hire TA required by the TIPS project will be of two types: Those hired for short periods to work with expatriates in the afternoon, evenings and on week ends; and those hired for short periods to work full time. The person-day cost of the former is $10; for the latter it is $30 per day. The average person-month cost for such TA, assuming a 4 to 1 ratio in favor of the lower cost input, is about $605. Again note that all such short-term local-hire TA will be contracted for specific periods of time to undertake specific activities and produce specific products required by the project.

7.12. All training under TIPS (183.0 PM) will be short-term, highly specialized, and directly related to developing skills required to undertake project activities and produce project outputs. To the degree possible, individual programs will be planned and executed by the same individuals providing short-term expatriate TA Services to the project. About 65% of such training is expected to take place in Brazil, the remainder in the United States. Given this split, the average person-month cost is estimated at $13,000.

7.13. Elements of cost are: travel, per diem, direct cost of training, book allowance, HAC insurance, and contractor overhead. Unit-cost estimates are based on recent USAID experience, AID regulations, and reasonable projections as to market price changes.

7.14. When viable opportunities for attracting foreign investment or developing markets for Guinean exports in the critical growth sub-sections are identified, TIPS will finance trade missions (that have an average of 5 persons per mission) to or from Guinea-Bissau. A minimum of 12 such missions is anticipated. Average cost per mission is estimated at $33,000. Cost elements are travel and per diem only.

7.15. In addition to the more informal day-to-day interaction between project expatriate staff, local staff, government and non-governmental entities and individuals, TIPS will also finance rather large numbers of workshops, seminars, and outreach sessions to promote broad participation in project activity and facilitate the projection of widely understood and accepted project outputs. About $475,000 will be devoted to this purpose. Salaries and other costs of expatriate and local TA are budgeted elsewhere and are not included in this amount. Costs included are conference room rental, per diem and transport for participants, local travel, materials reproduction, etc. Actual costs per activity will vary greatly depending on location (in Bissau or elsewhere), number of participants, duration, etc.

7.16. Finally, TIPS will also provide limited commodity support to governmental and non-governmental entities involved in the TIPS project. $750,000 is budgeted for this purpose. Commodities will be provided only when they are absolutely essential to undertaking TIPS activities or producing TIPS outputs. Most likely commodities are books and research materials, basic office equipment (desks, bookcases, chairs, file cabinets, manual typewriters, some computers and computer soft-ware, etc.), plus some supplies, such as paper, folders, etc.

7.17. In sum, $14.5 million, or 72.4% of total TIPS financial resources, is targeted directly on undertaking TIPS technical activities and producing planned project outputs. Of the 14.5 million total, 71.9% will finance TA, 17.0% will finance

short-term off-shore training, 2.8% trade missions, 3.3% local costs of seminars, workshops and outreach, and 5.2% will finance commodities.

A.2. Administrative/Logistic Support and Office Operations

7.18. A project such as TIPS requires the provision of administrative and logistic support both in Bissau and in the United States. The project contractor will, thus, establish a project office in Bissau and a project home office within its headquarters in the U.S.

7.19. In addition to the three long-term expatriates and the three long-term local-hires discussed under technical assistance, the Project Office in Bissau will require the services of the following:

- 1 EXO/GSO
- 1 EXO/GSO Assistant
- 1 Project Accountant
- 1 Project Accountant Assistant
- 3 Adm. Assistants/Secretaries
- 1 Computer Specialist
- 2 Translators
- 4 Drivers
- 2 Office Cleaners

7.20. All sixteen positions will be filled by local-hires, and all positions are considered essential to providing an adequate level of administrative and logistic support to the TIPS project in Bissau.

7.21. Due to projected lags in filling certain positions, 70.5 PYs of local-hire administrative/logistic support services are anticipated. Total cost associated with this input is $820,000, or about $164,000 for each year of the project. The average person-year cost is, thus, about $11,600.

7.22. Elements of cost are the same as for local-hire long-term TA: base salary, 13th-month salary, severance pay, overtime, and fringe benefits (local social security and health costs). Unit element costs are based on local labor market conditions and Mission local compensation policies.

7.23. Other non-personnel operating costs associated with the Project Office in Bissau are: office rent and utilities, phone and fax services, mail, DHL and shipping, gas, oil and vehicle maintenance, contract guard services; contract office maintenance services, and office supplies, plus miscellaneous operating expenses. The total of such operating costs is estimated at $1,606,000, or about $321,000 per project-year.

7.24. In addition, the Bissau office will require basic office furnishing and equipment, a 50 KVA generator, plus four project office vehicles. Associated costs, including transport mostly from the U.S., for these non-expendable commodities are about $522,000.

7.25. None of the costs associated with administrative/logistic support and office operations in Bissau are expected to be subject to contractor overhead.

7.26. The total cost of administrative/logistic support and office operation in Bissau is thus $2.948 million, or 14% of total project cost.

7.27. Contractor administrative/logistic support and office operations in the U.S. are projected to cost a total of $2,078,000 over the life of the TIPS project. Costs include the salaries, fringe benefits and associated indirect costs for: 30% of a full-time high-level Project Director, a full-time Project Manager, and one full-time Administrative Assistant. Average PY costs for such inputs are estimated at $131,500, or $1,513,000 in total.

7.28. Also budgeted for home office operations are: $61,000 for office equipment (computers, copiers, fax, printing machines, etc), as well as $106,000 for expendable supplies (mostly paper for the printing of project studies and reports), and $398,000 for other operational expenses, such as phone and FAX services, mail, DHL and shipping, plus miscellaneous office expenses.

7.29. If the project contractor requires some minimal administrative/logistic support operation in Brazil, such costs are expected to be financed by reducing similar operations in the U.S.

A.3. Other Project Resources

7.30. Also budgeted under the TIPS project are: $150,000 to buy-in to the IBRD-sponsored national survey that provides information as to project impact at the rural household level in Guinea-Bissau; $210,000 to finance three external evaluations of 2.5 person- months each (one in the second year of the project, one early in the fourth year, and one at the end of the project); and $142,000 to finance two audits, one in the third year and one at the end of the project.

Summary

7.31. In sum, total project costs are distributed as follows:

Technical Assistance	51.97%	
Training	12.27%	
Group Actions	4.36%	
Project Commodities	3.75%	
Total Technical		72.35%
Administrative/Logistic Support and Office Operations		25.13%
Misc. Other Direct Costs		.75%
Evaluation		1.05%
Audit		.71%
Total		100.00%

B. Resources, Project Outputs and Purpose

7.32. The **purpose** of the TIPS Project is to **increase private sector trade and investment in critical growth sub-sectors.**

7.33. Planned TIPS project **outputs** are as follow:

1. Trade and Investment Policy

1.a. GOGB will have developed clear, consistent, economically sound and widely accepted policies to promote private trade and investment in the critical sub-sectors.

1.b. GOGB will have identified and analyzed statutory, regulatory, judicial and other "supply-side" constraints to implementation of these trade and investment policies; and,

1.c. GOGB will have developed action plans, including budgets, to remove constraints to implementation of these policies.

2. Trade and Investment Statutes and Regulations

2.a. Clear, consistent and widely accepted statutes governing public-private and private-private trade and investment transactions will have been formulated and/or reformulated; and

2.b. Executive regulations and procedures for implementation of public-private trade and investment transactions will have been revised to

TABLE Nº 2
TIPS PROJECT - GUINEA-BISSAU
DISTRIBUTION OF PROJECT INPUTS/COSTS BY AREA OUTPUT

INPUTS	OUTPUTS														
	T&I POLICY			T&I AND LAWS REGULATIONS			T&R DIRECT ADJUDICATION			T&I DIRECT ASSISTANCE			TOTAL		
	UNITS (P.M)	COST ($ 000)	%	UNITS (P.M)	COST ($ 000)	%	UNITS (P.M)	COST ($ 000)	%	UNITS (P.M)	COST ($ 000)	%	UNITS (P.M)	COST ($ 000)	%
TECHNICAL ASSISTANCE															
(PM) Long-Term (Expatriate)	40.9	1,243.5	26.2	39.2	1,191.3	25.1	24.8	754.7	15.9	51.2	1,556.8	32.8	156.1	4,746.3	100.0
(PM) Long-Term (Local)	48.1	96.0	26.7	41.9	83.8	23.3	32.9	65.8	18.3	57.1	114.0	31.7	180.0	399.6	100.0
(PM) Short-Term (Expatriate)	36.1	948.3	20.0	72.2	1,896.6	40.0	36.1	948.3	20.0	36.1	948.3	20.0	180.0	4,741.5	100.0
Short-Term (Local)	270.0	163.8	30.0	270.0	163.0	30.0	225.0	136.5	25.0	135.0	81.9	15.0	900.0	546.0	100.0
Sub-Total	396.1	2,451.6	23.6	423.3	3,335.5	32.1	318.8	1,906.3	18.3	279.4	2,701.0	26.0	1,416.6	10,393.4	100.0
TRAINING (Short-Term/Off-Shore)	45.8	613.4	25.0	82.4	1,104.1	45.0	36.6	430.7	20.0	18.3	245.4	10.0	183.1	2,453.6	100.0
GROUP ACTIONS															
(12) Trade Missions	-	-	-	-	-	-	-	-	-	12.0	397.8	100.0	12.0	397.8	100.0
($) Local Cost of Seminars Workshops and Outreach	-	142.5	30.0	-	142.5	30.0	-	47.5	10.0	-	142.5	30.0	-	475.0	100.0
Sub-Total	-	142.5	16.3	-	142.5	16.3	-	47.5	5.4	-	540.3	61.9	12.0	872.8	100.0
PROJECT COMMODITIES	-	187.5	25.0	-	225.0	30.0	-	225.0	30.0	-	112.5	15.0	0.0	790.0	100.0
ADMINISTRATIVE/LOGISTIC SUPPORT AND OFFICE OPERATIONS	(P.M)	($ 000)		(P.M)	($ 000)		(P.M)	($ 000)		(P.M)	($ 000)		(P.M)	($ 000)	
(PM) Bissau Office	211.5	737.1	25.0	253.8	884.5	30.0	126.9	442.3	15.0	253.8	884.5	30.0	846.0	2,948.4	100.0
(PM) Home Office	26.4	415.6	20.0	52.8	831.2	40.0	26.4	415.6	20.0	26.4	415.6	20.0	132.0	2,078.0	100.0
Sub-Total	237.9	1,152.7	22.9	306.6	1,715.7	34.1	153.3	857.9	17.1	280.2	1,300.1	25.9	978.0	5,026.4	100.0
OTHER MISC. DIRECT COSTS ($)										0.5	90.0	100.0	0.5	90.0	100.0
EVALUATION (EXTERNAL) (3)	0.8	52.5	25.0	0.8	52.5	25.0	0.8	52.5	25.0	0.8	52.5	25.0	3.2	210.0	100.0
AUDIT (EXTERNAL) (3)	0.8	50.0	25.0	0.8	50.0	25.0	0.8	50.0	25.0	0.8	50.0	25.0	3.0	202.0	100.0
TOTAL	-	4,650.2	23.3	-	6,625.3	33.1	-	3,628.9	18.1	-	5,0918	25.5	-	19,997	100.0

eliminate hidden costs, bureaucratic delays, redundant approval processes, and lack of transparency.

3. Trade and Investment Conflict Adjudication

3.a. The formal court system will have been restructured and upgraded to facilitate efficient, fair, and impartial adjudication of conflicts regarding T+I transactions.

3.b. Appropriate executive offices will have established clear, transparent, and efficient mechanisms for the administrative adjudication of private-public conflicts regarding executive T+I regulations and procedures.

3.c. Lawyers' expertise in T+I formal laws and regulations, as well as in traditional conflict resolution systems, will have been improved.

4. Direct Private Sector Trade and Investment Support

4.a. Selected private interest groups will have been strengthened and will have provided T+I support services to their members.

4.b. T+I promotion services will have been expanded; and

4.c. The analytical base for promoting increased T+I will have improved.

7.34. Table 2 on the previous page is a test of the TIPS project design. It demonstrates that inputs (and associated costs) are proportionate to planned outputs, and that outputs are proportionate to the project purpose. Inputs are listed in the left-most column of the matrix. Outputs (project components) are listed across the top.

7.35. More detailed input/output matrices are available through USAID/Bissau.

C. The Timing of Project Activities and Financial Resource Requirements

7.36. Tables 3 and 4 on the following two pages provide estimates of TIPS Project expenditures by input and by project year. For purposes at this point, it is assumed that the project office in Bissau is fully operational (equipped and local staff on-board), and that one long-term consultant's house is ready for occupancy on day one of project year one. Further assuming that project day one is October 1, 1992, obligations, expenditures and the pipeline of the TIPS project would be as in Table 3.

TABLE N° 3

TIPS PROJECT - GUNEA-BISSAU
PROJECTION OF EXPENDITURE BY INPUT AND PROJECT YEAR
($ 000)

INPUTS	EXPENDITURE BY PROJECT YEAR 1	2	3	4	5	TOTAL
TECHNICAL ASSISTANCE						
Long-Term (Expatriate)	968.0	908.9	1,128.0	980.6	760.8	4,746.3
Long-Term (Local)	71.9	71.9	71.9	71.9	71.9	359.5
Short-Term (Expatriate)	785.9	1,075.1	1,118.1	920.7	841.6	4,741.4
Short-Term (Local)	109.2	109.2	109.2	109.2	109.2	546.0
Sub-Total	1,935.0	2,165.1	2,427.2	2,082.4	1,783.5	10,393.2
TRAINING (Short-Term/Off-Shore)	424.4	593.6	637.3	423.9	374.2	2,453 4
GROUP ACTIONS						
Trade Missions	30.4	94.8	98.6	102.6	71.1	397.5
Local Cost of Seminars Workshops and Outreach	75.0	100.0	100.0	100.0	100.0	475.0
Sub-Total	105.4	194.8	198.6	202.6	171.1	872.5
PROJECT COMMODITIES	300.0	200.0	100.0	100.0	50.0	750.0
ADMINISTRATIVE/LOGISTIC SUPPORT AND OFFICE OPERATIONS						
Bissau Office	1,004.2	481.3	481.3	487.3	491.2	2,948.3
Home Office	437.3	389.2	402.8	416.9	431.5	2,077.7
Sub-Total	1,441.5	870.5	887.1	904.2	922.7	5,026.0
OTHER MISC. DIRECT COSTS	30.0	30.0	-	-	30.0	90.0
EVALUATION (EXTERNAL)	-	65.4	-	70.8	73.6	209.8
AUDIT (EXTERNAL)		68.2		60.0	73.6	201.8
TOTAL	4,236.3	4,187.6	4,250.2	3,843.9	3,478.7	19,997

TABLE Nº 4

TIPS PROJECT - GUNEA-BISSAU
OBLIGATIONS/EXPENDITURES BY FISCAL YEAR (PY) (IDEAL)
($ 000)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	
OBLIGATIONS								
(a) CURRENT FY	3,000.0	4,000.0	4,000.0	4,000.0	4,000.0	997.0	0.0	0.0
(b) CUMULATIVE	3,000.0	7,000.0	11,000.0	15,000.0	19,000.0	19,997.0	19,997.0	19,997.0
EXPENDITURES								
(a) CURRENT FY		4,236.0	4,187.5	4,280.2	3,813.9	3,480.1	0.0	0.0
(b) CUMULATIVE	0.0	4,236.3	8,423.8	12,704.0	16,517.9	19,997.0	19,997.0	19,997.0
END OF PY								
(a) PIPELINE	3,000.0	2,763.7	2,576.2	2,296.0	2,482.1	0.0	0.0	0.0
(b) MONTHS FORWARD FUNDING	8.5	7.9	7.2	7.2	8.6	0.0	0.0	0.0
(c) MORTGAGE	16,998.0	12,998.0	8,998.0	4,998.0	997.0	0.0	0.0	0.0
LOP 19,997.0								

TABLE Nº 5

TIPS PROJECT - GUNEA-BISSAU
OBLIGATIONS/EXPENDITURES BY FISCAL YEAR (PY) (REAL)
($ 000)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	
OBLIGATIONS								
(a) CURRENT FY	3,000.0	3,500.0	3,500.0	3,500.0	3,500.0	2,997.0	0.0	0.0
(b) CUMULATIVE	3,000.0	6,500.0	10,000.0	13,500.0	17,000.0	19,997.0	19,997.0	19,997.0
EXPENDITURES								
(a) CURRENT FY		1,000.0	3,236.3	4,187.5	4,280.2	3,813.9	3,480.1	0.0
(b) CUMULATIVE	0.0	1,000.0	4,236.3	8,423.8	12,704.0	16,517.9	19,997.0	19,997.0
END OF PY								
(a) PIPELINE	3,000.0	5,500.0	5,763.7	5,076.2	4,296.0	3,480.1	0.0	0.0
(b) MONTHS FORWARD FUNDING	19.4	18.4	16.4	14.5	13.6	12.0		
(c) MORTGAGE	16,998.0	13,498.0	9,998.0	6,498.0	2,997.0	0.0	0.0	0.0
LOP 19,997.0								

7.37. Clearly, although the figures in Table 4 look good (minimum pipeline, rapid implementation, etc.), this scenario is simply not feasible. It is presented to make two points.

1. Implementation of some elements of the TIPS project (constitutional reform, drafting of a new land tenure law, research on T&I potential in critical growth sub-sectors [rice processing and marketing; modern cashew and fruit production for export], assisting the Chamber of Commerce, Industry and Agriculture to serve the information and training needs of its members) have all been on-going for at least the past twelve months. They cannot be stopped while the USAID waits for a TIPS contractor to fully tool-up in Bissau.

2. Key elements of the TIPS project (assistance to GELD in law-drafting, developing the capacity of OAR/GB, strengthening the judiciary) have been discussed and planned in detail with the GOGB for over eighteen months. The USAID would be faced with a credibility problem if work did not commence on these tasks at an early date.

7.38. Further, IBRD documents going back over one year plan on USAID assistance in the areas of TIPS as a necessary complement to IBRD structural adjustment activities in Guinea-Bissau. Again, activities in these areas cannot be further delayed while the USAID waits for a TIPS contractor to fully tool-up in Bissau.

7.39. A much more likely (and necessary) scenario for TIPS obligations, expenditures and pipeline would be as in Table 5 (page 69-B). Here it is assumed that the TIPS contractor is not fully operational in Guinea-Bissau until the beginning of FY 94, and that during FY 93 the USAID, employing TIPS authorized funding, will assume the responsibility for: (1) continuing on-going TIPS activities, (2) (re)initiating detailed planning for project collaboration with key institutions (e.g., judiciary, OAR/GB, GELD), and (3) initiating procurement for project office space, housing, and associated furnishings and equipment, as well as, the procurement of project vehicles, so that the contractor can hit the ground running in late FY-93 or the start of FY 94.

7.40. In sum, USAID and TIPS face a complex challenge in making a transition during FY 93 from USAID project management to contractor project management.

D. Project Organization and Management

D.1. TIPS Contractor

7.41. The contractor for TIPS will be responsible for managing contract funds to mobilize and deploy resources required to achieve the outputs established for each component

of the project as well as harmonization among them. Because performance is emphasized, maximum flexibility will be provided in selecting means to achieve outputs. An emphasis on performance also clearly assigns the contractor with operational responsibilities.

7.42. To achieve performance, the contractor shall:

- -- Cooperate with participating counterparts to formulate annually updated rolling two-year work plans accepted by the counterparts and approved by USAID.
- -- Implement individual work plans and assure harmonization among them.
- -- Prepare scopes of work, training programs and procurement documents specifying the kind, amount, source, and cost of specific project interventions.
- -- Identify, recruit, brief, manage, and de-brief Portuguese-speaking local and foreign technical experts and trainers responsible for specific scopes of work and training programs.
- -- Establish networks in Brazil and other Portuguese-speaking areas to identify and recruit technical experts and training resources.
- -- Assure inter-component and inter-agency linkages and dialogue to assure the efficient use of project resources and both the acceptance and support for project objectives and activities.
- -- Formulate and implement a monitoring plan.
- -- Provide all logistical, administrative, and financial support required to manage contract resources.

D.2. Cooperating Participants

7.43. The major cooperating participants in TIPS are the Presidential Commission, the Ministry of Justice, individual ministries that have responsibility for specific policies, laws, and regulations addressed by the Project, the Supreme Tribunal, the PNA, Bar Association, and Chamber of Commerce, Industry and Agriculture. Project services will also be provided by and through the Traditional Law Institute, the Faculty of Law, and INEP.

7.44. A.I.D. will sign the Project Grant Agreement with the Ministry of International Cooperation and Plan, with supplementary signatures representing the other major counterparts.

7.45. Participating entities are responsible for assuring cooperation with the contractor and participation in the formulation and implementation of the annual work plans and in the technical assistance and training activities offered through the Project. This cooperation includes assigning to the contractor working counterparts, including staff to work with the contractor after normal working hours; participation in policy conferences and training programs; coordinating with other components and their participants; and assigning senior counterparts to serve on technical advisory committees to USAID for individual Project components. If it is estimated that at any point in time up to 100 GOGB employees will be involved in the TIPS Project as part of their normal job functions, at an average monthly salary of $33 per person, the total GOGB salary contribution over the six years of the TIPS Project will be about $237,600.

D.3. Advisory Board to the Project

7.46. Cooperating participants are drawn from the executive, legislative and judicial branches of government, as well as from the non-governmental lawyers' Bar Association and the Chamber of Commerce, Industry and Agriculture. It is important that the Project not be seen as the captive of any single participant or any single interest. To this end, an Advisory Board will be established to review and comment on annual work plans and budgets, propose areas warranting more or less attention, and assist more generally in assuring coordination among participants and oversight of project and contractor performance.

7.47. This Board will include representatives of the participants in the different components, as well as USAID as a non-voting ex-officio member. The Board will meet not less than quarterly, and its chairmanship will be rotated annually between a public and private sector representative.

D.4. USAID

7.48. TIPS will comprise the major share of USAID's portfolio in any one year. A modest proportion of project funds will be managed directly by USAID for initial start-up planning and activities and subsequently to support unanticipated special studies, technical assistance, training, and commodities, as well as audits, evaluations and trouble-shooting. To manage the Project and the contractor, USAID will appoint a Project Officer (a General Development Officer) to devote full time to carrying out USAID's operational responsibilities. The USAID Representative will spend up to 60% of his time on the project, and the Program Officer will spend half time on TIPS. These USDHs will be supplemented by one long-term local hire expert who will be responsible for project monitoring, maintaining daily contact with participating counterparts, and providing technical support for the Advisory Board and the individual advisory committees (drawing on supplementary

assistance from the contractor). Other USAID FSN training and program assistants will also contribute their time and expertise to the Project.

7.49. In addition to these operational, monitoring and financial responsibilities, USAID staff will be responsible for initial start-up activities, policy dialogue, the identification, design and management of special studies, providing the contractor with technical directions, approving work plans, and meeting regularly with the Advisory Board and advisory committees.

7.50. The project management structure for the TIPS Project is shown in the organization chart on the following page.

E. Procurement Plan

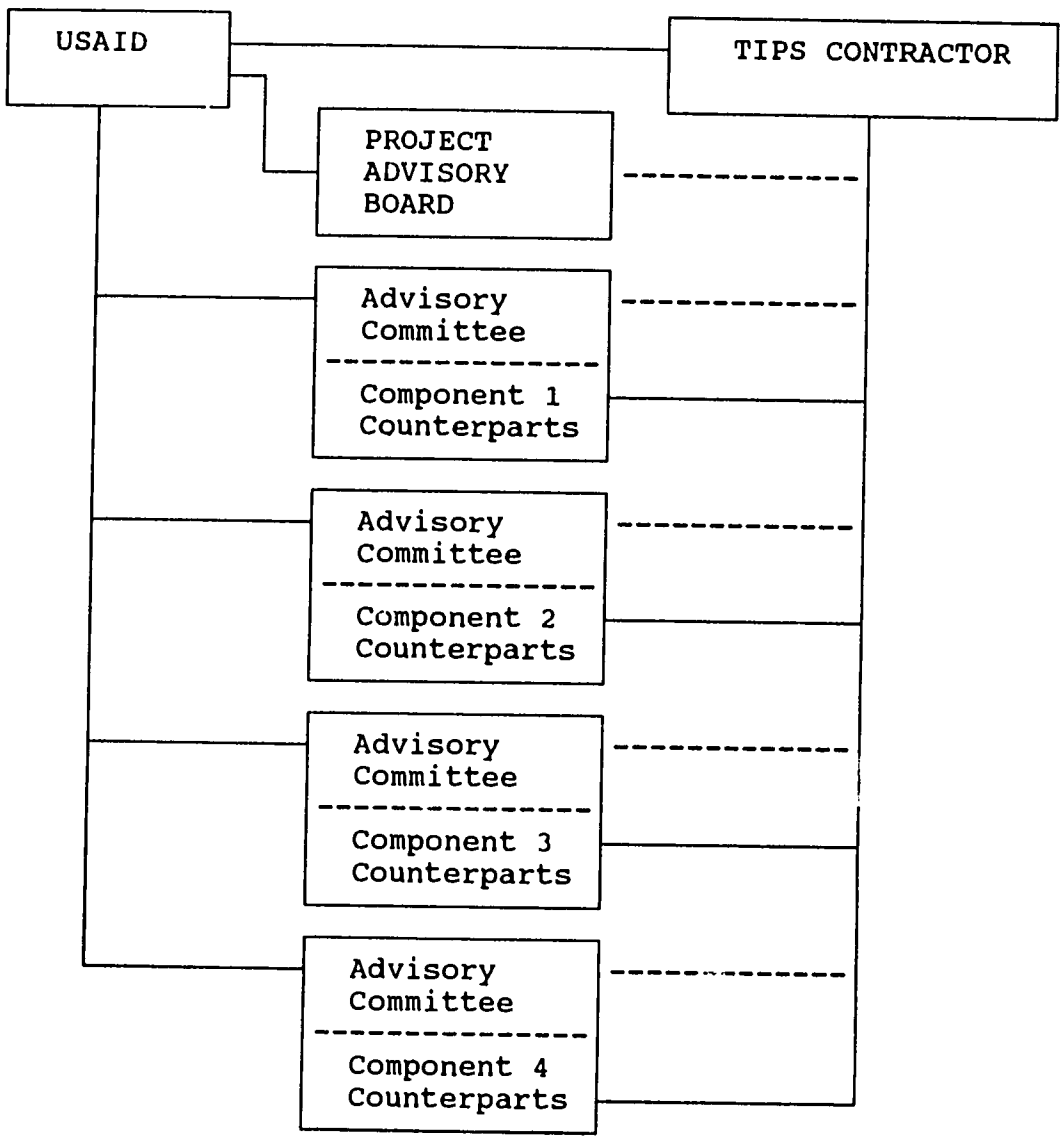
E.1. Management of Technical Assistance Activities

7.51. USAID prefers negotiating with a single responsible institution that will in turn sub-contract with other members of a consortium for all the services and commodities required by the TIPS project, except those managed directly by USAID. The master technical assistance contract would be awarded on the basis of the firm's understanding of the theoretical base and underlying assumptions on which TIPS is based, the firm's ability to marshall the range of personnel, capabilities and perspectives required to formulate and implement work plans for the separate components, its access to Portuguese-speaking experts and training resources, and its demonstrated ability to manage the logistic, financial, inter-component and technical dimensions of the TIPS Project.

7.52. USAID recognizes that it is unlikely that any single U.S. institution has the entire range of capabilities required by the Project. USAID also recognizes that AID/W central and regional projects have supported the development of individual institutions with some of the technical and language skills TIPS will need (e.g., the University of Wisconsin's Land Tenure Center, SUNY-Albany's Center for Legislative Development, SUNY's long-standing cooperating counterpart in Brazil, The National Association for the Development of Legislative Activities, Labat-Anderson's Africa Regional Private Enterprise Project, and Management Systems International's Implementing Policy Change Project).

7.53. USAID has given careful consideration to the issue of how best to manage the implementation of the TIPS Project, given its size, the broad range of specialized skills required, the number of activities that will be carried out, and the small staff and limited resources available to the Mission. The range of possible configurations for delivering technical assistance under the Project was reduced to two:

TIPS PROJECT MANAGEMENT STRUCTURE



(1) Multiple Contract Procurement

7.54. Awarding three contracts to obtain technical assistance services separately for the direct intervention, policy-formulation and implementation, and legal, regulatory and judicial reform activities was considered as a possible option. The principal advantage of this configuration is that the Mission could select the most qualified organization from among those submitting offers in each of the three areas of technical assistance, rather than having to accept a combination of firms assembled by a master technical services contract. The principal disadvantage of the multiple contract approach to project implementation is that it requires more management time from Mission personnel.

7.55. The cost to the Project of contract services in the case of the multiple contract configuration is less than for the same firms providing identical services under a master technical services contract. In the case of multiple contracts, the Mission avoids the portion of the prime contractor's indirect cost and fee that is applied to subcontractor costs. Assuming that 40% of the work is performed by subcontractors and that the effect of the G&A and fee applied by the prime contractor is 15%, the potential savings in contract costs for a multiple contract configuration is about $200,000 per year. This saving, however, does not take into account the additional costs to be incurred by USAID/Bissau in managing two contracts. If USAID employed a PSC to help provide this integration, the cost of the PSC will exceed the potential savings to be derived from using two contractors for project implementation.

(2) Master Technical Services Contract

7.56. Under the single master technical services contract configuration, it is assumed that the contractor will select a team of two or more subcontractors, in conformance with Gray Amendment requirements, to provide specialized qualifications in each of the key technical areas as described in the Request for Proposals. The advantage of this configuration to the Mission is that the contractor assumes responsibility for most of the management and logistic services required to field the long-term advisor team and supervise subcontractor activities. This reduces the management burden on Mission staff and resources to at least acceptable levels. This also centralizes the responsibility for obtaining short-term personnel, rather than having separate contractors conducting their own search and recruiting efforts.

E.2. Proposed Delivery Configuration

7.57. The Mission proposes to rely on the single master technical assistance contractor approach to implementing the TIPS Project. This approach also offers the advantage in the relationship with the GOGB of having just one point of contact for delivery of technical assistance, other than the USAID

Project staff. Limiting the point of contact for contractor services to one individual is very important because of the number of organizations already working with the GOGB, and the demands that are placed on the small number of managers within the Government.

7.58. The additional cost that is incurred in relying on a master contract rather than multiple contractors is more than offset by the reduction in management time required of the Mission and by avoiding the need to hire a personal services contractor to perform Project Officer tasks.

7.59. The organization chart presented earlier assumes a single master technical services contract.

E.3. USAID-Managed Procurements

7.60. USAID will use Project resources it will manage directly to effect procurements through existing AID/W central and regional projects, supplemented by Purchase Orders and PSCs, as appropriate.

E.4. Method of Payment

7.61. The major portion of project expenses will be channelled through the proposed master technical services contract. These expenses will be handled on a disburse-and-reimburse basis, although it may be necessary to use an advance-and-voucher basis for not-for--profit members (e.g., universities and PVOs) of the proposed consortium. Accounting for disbursements will be handled by REDSO/WAAC.

F. Implementation Schedule

7.62. A preliminary schedule for implementation of the TIPS Project is shown below.

IMPLEMENTATION SCHEDULE

Task	Responsibility	
AFR Technical Review of PP	AFR	5/92
REDSO Review of PP	REDSO	5/92
Formal Request for TIPS Assistance	GOGB/AID	6/92
Authorize TIPS	REDSO	6/92

Negotiate and Sign Project Agreement	USAID/GOGB	7/92
Satisfaction of Initial Conditions Precedent	GOGB	8/92
Issue PIO/T for TIPS Contractor	USAID	9/92
Issue RFP for TIPS Contractor	REDSO	9/92
Review Proposals	USAID	11/92
Execute Contract	REDSO	3/93
First Contractor Short-term Staff Arrive in Bissau	Contractor	4/93
Contractor Long-Term Project Director Arrives in Bissau	Contractor	6/93
Contractor Project Office Operational and Contractor Initiates Full Project Implementation	Contractor	9/93
First External Evaluation	USAID	8/94
First Audit	USAID	8/95
Second External Evaluation	USAID	8/96
Final External Evaluation	USAID	6/98
Final Audit	USAID	6/98
PROJECT PACD	9/30/98	

7.63. **NOTE:** During the period 8/92 (after negotiation and signing of the Project Agreement) until 6/93 (contractor long-term Project Director arrives in Bissau), USAID will: (1) continue on-going TIPS activities; (2) (re)initiate detailed planning for project collaboration with key TIPS participating institutions, and (3) initiate procurement of project office space, housing, and associated furnishings and equipment, as well as project vehicles.

G. Project Monitoring, Impact Assessment and Evaluation

7.64. With its focus on critical growth sub-sectors, TIPS is a mainline DFA project. The means the Project uses to achieve growth objectives are quite widely accepted, but they have not been subjected to intensive evaluation. Therefore, TIPS will

serve A.I.D. as a test of which of the Project's interventions work best under which conditions and with what results.

G.1. Project Monitoring

7.65. Project monitoring will be the responsibility of the technical assistance contractor, with oversight provided by the USAID/Bissau Project Officer. Each component's initial annual work plan will be required to include a baseline data-collection plan covering project indicators to be monitored, data elements to be collected, sources of data, an implementation plan and schedule for data-collection, and the frequency of data-collection and reporting for monitoring purposes. Subsequent work plans will be required to include a summary of the prior year's monitoring (and evaluation) results, the problems encountered, lessons learned, and how the work plan addresses these problems and lessons.

G.2. Project Evaluation

7.66. USAID will contract directly for outside independent evaluations in the second and fourth years, as well as at the end of the Project. USAID staff, with the assistance of AID/W and REDSO/WCA, will assume these evaluation responsibilities in the alternate years.

7.67. Evaluations will have three parts. **Part 1** will emphasize measuring specific outputs (e.g., policies, laws, and regulations, direct T+I promotion, etc.) that will subsequently be used to estimate growth and person-level effects. **Part 2** will be a process evaluation that measures the extent to which the Project has helped establish effective linkages, dialogue, and working relationships among the participating counterparts. This information will be combined with measures of policy, legal, and regulatory formulation and implementation as a basis for assessing how the Project's process approach affects the pace of policy implementation and the degree to which implementation success is attributable to the Project. **Part 3** will focus on how well the contract is managed, including the effectiveness of the technical assistance and training delivery mechanism (e.g., length of time required to identify technical experts and trainers, length of time from identification of technical and training needs to the arrival of the technical advisors and trainers, and the quality of performance of advisors and trainers, as judged by working counterparts, advisory committees, USAID, and the contractor). Part 3 will also examine the workload implications the Project has for USAID.

G.3. Impact Assessment

7.68. USAID will also assume responsibility for obtaining outside technical assistance to design a plan for a continuing series of annual impact assessments that the TIPS contractor will participate in maintaining in conjunction with USAID

staff. This assessment will measure the extent to which the Project's goals and purposes are being met with regard to economic growth and person-level impacts. A baseline survey with annual updates will be needed to do this.

7.69. The World Bank recently inaugurated an on-going annual nation-wide sample survey to measure the impacts of structural adjustment on households. This survey contains a good portion of the data required for the TIPS impact assessment. USAID anticipates buying into the survey and piggy-backing questions on it.

7.70. The results of these surveys and the supplementary economic performance data the TIPS contractor will be required to collect will be used in the second and fourth years in the independent outside evaluation of the Project. USAID staff will assume reporting responsibilities for Project impacts during the alternate years.

7.71. USAID will rely on project monitoring, evaluation and the impact assessments to:

- -- determine if a change in project emphasis or direction is required;
- -- gauge the appropriateness of the mix of long-term and short-term assistance relied on to-date to accomplish the Project objectives;
- -- identify the need for additional assistance beyond the scope of the TIPS Project that might be addressed through another bi-lateral or multi-lateral program.

H. Audit

7.72. USAID will directly contract for non-federal audits at the mid-point and end of the Project.

VIII. FEASIBILITY ANALYSES

A. Economic Analysis

8.1. The underlying economic rationale for the TIPS Project stems from the role of institutions--legal, political, and administrative--in the economic development process. Institutions can be defined as the "rules of the game" -- as the policies, laws, and regulations that govern production, exchange, and decision-making. When a citizen has the right to make contracts with others that will be impartially enforced, or a secure property right in the assets in which he has invested, these rights are derived from the institutions of the society. While these rights are taken for granted in the United States and other developed countries, they are often missing in the developing countries. Guinea-Bissau is a case in point.

8.2. The ability of individual entrepreneurs to borrow money to start or expand a business is very limited if contracts will not be reliably enforced and property rights are not clear enough to serve as collateral for loans. Thus, many mutually beneficial market transactions may not take place in countries such as Guinea-Bissau because the rights of the individual parties to the transaction are ambiguous. Institutions are important not only for reducing the costs of business transactions, but also for creating incentives to invest and produce. In the absence of secure property rights, the incentive to invest in productive assets or to produce or exchange goods that others may seize is severely limited. Thus, both the level of investment and production and the extent of trade depend on the nature, accessibility, and reliability of the institutions in a particular country.

8.3. Unfortunately, the body of neoclassical economic theory on which development projects traditionally have been based has tended to ignore the significance of institutions to economic growth. As a result, more attention has been given to "getting the prices right," and relatively few projects have focused on the reform of laws and regulations, and on the need to build a constituency for these types of institutional reforms. The proposed TIPS Project will be one of the few projects in A.I.D.'s current portfolio to attempt to further improvements in the legal and regulatory framework of a host country, while at the same time building and strengthening channels for increased participation in the reform process in a "bottom-up" fashion.

8.4. In Guinea-Bissau, as has been discussed in other sections of this project paper, the institutional framework is

very weak, and not conducive to private investment, production or trade. The current legal and regulatory framework is complex, contradictory, and onerous for both domestic and foreign investors. As a result, investment (and to a lesser extent, trade) has failed to increase despite implementation of several stabilization and structural adjustment policies demanded by the IMF and the World Bank.

8.5. Laws governing the ownership of land, for example, include a law dating back to the colonial period, a 1975 law that gives the state the right to own all land, and traditional village rules of land allocation. This overlapping set of laws creates uncertainty for the long-term investor. Moreover, ill-defined ownership of the land limits an entrepreneur's ability to access credit because land cannot be pledged as collateral. This problem may be particularly thorny for a new business with little or no track record. Moreover, because the system for registering land is deficient, multiple ownership of the same piece of land may result. And, without an impartial court system to arbitrate business disputes, the potential investor faces a high degree of uncertainty and unpredictability. As a result, the entrepreneur restricts his investment or demands a much higher rate of return. In either case, the impact of such behavior at the level of the firm translates into poor economic performance at the macroeconomic level.

8.6. There is widespread agreement within the donor community and among policy-makers in Guinea-Bissau that increased trade and investment are key to achieving the sustainable economic growth rates required for the country to escape the cycle of poverty and underdevelopment in which it finds itself today. All recognize too that significant and sustainable increases in trade and investment will not take place in the absence of significant changes in the current legal and regulatory framework. Moreover, while improvements in laws and regulations are essential to the formation and expansion of private enterprises within the context of a market economy, improvements in the institutional capacity of government to carry out such reforms and to enforce new rules is also vital.

8.7. Recognizing the limits of a "top-down" approach to institutional reform and the vital role that openness and broad-based participation can play in promoting and sustaining those reforms, the project will place utmost priority on building channels and mechanisms to facilitate and promote greater involvement by the private sector in the reform process. For the reasons given above, however, the project will also place a high priority on increasing the capacity of key government institutions to identify and analyze key impediments in the legal and regulatory framework, to formulate policy reforms and draft new legislation, and to implement those changes.

8.8. The TIPS Project, however, will also channel considerable resources in support of direct interventions that will assist the private sector in identifying constraints and opportunities in trade and investment in priority sub-sectors, namely commercial agriculture, horticulture, fisheries, and forestry. These types of interventions are necessary at this time in Guinea-Bissau because of the relative newness of a private sector, the inadequate level of human resources development, and the lack of business support services and information about rules and regulations and about business opportunities. Until a few years ago, the government of Guinea-Bissau discouraged private sector initiatives and there is currently a dearth of experienced entrepreneurs in the country. Moreover, Guinea-Bissau has some of the worst human resource development indicators in the world, and there is an acute shortage of technical, managerial, and entrepreneurial capabilities. There are also very few business support services and institutions that can provide information about markets, joint venture opportunities, and so forth. In the absence of adequate managerial capabilities, support services, and readily-accessible information to identify and exploit investment opportunities, the impact of improvements in the legal and regulatory framework will be limited. For these reasons, the TIPS Project will also support training, feasibility studies, trade missions, and other forms of technical and material assistance for the emerging private sector at the same time that legal and regulatory reforms are advocated and implemented.

8.9. In Guinea-Bissau, the exact pace and mix of policy reforms and of changes in laws and regulations will be determined by multiple factors. These factors include the magnitude of the bottlenecks encountered, the capacity of the government to understand and implement these reforms, the extent of political support for reform, and the continued commitment of the leadership to "stay the course." While these factors are largely outside the control of USAID/Bissau, they can be influenced to a more or lesser extent by the offer of financial and technical resources, by pooling resources and coordinating activities with other international donors, and by supporting the types of activities proposed under the TIPS Project.

8.10. The costs that have been and are being incurred under the current legal and regulatory environment must be weighed against the life-of-project costs. It is virtually impossible to calculate a specific dollar amount for the opportunity costs of economic transactions that did not take place because an entrepreneur found the risks of institutional deficiencies and legal and regulatory impediments too high, or to estimate accurately the additional transaction costs associated with doing business in the current environment in Guinea-Bissau. It can be stated with a certain amount of confidence, however, that these costs have been very high and that they are likely to rise as the economy becomes more open, and as the pressures of population growth and widespread poverty continue unabated.

8.11. Constraints on growth from either debilitating regulations or inefficient policies mean heavy costs. At the macroeconomic level, these costs can be measured in terms of GDP growth or lack thereof. At the people level, these costs translate into unemployment, low income, and limited opportunities for advancement. Ill-defined and ill-enforced policies and regulations increase risk and raise the costs of transactions and capital. Higher interest rates and higher return on investments are necessary to balance risks which could be reduced through appropriate legal and administrative structures. Weak enforcement of laws and adjudication of conflicts likely inflict heavy costs on the economy and on the people who live within that economic system. Measured from any perspective, the life-of-project costs are likely to be minimal compared to the benefits that will arise from improvements in the legal and regulatory framework and in the capacities of both public and private sector institutions to play their respective roles more effectively and efficiently within the context of an emerging market economy.

B. Technical Feasibility

8.12. The TIPS Project, in its emphasis on legal and regulatory reform, is one of the first of its kind to be undertaken by A.I.D.. It will be assisting a country that traces the origin of its legal system to one more related to the Napoleonic code than to the case-law legal orientation that is the basis for the U.S. legal system. Moreover, the official language of Guinea-Bissau is Portuguese, and virtually all legal documents are available only in this language. Therefore, the technical feasibility of the TIPS Project hinges on whether there are sources available to A.I.D. with language ability and expertise in the legal tradition, laws and legal issues to be addressed by the Project. In addition to meeting this requirement, the feasibility of the Project will also rely on sources with experience in working with Chambers of Commerce and trade associations to encourage entrepreneurial participation in an environment that is becoming increasingly more market-driven.

8.13. As far as can be determined from the data base maintained by CDIE, A.I.D. has not undertaken any project to assist in as extensive a reform of legal and regulatory systems as is proposed under the TIPS Project. The Caribbean Law Institute project being carried out under a grant to the State University of New York (SUNY) is relevant in that it is addressing trade and investment law issues. However, that project is directed more at relatively modest reforms intended to create greater uniformity of trade and investment policies among the Caribbean countries. The USAID Mission in Indonesia recently completed design of the Economic Law and Improved Procurement System (ELIPS) Project which has as its objective development of some of the same laws expected to be addressed in the TIPS Project. This Project recently entered the

competitive procurement stage and is expected to begin implementation in the fourth quarter of FY1992. The Indonesia project has the advantage of being implemented in an environment that does not have the extensive array of constraints that confront the TIPS Project. The private sector in Indonesia is quite well-developed and the reforms being undertaken by the Government are the result of pressures from that sector to adjust to conditions in the global market. This situation differs from the one confronting the TIPS Project in that a degree of direct intervention will be required to develop an awareness of the issues and to encourage dialogue between representatives of the private sector and government officials

8.14. The experience of USAID Missions that is most analogous to the reform activities that will be carried out under the TIPS Project is in the area of policy reform. The emphasis on promoting policy dialogue between USAID personnel and senior government officials in developing countries has resulted in a relatively large number of policy reform efforts. The high degree of success achieved by these efforts is strong evidence that equally positive results can be achieved by the TIPS Project.

8.15. The tradition in Guinean culture of relying on public hearings and "taking issues to the people" also augurs well for accomplishing the objectives of the TIPS Project. The Project will rely to a considerable degree on a process rather than a prescriptive approach to implementing many of the reforms that are the focus of the Project. The process is one that allows the participants to analyze their situations and decide when a rational, contingency or economic model is appropriate in their situation. In implementing the process, the TIPS Project will draw upon the approach used in the Implementing Policy Change Project - the strategic process approach. This approach is based upon the experience of the Performance Management Project (PMP) managed by AID.

8.16. To support and facilitate the reforms contemplated by the TIPS Project will require individuals with a range of uncommon but much-needed knowledge, skills and experience. These attributes include a solid grounding in the substantive aspects of strategic management and their significance in LDC settings. Equally important, however, is the ability to establish the kind of disciplined professional relationships with policy implementers that promote wide-open consideration and analyses of implementation issues and options, involvement of stakeholders and clients in discussion and participation in strategy development, and readiness to reappraise and adjust when implementation obstacles or experience indicate the need.

8.17. A.I.D. has knowledge of such specialists. The Performance Management Project worked with specialists of many different styles who effectively used such disciplines, skills, and methods. Some relied primarily on consultative skills, others on group processes and collaborative resolution

skills, others on group processes and collaborative resolution of issues and problems. Many participated in collaborative research. Most employed a combination of these ways effectively.

8.18. The difficulty posed by the need to find experts in trade and investment laws and regulations that are fluent in Portuguese can be overcome by relying on specialists in these areas from Brazil. There exists in Guinea-Bissau a strong affinity for Brazilians which derives from the shared colonial experiences of the two countries, as well as the working relationships that have evolved because of the large number of Brazilians that work for multi-lateral and bi-lateral assistance agencies in Guinea-Bissau. Brazil also has the advantage of having carried major reforms of its own in trade, investment and other related policy areas in recent years. This experience will be valuable and provides Brazilians with credibility in these areas that cannot be found elsewhere. USAID Missions, NGOs and institutional contractors have all found it easy to locate and recruit Brazilian specialists in a wide range of specialties related to trade and investment policies and regulations. The U.S.-based organizations that are likely candidates for the contract to be awarded competitively under the TIPS Project generally all have experience in recruiting and assigning technical specialists from Brazil.

8.19. The experience of A.I.D. in working with chambers of commerce and trade associations to develop the capacity of these organizations to serve their memberships is considerably more extensive than A.I.D. experience in legal and regulatory reform. Assistance and support is provided for several chambers and trade and investment promotion centers in Central America and the Caribbean; the best current examples are probably those in Guatemala, El Salvador and the Dominican Republic. Through the Private Investment and Trade Opportunities (PITO) Project managed by the Office of the A.I.D. Representative to ASEAN, A.I.D. even works with chambers of commerce on a regional basis in Southeast Asia. The number of A.I.D. projects involving work with chambers assures that there are organizations and many individuals with experience in the types of direct interventions proposed by the TIPS Project.

8.20. The sources of experience in working with chambers of commerce and trade associations in Africa is more limited. Two organizations, one NGO and one for-profit organization, have experience in Guinea-Bissau in working with these private sector advocacy groups.

8.21. It will not be easy to accomplish the objectives of the TIPS Project given the extent and magnitude of the constraints to expansion of trade and investment activities. However, there is adequate evidence of success achieved by comparable

individuals with the qualifications required to assure the feasibility of the TIPS Project.

C. Summary of Institutional Analysis

8.22. Annex F provides a more detailed description of the key institutions, both public and private, that will be the objects of or conduits for project assistance. These institutions play a critical role in the economic and political development of Guinea-Bissau, yet all lack some of the fundamental ingredients, such as qualified personnel and reliable information, required to make sound and effective decisions on public policy priorities.

8.23. The TIPS Project will enhance the capabilities of private actors to participate in the policy and rule-making processes and will utilize private institutions (such as the Chamber of Commerce, Industry and Agriculture) as conduits for training and technical assistance. At the same time, the project will target key governmental institutions in an effort to improve their capacity to analyze, formulate, and implement changes in economic policies, laws, and regulations, and to adjudicate conflicts involving trade and investment transactions.

C.1. Introduction: Requisites for Effective Policy/Rule-Making in Guinea-Bissau

8.24. At this critical juncture in the transition to a market-based economy and to a more open, multi-party political system, Guinea-Bissau needs solid institutions with skilled personnel who can formulate and implement a rational, formal and impartial set of rules, and who can be responsive to the demands and requirements of the private sector. Yet, government institutions suffer from a dearth of trained personnel, reliable information, and other resources that can support deliberation of policies, and effective and efficient management of economic resources. At the present time, policy formulation and law-making are diffused throughout the public sector and no effective institutional mechanisms exist to coordinate policies among different government offices or to channel public demands for responsible and effective governance.

8.25. At the same time, an organized private sector is only now beginning to emerge, and there are no private institutions with the necessary capability to carry forth a private sector agenda, to advocate policy reform and responsible governance, and to assist with the training and other needs of the embryonic private sector. The result is very limited participation by the private sector in the policy-making process affecting this sector.

8.26. Given the institutional weaknesses of both the public and private sectors in Guinea-Bissau, attainment of the project goal and purpose necessarily involves assistance to strengthen the capacity of these institutions to carry out the reform of policies, laws, and regulations. Substantial assistance under the project will focus on enhancing the ability of private actors and private institutions to invest and to participate in the policy-making process. At the same time, the project will target key governmental institutions, including the Ministry of Finance, the Ministry of Commerce, and the Ministry of Justice in an effort to improve decision-making at the highest levels of government with input from private and non-governmental organizations. This approach recognizes that effective governance must be promoted because it is central to the development of sound and sustainable economic policies, but that good governance is unlikely in the absence of broader participation by the private actors in the reform process.

8.27. Despite government commitment to deepen the economic and political reform processes which are currently underway, key officials recognize that they lack knowledge, expertise and resources to move the country through a successful economic and political restructuring. Broadly speaking, there is a poor understanding of market forces and a general lack of skills in policy formulation and implementation. Moreover, poor linkages and consultative mechanisms exist among government agencies and between public and private sectors. There is a lack of mutual trust and an unclear definition of the public versus the private domain. The results are inconsistent or irregular application of laws and regulations, lack of public accountability, duplication of efforts, inadequate prioritization of policy reforms, limited capacity to implement reforms, and limited input by private sector groups into the policy reform process.

8.28. The next 3-5 years of reform will be critical, for it is during this period that basic institutional structures will be revised and established, new rules of the game installed, and major economic challenges addressed. Assistance to the institutions described below thus comes at a critical juncture and must remain flexible in order to respond to the different needs of the various institutional players as new opportunities arise.

C.2. Existing Institutional Structures and Capabilities Within the Private Sector

8.29. The private sector in Guinea-Bissau is in its early stages of development. Until recently, government discouraged private initiative and owned most productive activities and basic services. As a result, few mechanisms exist for private participation in the policy reform and rule-making processes, and formal institutions representing private sector interests are only now beginning to emerge.

8.30. In this context, the TIPS Project will provide assistance to strengthen the capacity of the private sector to analyze problems, mobilize opinion, and dialogue with government on key economic policies, laws and regulations affecting trade and investment in Guinea-Bissau. The Chamber of Commerce of Guinea-Bissau will be the main conduit for project assistance aimed at promoting private entrepreneurship and at strengthening the private sector's advocacy role. In addition, the project will work with the Lawyers' Bar Association, the Traditional Law Institute, and other burgeoning private and non-governmental organizations.

C.2.(a) The Chamber of Commerce, Industry and Agriculture

8.31. The Chamber of Commerce of Guinea-Bissau was formed in late 1989 and is the only organization legally recognized by the government as representing the private sector. The catalyst for the formation of the Chamber was the ex-Minister of Economy and Commerce who in 1989 invited a group of entrepreneurs to establish a private sector organization that could work with government in a partnership for development.

8.32. The Chamber is the business community's only representative body and, as such, faces the challenge of creating a strong public image, gaining trust and access to government, providing an adequate level of operations, and expanding its membership throughout the country. USAID/Bissau has already been assisting the Chamber with some of these activities, and plans to provide additional assistance under the TIPS Project. This year alone, the Chamber expanded its membership four-fold and established satellite chapters in several regions. In addition, it will soon begin radio programs, newsletters, and other service-oriented activities for its members.

C.2.(b) Private Law and the Lawyers' Bar Association

8.33. The Ordem dos Advogados da Guine-Bissau ("OAGB") is in the process of organizing and incorporated as an independent, private association of lawyers. At an organizational meeting in January, 1991, thirty-seven lawyers registered as charter members and agreed to support the OAGB through payment of monthly dues. Once operational (which should occur prior to implementation of this project), the very existence of an organized bar association will represent a quantum leap forward for legal practice in Guinea-Bissau.

8.34. Currently, fewer than fifty attorneys live in Guinea-Bissau. Of these, approximately thirty-eight practice law; the remainder serve as judges or government officials. All but two practicing lawyers work at least part time for the government in a legal capacity, and most of those maintain a

private practice after the government workday ends at 2:30 p.m. Many lawyers also serve as adjunct teaching staff at the 5-year Faculty of Law which is now graduating up to 25 attorneys each year.

8.35. Communication between lawyers and the legislature, judiciary or the private sector is frequent but informal. However, there is no regular dissemination of legal information and no system for feedback on person-level impacts arising from changes in the law.

C.2.(c) Trade Associations and NGOs

8.36. Trade associations and non-governmental organizations form part of the civil society so central to sustainable development and openness in government. Because a formal private sector in Guinea-Bissau is only now emerging, new trade associations and non-governmental organizations will be identified during the course of project implementation. SOLADAMI is an official agency that assists Guinea-Bissau's large and growing number of local and foreign PVOs. Together with the Chamber of Commerce, Industry, and Agriculture, and the Bar Association, trade groups and other non-governmental organizations will provide the "bottom-up" input that can guide the policy, legal, regulatory, and judicial reform processes and make such processes sustainable.

8.37. The Faculty of Law of Guinea-Bissau and the Instituto Nacional de Estudos e Pesquisas (INEP) are creating a program on traditional law and plans are underway to set up an Institute on Traditional Law (TLI) which the project will support. The Traditional Law Institute will be similar in structure to an American law review, with academically superior students working under a professor or practitioner, with outside experts to produce scholarly publications and studies on various aspects of traditional law.

C.3. Existing Institutional Structures and Capabilities Within the Public Sector

C.3.(a) Overview of Policy-Making Process in Guinea-Bissau

8.38. The government of Guinea-Bissau has a six-tier hierarchy of officials with policy-formulation and law-making authority. From top to bottom, this hierarchy consists of : (1) the People's National Assembly (PNA); (2) the Council of State, a standing committee of the National Assembly; (3) the President, who also serves as President of the Council of State; (4) the Council of Ministers; (5) individual Ministers; and (6) individual Secretaries of State.

8.39. Policy-formulation and rule-making are diffused within this six-tier system. The two highest levels adopt policies

expressed as substantive law; the other four levels issue administrative laws that can effectively under-cut or change substantive law. This complex system results in general statements of government policy, constitutional revisions, laws, resolutions, decree laws, presidential decrees, decrees, regulations, orders, and executive decisions that lack coherence and often conflict with one another.

8.40. The project design recognizes that the public sector is and will likely remain the dominant economic actor in Guinea-Bissau for many years to come. Despite recent constitutional changes, the state owns all natural and mineral resources as well as many productive enterprises, utilities, services and businesses, which it also manages. The GOGB plans to decrease state involvement in the economy through privatization, concessions and licensing, but will continue to regulate the emerging private sector. The issuing of licenses and granting of concessions, business registration requirements, tax codes, management of public bids and contracts, and myriads of other activities will remain under the aegis of the GOGB, with a substantial impact on the health of the economy and the success of efforts at economic stabilization, restructuring and growth. It is essential, therefore, to help government institutions improve their capacity to formulate policies, and draft and implement laws and regulations supportive of private initiative and investment.

8.41. In this context, the TIPS Project will offer training, technical assistance, equipment, and other material assistance to key government institutions. Assistance will be geared towards improvements in: the analysis of trade and investment policies, laws and regulations; the formulation and re-formulation of trade and investment statutes and regulations; and the adjudication of trade and investment conflicts.

C.3.(b) Public Sector Institutions to be Targeted by Project

C.3.b.(1) Executive Offices/Ministries

8.42. In Guinea-Bissau, the Office of the President, the new Office of the Prime Minister currently being established, and the various ministries that support the executive branch lack the human, technical and material resources to debate, coordinate or implement a coherent set of national economic policies, laws, and regulations supportive of and responsive to the recent market and political liberalizations.

8.43. Although the Office of the President has overwhelming powers in all domains of public policy, it depends on information provided by the individual ministries in order to formulate, discharge, and control economic policy. Since the ministries themselves lack the necessary informational, technical and human resource capabilities to collect, analyze and transmit needed information, each ministry operates in isolation from the other. The result is the formulation of

policies, laws, and regulations that are poorly thought out, overlapping, and often contradictory.

8.44. The policy and legal reform efforts supported by the TIPS Project will involve a number of different ministries. The Ministry of Justice will be a key player. The Ministry of Finance, which already has an office that prepares draft legislation and decrees on matters affecting liberalization of the economy, will also need to be involved. The Ministry of Commerce and Tourism also will have a key role. Other ministries with a stake in the policy and legal reform processes are the Ministries of Rural Development and Agriculture, Fisheries, and Natural Resources and Industry. It is envisioned, however, that project activities will by and large involve the Ministry of Finance and the Ministry of Justice.

8.45. The project will also support the development of a private-public Presidential Commission. The purpose of the Commission will be to decide the nature and direction of changes in investment policy, establish priorities for making those changes, identify which laws need to be changed or enacted, locate and determine strategies for the removal of barriers to investment, and supervise and monitor implementation of policy reforms.

8.46. The Commission will be convened by the President of the Republic and will be comprised of the President, key ministers and representatives from the private sector. Members of the Commission will most likely include the Prime Minister (Chairman), the Minister of Administrative Reform (Co-Vice Chairman), the Minister of Justice, the Minister of Finance, the Minister of Commerce, the Governor of the Central Bank, the Chief Justice of the Supreme Court, the Minister of Natural Resources and Industry, the Minister of Rural Development and Agriculture, the Secretary of State of the Treasury, and two members of the private sector, one of whom will serve as Co-Vice Chairman.

8.47. In addition, a Policy Analysis Unit (PAU) will be organized under the project to support the Presidential Commission. The primary purpose of this unit will be to establish the key areas of policy reform needed to create a more enabling environment for investment growth. The unit will conduct the primary analysis required to determine which policies and, consequently, which institutions will need to be changed or modified. It is not anticipated that the PAU will have a large, full-time staff. Instead, technical staff will consist of experts from different ministries and agencies seconded to the unit on a part-time basis.

C.3.b.(2) Office of Studies, Legislation and Documentation (Gabinete de Estudos, Legislacao e Documentacao, GELD)

8.48. The Gabinete de Estudos, Legislacao e Documentacao (GELD) is the office within the Ministry of Justice responsible for reviewing and providing legal opinions on all proposed laws. It provides legal opinions on administrative and legal matters that originate from within the GOGB, ranging from opinions on treaties and international agreements to reviewing the constitutionality of a proposed law or decree. GELD has been assigned major responsibility for drafting laws, including those needed to address the new realities of the country, as well as to organize and compile legislation, legal doctrine and case-law to promote uniform understanding and application of the law. Under current arrangements, GELD is thus the focal point where laws converge prior to and after enactment and, in that sense, can be viewed as the "gate-keeper" for the legislature.

8.49. GELD's library is the designated repository for legal documents for the entire country. However, this resource center is inadequately equipped, staffed and operated. GELD also suffers from a lack of specialized personnel; it has been staffed by a revolving door of expatriate legal advisors from various countries including Ghana and Portugal who have tasks assigned to them according to availability rather than specialization. Often, the country's governing bodies assign staff from outside GELD to draft bills or give legal opinions, which again allows for considerable duplication and conflict.

8.50. Despite its critical role in the formulation of statutes and regulations, GELD is inappropriately housed within the Ministry of Justice, is inadequately staffed, and lacks the technical and material resources required to perform its functions effectively. As a result of the administrative reforms currently underway within the GOGB, GELD has been the focus of considerable attention and plans are underway to revitalize GELD and to house it elsewhere, probably in the legislature.

8.51. The TIPS Project will support GELD in its efforts to improve the formulation and reformulation of trade and investment statutes and regulations, at the same time that it assists the Faculty of Law and INEP in setting up a Traditional Law Institute as the guarantor of customary law.

C.3.b.(3) The Legislature

8.52. Under the country's single-party political system, the Popular National Assembly (PNA) operated as a marginal institution. The unity of powers and a top-down system of "democratic centralism" concentrated power in the presidency and the PAIGC. The PNA held short, annual meetings to ratify laws and actions that were often already introduced and implemented by the executive branch of government.

8.53. Despite its past passive role in law-drafting and policy-formulation, the PNA played an important reform role in the current move toward multi-party democracy. Both the Commission on Constitutional Revision and Electoral reform and the Commission on Land Reform were created by the PNA. The PNA also approved a new law on political parties that has to date resulted in six parties openly campaigning for forthcoming national elections. These elections will lead to a multi-party legislature that is to play an independent, positive role in the formulation and adoption of economic (including private T+I) policies, as well as a key role in drafting laws and reviewing regulations.

8.54. This legislative body has only a minimal foundation on which to build its capabilities to meet its new law-making responsibilities. It is expected, however, that GELD will be moved to the PNA, and that the PNA will be sure to provide itself necessary funding and personnel resources. One donor has offered to build a new building for the PNA.

8.55. TIPS Project assistance will concentrate on the legislative committees, elected members, professional staff, and participatory processes required by the PNA in order to meet the law-making objectives it will assume under Component 2 of the Project.

8.56. Soon after the move toward an independent multi-party legislative was announced, the PNA leadership requested USAID assistance to help it exercise its new powers independently of but in cooperation with the chief executive. Although the TIPS Project is limited to a narrow focus, the skills developed and lessons learned in the PNA should have significant relevance to the larger issue of legislative development in Guinea-Bissau.

C.3.b.(4) Judicial Institutions: The Courts

8.57. The Judiciary in Guinea-Bissau has been under the Ministry of Justice. However, because there is no separation of powers, the judiciary is not truly independent. Moreover, the judicial system lacks qualified personnel, adequate funding, and infrastructure. The 1992 budget for the country's entire judiciary, for example, is the equivalent of US$70,000. Very often, the same people who make the laws, also interpret them and control those who are supposed to enforce the laws.

8.58. The absence of a truly independent, efficient, and trained judiciary has serious implications for the promotion of private investment in Guinea-Bissau. It is very difficult, for example, for investors to take a dispute over a contract or other matter to a court. Another problem is that once a case is in court, there is no certainty that the magistrate will know the law or be able to enforce it. The absence of set procedures in court leads some businessmen to resort to personal contacts in the executive branch as a means of

resolving disputes. With the courts under the supervision of the Ministry of Justice, however, investors have little recourse in litigation involving the government.

8.59. The court systems are also conflicting and lead to considerable confusion. In addition to the official judiciary system, there are local community courts which apply customary law in adjudicating disputes. Investors in commercial farms who have land use permits from the government try to avoid community courts. Nonetheless, jurisdictional disputes are common.

8.60. At present, there is only one administrative tribunal in Guinea-Bissau. It was created within the Ministry of Finance to enforce borrowers to repay loans made by a now defunct and bankrupt public sector investment bank. In recent months, this tribunal has been able to collect 37 billion pesos targeted for recovery by the IBRD and the GOGB by threatening to seize properties. This is unprecedented in Guinea-Bissau.

8.61. The TIPS Project will assist with the restructuring of the court system to facilitate efficient, fair and impartial adjudication of conflicts regarding trade and investment transactions.

D. Administrative Feasibility

8.62. With one exception, all of the counterpart organizations for TIPS already exist, although they are typically weak in many respects or are at their early stage of development (e.g., the legislature that will be transitioning from a one-party body to an independent, multi-party branch of government). The Presidential Commission is the one new unit to be created. It is not, however, expected to be a permanent institution; it has policy-development and advisory responsibilities, not implementation ones; and it will not have a full-time staff. As noted earlier, USAID/Bissau has been working successfully over the past year with two similar commissions, one on constitutional revision and electoral reform, the other on land-tenure. TIPS builds on the success of these commissions and the advantages they have demonstrated over other "donor-created" commissions (e.g., on the environment). Successful commissions in Guinea-Bissau (1) involve key political leaders, not just technicians below the level of minister; they (2) include participants from different concerned ministries, the private sector, and other non-governmental interests; and (3) they operate in a participatory manner through public hearings and other outreach activities.

8.63. USAID worked closely with its counterpart organizations, ministers, other key officials, the private sector, and other donors in the course of preparing the TIPS

Project Paper. These counterparts understand, approve, and support the Project (as reflected in the President's decision to create a Presidential Commission on T+I policies). Technical assistance and training services have already been provided many of the counterparts, including the Chamber, Ministry of Justice, and the courts. Many of the key personnel in these counterpart institutions are represented on inter-ministerial working groups and commissions. While this facilitates the development of trust and good working relations with foreign technical experts, it also points to a shortage of counterpart staff, the heavy work loads many of them have, and inherent obstacles to timely, efficient implementation. Counterparts are also poorly paid, creating a potential motivational problem.

8.64. The TIPS Project incorporates several features to address these challenges. For example, the participatory-process approach places policy-making responsibility at a high political level where coordination and implementation can be best encouraged. The contractor will also be able to procure the services of counterpart technical staff for assignments to be performed after normal working hours. Furthermore, the contractor is responsible for project performance and project outputs. Finally, and as USAID experience has demonstrated over the past two years, the contractor will be able to identify and retain bi-lingual Portuguese-speaking experts required by the TIPS Project. With these and the other considerations above, USAID believes that the TIPS Project meets standards of administrative feasibility.

E. Social Soundness Analysis

E.1. Project Beneficiaries

8.65. TIPS Project interventions are designed to have broad, positive person-level effects that will be measured by the purpose-level indicators described in the project log frame. These indicators show that improvements in the legal, regulatory and judicial framework, coupled with project support for increased participation by the private sector in the policy and rule-making processes, will result in increased trade and investment activities which in turn translate into increases in the number of rural households reporting money income, production, and consumption. It is only through increased trade and investment that Guinea-Bissau can sustain economic growth rates that will improve the livelihood of the vast majority of the population.

8.66. The project is expected to benefit, both directly and indirectly, a large number of ordinary citizens as well as small- to medium-scale enterprises and public, private and voluntary organizations. There are both identifiable groups which can be considered direct targets of project activities, and groups which are not specifically targeted but are

expected to benefit indirectly from an improved policy, legal, and regulatory environment. The latter will include some 86,000 individual farm families whose economic activities are currently inhibited by distorted and conflicting policies and regulations.

8.67. The immediate beneficiaries of project interventions are primarily small and medium entrepreneurs in the targeted sub-sectors in agriculture, fisheries and forestry, as well as the more than 5,000 licensed firms and much larger number of "informals" operating throughout the country. Some of these entrepreneurs will gain enhanced business and managerial skills from the training and technical assistance offered under the project. They will also gain from increased access to new technologies and development of new crops identified by feasibility studies, and from investment missions. The package of policy, legal, regulatory, and judicial reforms that forms the crux of project activities will also benefit these and other entrepreneurs by enabling them to start up or expand/diversify existing enterprises, thus creating new employment and income opportunities. And, through improved licensing procedures, the growing number of informals will also be able to benefit from improvements in the formal legal system. Moreover, because women are producers and consumers in the economic sub-sectors targeted by the project, they too will benefit from expanded trade and investment opportunities.

8.68. The project will also benefit people in private and non-governmental organizations. Training will be offered, for example, to members of the Chamber of Commerce, Industry and Agriculture and different trade associations to strengthen their capacity to promote trade and investment projects and to serve better the advocacy and information needs of private entrepreneurs. The project will also enhance the skills of people in private law practice, in the Lawyers' Bar Association, in the Faculty of Law, the proposed new Association of Magistrates, lay adjudicators, and other organizations to strengthen their capacity to analyze, formulate, and evaluate trade and investment laws and how they are implemented. Moreover, project assistance to private and non-governmental organizations will enhance their capacity to conduct training and technical assistance programs themselves. It will also strengthen the capacity of these organizations to identify the needs of the private sector, to address those needs themselves, and to dialogue with government about them.

8.69. In addition, the project will benefit public sector employees insofar as they are recipients of training and technical assistance under the project. Lawyers working in GELD, for example, will receive training and benefit from an enhanced capacity to review and draft laws. Judges in the formal court system too will benefit from training, as will policy-makers in the executive branch who gain new ideas and perspectives from technical advisors. The improved capacity of these civil servants to perform their duties in turn will

indirectly benefit people in the private sector who must rely on them to perform certain functions that impact their ability to conduct business efficiently.

8.70. Indirectly, the project will benefit a broad spectrum of society. Increased trade and investment opportunities in the target sub-sectors will lead to expansion of private sector activities in other areas as well, as new vertical and horizontal linkages are created. This translates into new employment opportunities and earnings for people on a broad scale.

8.71. The policy, legal, regulatory, and judicial reforms supported by the Project will also benefit many groups and people who are not direct recipients of project assistance. For example, simplification of the regulations and procedures for business registration will enable some informal enterprises to enter the formal sector and to gain from the advantages of formalization, such as access to credit from the formal banking system. Similarly, improvements in the investment code or in other commercial laws will enable greater numbers of individuals and firms within, as well as outside, the target sub-sectors to take part in business transactions for which the risk/return ratio was previously too high. Project assistance in the implementation of policy reforms will also assist farmers, for example, who previously could not gain adequate returns from production of rice and other crops due to price controls and other market distortions.

8.72. It is also important to recognize, however, that the process of economic growth itself can have side-effects which can themselves become obstacles to social and economic improvements among some members of society. Such side-effects can include pollution, over-taxed physical and social infrastructure, income disparities, and concentration of ownership and economic power. Growth accompanied by policy and institutional reforms that increase government accountability, create opportunities for greater participation by private actors, and take into account equity considerations can overcome or at least ameliorate many of these obstacles.

8.73. Also, because Guinea-Bissau has so many different ethnic groups with different customs and legal systems, it is possible that some ethnic groups in Guinea-Bissau may benefit more than others from the various project interventions. The Fulas and the Mandingas, for example, are Muslim traders and are better organized than the Balantas, who represent the country's largest ethnic group. As a result, the former are likely to take more advantage of opportunities presented by improvements in the legal and regulatory framework resulting from project-supported interventions. On the other hand, the Balantas will be major beneficiaries of growth in the critical rice sector.

E.2. Social Impact of Project

E.2.(a) Impact of Direct Trade & Investment Interventions

8.74. Direct project interventions in the trade and investment area will have a number of positive impacts at the people-level. It should be noted, however, that these impacts are at the margins, since a project of this size cannot hope to provide services but to a fraction of the population using a direct intervention approach. First, the project will support improvements in the human resources base of Guinea-Bissau. There will be more entrepreneurs with new and improved business skills at the end of the project. Second, the project will impact the capacity of certain business groups and associations to identify, address, and advocate the needs of the private sector. Third, new employment and income-generation opportunities will be created for people as an outcome of project feasibility studies or trade missions that result in specific investments or increased trade. Because the critical sub-sectors targeted by the project are agriculture-based, the positive impact on employment and income will be felt primarily in the rural areas by 86,000 small and medium-size farm families.

E.2.(b) Impact of Policy, Legal, Regulatory, and Judicial Reforms

8.75. The largest, most sustainable project impacts will come from improvements in the implementation of policy reforms, in laws and regulations governing trade and investment transactions, and in legal adjudication of trade and investment-related conflicts. At the macroeconomic level, these reforms will lead to significant reductions in transaction costs, with consequent increases in efficiency and productivity, and gains in economic growth. With economic growth will come improvements in the standard of living of vast sectors of the population. At the firm or people level, the impact of these reforms arises from the creation of greater opportunities for private, entrepreneurial activities that generate employment and income for Guineans both in rural and urban areas. Moreover, because the project will follow a participative or "bottom-up" approach to reform, an additional side-effect or impact will be improvements in the capacity of people to participate in the policy and rule-making processes.

8.76. Nonetheless, any attempt to reform policies and change laws and regulations is bound to have winners and losers, especially in the short-term. As noted earlier, for example, simplification of business regulations and procedures will benefit small and medium scale firms that were previously informal and therefore could not gain access to credit from banks. On the other hand, rent seekers in public institutions, who were previously gaining from the red tape, will be losers and will undoubtedly seek to delay some reforms.

8.77. In the absence of strong constituencies, the success of policy and legal reform projects rests most often on the commitment of the government leaders involved to initiate the changes identified by the project. There is considerable evidence, discussed elsewhere in this project paper, of a commitment by the government of Guinea-Bissau to make the shift to a market economy and to promote an environment that will encourage growth of the private sector. Moreover, USAID/Bissau already has been working successfully with the GOGB on political and constitutional reform, electoral processes, reform of the land laws, participation by the Chamber of Commerce, and so forth. In addition, it is an accepted practice in Guinea-Bissau to hold public hearings at the local level to discuss reforms and implement new policies, and the movement towards a new multiparty legislature could further strengthen this responsiveness to public concerns. These local customary practices coupled with USAID's experience with the GOGB thus far indicate that the TIPS Project is politically feasible.

8.78. Nonetheless, USAID/Bissau recognizes that potential "losers" within the GOGB may try to forestall reforms that are not in their self-interest and may try to insert loopholes into new laws and regulations. Thus, it is conceivable, for example, that changes in land tenure and property rights laws might have undesirable impacts on villagers in the rural areas if customary laws are not taken fully into account, or if loopholes in the law enable a wealthy few to accumulate land to the detriment of rural villagers. The project's approach to addressing this type of problem is threefold: (1) to facilitate channels for broader participation by the private sector in the reform process as a means of guarding and promoting the interests of broader segments of society; (2) to promote respect and consideration of customary laws by supporting the development of the Traditional Law Institute; and (3) to provide expert technical assistance to ensure that policy-makers in Guinea-Bissau adequately consider all available alternatives.

8.79. Because the TIPS Project will assist in the implementation of policy reforms aimed at stabilization and structural adjustment, it may also have a short-term negative impact on the urban poor. It is widely recognized that in the initial, transitional phases of policy reform programs aimed at stabilization and structural adjustment the urban poor very often find themselves adversely affected by price increases and cutbacks in social services. USAID/Bissau recognizes this problem, but notes that the World Bank and other donor agencies are involved in projects designed to alleviate some of the negative, short-term impacts of these reforms. At present the UNDP is funding a "Social Dimensions of Adjustment Program" that will monitor the real income effects of the adjustment program and introduce measures designed to alleviate some of the negative impacts on family incomes and welfare. In addition, IDA is financing a Social and Infrastructure Relief Project to look also at several ways to

alleviate the adverse social effects of structural adjustment. This will take place through employment-generation activities and skills-development.

E.2.(c) Land Tenure and Property Rights

8.80. In order to promote trade and investment, the TIPS Project must address land tenure and property rights issues because these are currently a major constraint to private investment. Under the current constitution, all land belongs to the State. Nevertheless, the GOGB grants agricultural land concessions (pontas). Although the size of land concessions is limited by law, some studies have found that these limits are sometimes exceeded. Moreover, it has been noted that since 1987 GOGB officials are frequently among those who have been granted land concessions. Although the ponta system has coexisted with traditional land tenure practices, the large number of recent concessions has started to extend into the communal territory of villages (tabancas). This has created considerable social tensions.

8.81. It is conceivable that the privatization of land and the revision of laws governing land tenure will lead to concentration of land in the hands of a few and that customary land tenure practices may be altered to the detriment of the villagers. USAID/Bissau is well aware of this and, as mentioned above will work with the Traditional Law Institute and technical experts to preserve the rights of villagers under customary laws. Moreover, USAID/Bissau is already working with the University of Wisconsin's Land Tenure Center in revising the land law to protect customary property rights. USAID/Bissau is also supporting a national census of pontas to provide the analytical base for further legal developments in this area.

8.82. On the other hand, improvements in land tenure and property rights laws will increase access to credit for people who, under the current laws, cannot use their land as collateral. Moreover, improvements in laws and provisions governing property rights will promote increased investment, thus creating new employment and income generating activities for people.

E.2.(d) Impact on Women

8.83. The largest impact on women, even if largely indirect, may arise from the increased opportunities for business formation and expansion enhanced by this project. Improvements in the policy, legal, regulatory, and judicial framework will have an impact on trade and investment opportunities regardless of gender. Insofar as women are involved as producers in the economy of Guinea-Bissau, they will be able to benefit from reductions in current constraints to business formation and expansion. While the role and position of women varies among different ethnic groups, in some cases the movement of women is physically restricted and

access to land and other resources is generally controlled by men. To some extent, therefore, the gains that will accrue to women from increased trade and investment opportunities in certain sectors may be more indirect: increased revenues will filter to them as part of the family group. Thus, it is reasonable to expect that as business activity grows, women will achieve important gains but that these gains will not be as significant as for men.

8.84. USAID/Bissau sponsored an anthropological study of women in the modern and traditional legal systems for purposes of the project design. A copy of the executive summary from this study is provided as an annex to this paper. Although the study found no evidence of legal discrimination in the modern legal system, in practice women's access to formal legal structures is severely limited by lack of education, money, time, and ability to travel. Within traditional legal systems, women are also seriously handicapped, especially at the lineage or village levels. The study also found that because most women have only indirect access to land, they generally are not involved in judicial conflicts involving land tenure. Nonetheless, changes in land tenure laws that do not consider adequately the role of tabancas and customary laws will adversely affect women, even if indirectly, because they will limit their access to the income, water, and other resources derived from use of the land. The manner in which the project will address these problems has already been described above.

8.85. Women will also benefit from the direct trade and investment interventions supported by the project. For example, women are important producers of rice and cashews, two the critical sectors targeted by the project. Assistance will also be given to women law students and lawyers, and women entrepreneurs will gain from training and technical assistance activities supported by the project. It should be noted, however, that because very few women work in public sector institutions, or in the Chamber of Commerce, Industry and Agriculture and other private, non-governmental organizations targeted by the project, women will gain relatively less than men from the training, technical and other assistance provided by the project.

F. ENVIRONMENTAL CONSIDERATIONS

8.86. The TIPS Project is based on the provision of technical assistance and training. Therefore, there is no reason to expect any negative environmental impact to result from project implementation. Consequently during the review of the original PID, it was determined by the EPCR in 90 STATE 386349 that the project has a categorical exclusion from environmental analysis requirements pursuant to Regulation 16, Section 216.2(C)(I), (III), (VII), and (XIV).

ANNEX A

REQUEST FOR ASSISTANCE

This Annex includes a letter of request from the Minister of Plan and International Cooperation, dated September 29, 1992.

MINISTÉRIO DO PLANO E DA COOPERAÇÃO INTERNACIONAL
Bissau, Guiné-Bissau

Exmo. Sr. Michael F. Lukomski
Representante da U.S.A.I.D.
Bissau

29 de Setembro de 1992

Caro Sr. Lukomski:

Neste último ano, os seguintes membros de governo escreveram-lhe pedindo que a U.S.A.I.D. desenvolvesse e aprovasse o Projecto de Apoio a Promoção do Comércio e Investimento (TIPS):

Ministro de Estado das Finanças
Ministro de Estado da Presidência
Presidente do Supremo Tribunal de Justiça
Presidente da Assembleia Nacional Popular

Eu gostaria de reconfirmar este pedido do governo avaliado em 20 milhões de dólares. Os recursos providenciados pela nossa parte (Guiné-Bissau), não será menos que o equivalente a 380.000 dólares americanos ao longo da duração do projecto, incluindo os custos sofridos numa base de "em espécie".

Faço votos para o início e o sucesso deste importante projecto.

Atenciosamente,

Bernardino Cardoso
Ministro do Plano e da Cooperação Internacional

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ANNEX B

LOGFRAMES

This Annex includes:

1. The Project Logframe,
2. USAID's approved Program Objective Tree, and
3. USAID's approved Program Logframe.

The TIPS Project serves as the Mission's overall program strategy (CPSP). Although there are separate Program and Project logframes, USAID will use the Program Logframe in reporting to AID/AFR on both Project and Program performance.

AID/W's guidance on the above consolidation appears in STATE 181490 dated June 6, 1992 as follows:

> "The TIPS Project was, for all practical purposes, one and the same as the overall program strategy. This approach of a single project or NPA activity serving as the basic country strategy was considered to be a model for small programs such as Guinea-Bissau."
>
> "It was decided to consolidate the strategy and project for reporting purposes, since with the exception of the two targets of opportunity, implementation of the overall program would essentially amount to implementation of TIPS, which is the centerpiece of the strategy and represents some 90 percent of program effort and activity. This approach reduces the management load as project reporting would be identical to the overall program reporting and annual project reports would suffice for an API type document."

USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Goal: **Market-oriented economic growth that is broad-based and sustainable.**	1. **Growth:** From 1992 to 1998, real GDP increases by at least 25%. 2. **Broad-Based:** In each year, 1993 through 1998, at least 60% of rural households report increased "income" over previous year. 3. **Market-Oriented:** (a) In each year, 1993 through 1998, the number of rural households reporting money income increased by at least 3.0%. (b) In each year, 1993 through 1998, the number of administratively determined prices does not increase above 1992 levels, and those that are administratively determined continue to reflect world prices. 4. **Sustainable:** (a) In each year, 1993 through 1998, the current account deficit on the Balance of Payments is reduced by at least 3.0%. (b) In each year, 1993 through 1998, the gap between government (tax) revenues and expenditures is reduced by at least 3.0%.	1. IBRD/IMF data. 2. IBRD annual survey of households in Guinea-Bissau. 3. (a) IBRD annual survey of households. (b) IBRD/IMF data. 4. (a) Ministry of Finance and Central Bank. (b) Ministry of Finance.	1. GOGB continues to implement IMF and World Bank stabilization, structural adjustment, and other economic reform programs. 2. Orderly political transformation to multi-party democracy proceeds. 3. Donor support continues approximately at current levels. 4. No serious drought or delay in arrival of rain.

USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Project Purpose: **Private sector trade and investment in critical growth sub-sectors increased.**	**END-OF-PROJECT STATUS (1998)** 1. **Domestic Trade:** (a) (Formal sector) number of commercial firms registered increased by 25% over 1992. (b) (Semi-formal sector) number of applications for stalls at formal markets increased by 25% over 1992. (c) (Informal sector) number of rural households reporting (i) money income, (ii) part of production sold, and (iii) part of consumption purchased increased by 25% over 1992. 2. **External Trade:** (a) Export earnings from cashews, wood and wood products, fish and fish products, fruits and vegetables increased by 25% over 1992. (b) Productive input component of imports increased by 25% over 1992. 3. **Investment:** (a) Number (value) of foreign and domestic applications approved and implemented in the critical growth sub-sectors under new investment code increased by 100% over 1992. (b) Private investment increased to around 5% of GDP.	1. (a) Ministries of Commerce, Industry, and Finance. (b) Municipal market authorities. (c) IBRD national survey of households in Guinea-Bissau. 2. (a) Ministry of Finance, Central Bank, IBRD, IMF. (b) Ministry of Finance. 3. (a) Ministry of Finance. (b) Ministry of Finance, Central Bank, IBRD/IMF.	1. World and domestic prices continue to justify increased trade and investment in cashews, fish, wood, fruits, and vegetables. 2. Donor/GOGB support for physical infrastructure (roads, bridges, ports, telecommunications, etc.) is maintained at least at existing levels. 3. Donor/GOGB support for the social sectors increases significantly in the medium term. 4. Domestic and/or international financing for trade and investment is available.

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USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Outputs: 1. Trade and Investment Policies (a) GOGB will have developed clear, consistent, economically sound and widely accepted policies to promote private T+I investment in the critical sub-sectors. (b) GOGB will have identified and analyzed statutory, regulatory, judicial and other supply-side constraints to implementation of these T+I policies. (c) GOGB will have developed action plans, including budgets, to remove constraints to implementation of these policies.	(1) Number and type of critical growth sub-sector policies (CGSS/policy): (i) drafted; (ii) published. (2) For each CGSS/policy, the number and type of non-governmental entities, and number and type of governmental units that: (i) participated; (ii) endorsed. (3) For each CGSS/policy, number and type of constraints analyses: (i) conducted; (ii) published. (4) For each CGSS/policy, number of actions plans (and budgets): (i) drafted; (ii) published.	(a) Private/public commission(s) and PAU(s) records. (b) Project (contractor) records. (c) Project (contractor and USAID) monitoring systems. (d) External (USAID) project evaluations.	(1) GOGB (the President) remains committed to developing and implementing its own policies in the critical growth sub-sectors. (2) Non-governmental interest groups remain willing to participate in policy dialogue and formulation with GOGB. (3) Governmental units remain willing to participate with each other and with non-governmental interest groups in policy dialogue and formulation. (4) Contractor quickly develops, and maintains, rapport and credibility with all key governmental and non-governmental players. (5) USAID able to continue to play key role in policy dialogue and project implementation processes.

USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Outputs: **2. Trade and Investment Statutes and Regulations** (a) Clear, consistent and widely accepted statutes governing public-private and private-private trade and investment transactions will have been formulated and/or reformulated. (b) Executive regulations and procedures for implementation of public-private trade and investment transactions will have been revised to eliminate hidden costs, bureaucratic delay, redundant approval processes, and lack of transparency.	(1) Number and type of T+I statutes: (i) collected; (ii) indexed; (iii) codified. (2) Number and type of T+I statutes: (i) (re)formulated; (ii) published. (3) For each T+I statue, number and type of non-governmental entities, and number and type of governmental units that: (i) participated; (ii) endorsed. (4) Number and type of T+I regulations: (i) (re)drafted; (ii) implemented. (5) For each T+I regulation, number and type of non-governmental entities, and number and type of governmental units that: (i) participated; (ii) endorsed. (6) Number and type of T+I statutes and/or regulations that make specific reference to traditional law and legal systems.	(a) Legislative, executive and GELD records. (b) Project (contractor) records. (c) Project (contractor and USAID) monitoring systems. (d) External (USAID) project evaluations.	(1) GOGB (the President) remains committed to (re) formulating and implementing its own T+I statutes and regulations. (2) Non-governmental interest groups remain willing to participate with GOGB (re) formulating and implementing statutes/ regulations. (3) Governmental units remain willing to participate with each other and with non-governmental interest groups in (re)formulating and implementing statutes and regulations. (4) Contractor quickly develops and maintains rapport and credibility with all key governmental and non-governmental players. (5) USAID able to continue to play key role in policy dialogue and project implementation process.

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USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Outputs: **3. Adjudication of Trade and Investment Legal and Regulatory Conflicts** (a)The formal court system will have been restructured and upgraded to facilitate efficient, fair, and impartial adjudication of conflicts regarding T+I transactions. (b) Appropriate executive offices will have established clear, transparent, and efficient mechanisms for the administrative adjudication of private-public conflicts regarding executive T+I regulations and procedures. (c) Lawyers' expertise in T+I formal laws and regulations, as well as in traditional conflict resolution systems, will have been improved.	(1) Number and type of courts restructured and upgraded to handle T+I conflict resolution. (2) Number and type of administrative tribunals established to handle T+I conflict resolution. (3) Number of judges, lawyers, law students, and others provided special training in T+I: (i) statutes; (ii) regulations; (iii) traditional law. (4) Number and type of T+I conflicts adjudicated by: (i) courts; (ii) administrative tribunals. (5) Number and type of non-governmental entities positively evaluating T+I conflict adjudication by: (i) courts; (ii) administrative tribunals. (6) Number and type of T+I cases adjudicated in which traditional law was respected.	(a) Ministry of Justice, Judiciary, Executive, OAGB, Faculty of Law, Traditional Law Institute and INEP records. (b) Project (contractor) records. (c) Project (contractor and USAID) monitoring systems. (d) External (USAID) project evaluations.	(1) GOGB and PNA approve court restructuring and establishment of tribunals. (2) Sufficient qualified staff employed by courts and tribunals. (3) Host ministries for administrative tribunals continue their commitment to and cooperation with reform program.

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USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Outputs: **4. Direct Trade and Investment Assistance to the Private Sector** (a) Selected private interest groups will have been strengthened and will have provided T+I support services to their members. (b) T+I promotion services will have been expanded. (c) The analytical base for promoting increased T+I will have improved.	(1) Number and type of T+I training programs, newsletters, research/market reports, and other publications provided to private entrepreneurs via the Chamber of Commerce or other entities. (b) Number and type of T+I promotional materials provided, and T+I missions executed by Chamber of Commerce and/or GAI. (c) Number and type of critical growth sub-sector studies, analyses, etc. conducted.	(a) Chamber of Commerce and GAI records. (b) Project (contractor) records. (c) Project (contractor and USAID) monitoring systems. (d) External (USAID) project evaluations.	(1) Private sector leaders continue their commitment to and support of trade associations. (2) Private sector associations are responsive to needs of members and investors.

USAID/GUINEA-BISSAU PROJECT LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS			
Inputs:	Number of Input Units	LOP Cost ($000)		
Technical Assistance				
Long-Term (expatriate)	13.0 PY	$4,746.3		
Long-Term (local)	15.0 PY	359.6		
Short-Term (expatriate)	180.5 PM	4,741.6		
Short-Term (local)	900.0 PM	546.0		
Training (short-term, off-shore	183.0 PM	2,453.6		
Group Actions				
Trade Missions	At least 12	397.8		
Local Costs of Seminars, Workshops and Outreach	As required	475.0		
Project Commodities	As required	750.0		
Administrative/Logistic Support and Office Operations				
Bissau Office	5 Years	2,948.4		
Home Office	5 Years	2,078.0		
Other Misc. Direct Costs	As required	150.0		
Evaluation (external)	3 Evaluations	209.9		
Audit (external)	3 Audits	141.8		
TOTAL		$19,998.0		

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Refined USAID/Bissau Program Objective Tree

1992-1998

GOAL:

Market-Oriented economic growth that is broad-based and sustainable

Critical Growth Sub-Sectors (CGS) production, processing and marketing (domestic/export) of rice, cashews, fruits, vegetables, and forest and fisheries products and commerce and services to support same

STRATEGIC OBJECTIVE:

Private Sector Trade and Investment (T&I) increased in critical growth sub-sectors through improved governance

TARGETS:

1. Technical/Analytical base for planning T&I policy, legal and regulatory reform and for planning direct T&I support to the private sector improved in the critical growth sub-sectors

SUB-TARGETS:

1.1 Presidential private/public commission coordinates process of developing and executing research/analysis agenda

1.2 Private interest groups and appropriate governmental units participate in process of developing and executing research/analysis agenda

Targets of Opportunity

a) democratic pluralism
b) health (AIDS)

2. Policy, legal and regulatory environments for private T&I in the critical growth sub-sectors improved

SUB-TARGETS:

2.1 Presidential private/public commission coordinates process of policy, legal and regulatory reform

2.2 Private interest groups and appropriate governmental units participate in process of reviewing and (re) formulating policies, statutes and regulations

2.3 Selected private groups represent their members' interests in policy, legal and regulatory fora

2.4 Ability of National Assembly to (re) formulate T&I legislation improved (eventual coordination role)

2.5 Technical/analytical base for GELD T&I law review and drafting services improved

2.6 Implementation of T&I regulations improved

3. Adjudication of T&I legal and regulatory conflict improved

SUB-TARGETS:

3.1 Formal court system restructured and upgraded to facilitate fair and impartial adjudication of T&I legal conflict

3.2 Appropriate governmental units establish clear, transparent and efficient mechanisms for administrative adjudication of T&I regulatory conflict

3.3 Traditional law/systems recognized in T&I statutes/regulations and respected in court and administrative T&I rulings

3.4 Lawyers' expertise in T&I laws and regulations improved

4. Ability of entrepreneurs to respond to improved policy, legal, and regulatory environment improved

SUB-TARGETS:

4.1 Selected private interest groups (eg., C of C) provide T&I support services directly to their members in the CGS

4.2 Selected private interest groups (eg. C of C) and appropriate governmental units (eg. GAI) provide T&I promotional services in the CGS

Approved: May 14, 1992

1611-011\011-004.CDR
(6/92)

USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Goal: **Market-oriented economic growth that is broad-based and sustainable.**	1. **Growth:** From 1992 to 1998, real GDP increases by at least 25%. 2. **Broad-Based:** In each year, 1993 through 1998, at least 60% of rural households report increased "income" over previous year. 3. **Market-Oriented:** (a) In each year, 1993 through 1998, the number of rural households reporting money income increased by at least 3.0%. (b) In each year, 1993 through 1998, the number of administratively determined prices does not increase above 1992 levels, and those that are administratively determined continue to reflect world prices. 4. **Sustainable:** (a) In each year, 1993 through 1998, the current account deficit on the Balance of Payments is reduced by at least 3.0%. (b) In each year, 1993 through 1998, the gap between government (tax) revenues and expenditures is reduced by at least 3.0%.	1. IBRD/IMF data. 2. IBRD annual survey of households in Guinea-Bissau. 3. (a) IBRD annual survey of households. (b) IBRD/IMF data. 4. (a) Ministry of Finance and Central Bank. (b) Ministry of Finance.	1. GOGB continues to implement IMF and World Bank stabilization, structural adjustment, and other economic reform programs. 2. Orderly political transformation to multi-party democracy proceeds. 3. Donor support continues approximately at current levels. 4. No serious drought or delay in arrival of rain.

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Strategic Objective: **Private sector trade and investment (T+I) increased in critical growth sub-sectors* through improved governance.** * **Critical growth sub-sectors (CGS)** include production, processing and marketing (domestic/ export) of rice, cashews, fruits, vegetables, and forest and fisheries products and commerce and services to support same.	**END-OF-PROJECT STATUS (1998)** 1. **Domestic Trade:** (a) (Formal sector) number of commercial firms registered increased by 25% over 1992. (b) (Semi-formal sector) number of applications for stalls at formal markets increased by 25% over 1992. (c) (Informal sector) number of rural households reporting (i) money income, (ii) part of production sold, and (iii) part of consumption purchased increased by 25% over 1992. 2. **External Trade:** (a) Export earnings from cashews, wood and wood products, fish and fish products, fruits and vegetables increased by 25% over 1992. (b) Productive input component of imports increased by 25% over 1992. 3. **Investment:** (a) Number (value) of foreign and domestic applications approved and implemented in the critical growth sub-sectors under new investment code increased by 100% over 1992. (b) Private investment increased to around 5% of GDP.	1. (a) Ministries of Commerce, Industry, and Finance. (b) Municipal market authorities. (c) IBRD national survey of households in Guinea-Bissau. 2. (a) Ministry of Finance, Central Bank, IBRD, IMF. (b) Ministry of Finance. 3. (a) Ministry of Finance. (b) Ministry of Finance, Central Bank, IBRD/IMF.	1. World and domestic prices continue to justify increased trade and investment in cashews, fish, wood, fruits, and vegetables. 2. Donor/GOGB support for physical infrastructure (roads, bridges, ports, telecommunications, etc.) is maintained at least at existing levels. 3. Donor/GOGB support for the social sectors increases significantly in the medium term. 4. Domestic and/or international financing for trade and investment is available.

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	STATUS OF DATA AND ANALYSIS
Target(Output) 1: Technical/analytical base for planning T+I policy, legal and regulatory reform and for providing direct T+I support to the private sector improved in critical growth sub-sectors. Steps in research/analysis sequence **(1)** Current status of production/processing/ marketing (PPM). **(2)** Potential for increased PPM. **(3)** Constraints to increased PPM. **(4)** Action plans/strategies/budgets for policy, legal & regulatory reform. **(5)** Action plans/strategies/budgets for direction T+I support to private sector.	**Research/analysis steps completed by Project Year.** Rice: 1993 (steps 1-3); 1994 (steps 4-5). Cashews: 1993 (steps 1-2); 1994 (step 3); 1995 (steps 4-5). Fruits: 1994 (step 1); 1995 (steps 2-3); 1996 (steps 4-5). Vegetables: 1994 (step 1); 1995 (steps 2-3); 1996 (steps 4-5). Forestry: 1994 (step 1); 1995 (steps 2-3); 1996 (steps 4-5). Fisheries: 1993 (step 1); 1994 (steps 2-3); 1995 (steps 4-5). Commerce: 1993 (step 1); 1994 (steps 2-3); 1995-98 (steps 4-5). Service: 1993 (step 1); 1994 (steps 2-3); 1995-98 (steps 4-5). Land Tenure: 1993 (steps 1-5). Cross-Border Trade: 1993 (step 1); 1994 (steps 2-3); 1995 (steps 4-5). Traditional Legal Systems: 1993-98 (Steps 1-5, ongoing).	Private/public commission(s) and PAU(s) records. Project (contractor) records. Project (contractor and USAID) monitoring systems. External (USAID) project evaluations and special (qualitative) assessments.	**Status of current data and analysis.** Data / Analysis Good / Good Good / Poor Poor / Poor Poor / Poor Fair / Poor Fair / Poor Poor / Poor Poor / Poor Good / Good Fair / Poor Fair / Poor

USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	
Sub-Targets/Outputs for Target(Output) 1:			
1.1. Private/public sector commission(s) coordinate process of developing and executing research/analysis agenda.	(1) Commission(s) established. (2) Number and type of commission(s) meetings, by topic. (3) Number and type of research/analysis work groups established, by topic. (4) Number and type of work group meetings, by topic.	Private/public commission(s) and PAU(s) records. Project (contractor) records. Project (contractor and USAID) monitoring systems. External (USAID) project evaluations and special (qualitative) assessments.	
1.2. Private interest groups and appropriate government units participate in process of developing and executing research/analysis agenda.	(1) Number and type of groups/units participating in commission(s)/work group meetings, by topic. (2) Number and type of groups/units participating in research/analysis, by topic.		

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	STATUS OF POLICIES, LAWS & REGULATIONS
Target(Output) 2: Policy, legal and regulatory environment for increased private T+I in the critical growth sub-sectors improved. Steps in policy, statute, regulation sequence **(1)** Review of research/analysis from Target (Output) # 1. **(2)** Policies (re)formulated. **(3)** Policies/statutes consistency review. **(4)** Statutes (re)formulated. **(5)** Statutes/regulations consistency review. **(6)** Regulations (re)formulated. **(7)** Analysis/review of regulatory implementation. **(8)** Improved regulatory implementation.	**Policy, statute, regulation steps completed by Project Year.** **Policies:** General private sector: 1994 (steps 1-2) --> 1998. CGS-specific: 1993 (step 1);1994 (Step 2) --> 1998. **Statutes:** Land tenure: 1993 (steps 1-3); 1994 (step 4). Commercial code: 1993 (steps 1-3); 1994-95 (step 4). CGS-specific: 1995 (steps 4 and 5); other steps and their timing to be determined. NOTE: Constitutional revision is in process. MIGA provided assistance in preparing an investment law. The World Bank plans to provide assistance on a tax code. **Regulations:** Land tenure/transfer: 1995 (steps 5-6); 1996-97 (steps 7-8). Business registration: 1993 (steps 5-7); 1994-95 (step 8). Investment: 1993 (step 5); 1994-95 (steps 6-8). Tax administration: 1995 (steps 5-6); 1996-97 (steps 7-8). CGS-specific: 1996 (steps 6-8); others to be determined.	Private/public commission(s), PAU(s), and GELD records. Project (contractor) records. Project (contractor and USAID) monitoring systems. External (USAID) project evaluations.	**1991-92 status of policies, laws and regulations.** Implicit; confused. Implicit; confused. State ownership + concessions to private. Complex and outdated. To be determined/developed. Still Marxist/centrist Good Improving To be determined/developed. Complex; confusing; to be developed. Complex; confusing; to be developed. Needs targeted assistance. To be determined/ developed

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	
Sub-Targets/Outputs for Target(Output) 2: 2.1. Private/public sector commission(s) coordinate process of policy, legal and regulatory reform.	(1) Commission(s) established (same as Sub-Target/Output 1.1). (2) Number and type of commission(s) policy/legal/regulatory meetings, by topic. (3) Number and type of policy/legal/regulatory work groups established, by topic. (4) Number and type of work groups meetings, by topic.	Private/public commission(s), PAU(s), GELD, National Assembly, Law Faculty, and C of C records. Project (contractor) records.	
2.2. Private interest groups and appropriate governmental units participate in process of reviewing and (re)formulating policies, statutes and regulations.	(1) Number and type of groups/units participating in commission(s)/work group meetings, by topic. (2) Number and type of groups/units participating in review/(re)formulation, by topic. (3) Number and type of groups/units endorsing policies, statutes or regulations, by topic.	Project (contractor and USAID) monitoring systems. External (USAID) project evaluations.	
2.3. Selected private groups represent their members' interests in policy, legal and regulatory fora.	(1) Number of C of C members, by size and area of activity. (2) Number and type of C of C surveys/analyses (a) conducted and (b) presented in policy, legal and regulatory fora. (3) Number of INEP/TLI studies/analyses of traditional sector (a) conducted and (b) presented in policy, legal and regulatory fora. (4) Number of policy/legal/regulatory outreach sessions to traditional populations executed, by topic.		

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	
-- CONTINUED --			
Sub-Targets/Outputs for Target(Output) 2:			
2.4. Ability of National Assembly to (re)formulate T+I legislation improved (eventual coordinating role).	(1) T+I legislative committee structures and procedures developed. (2) Number of legislators and support staff trained in T+I. (3) Number of public hearings on T+I legislation held, by topic.		
2.5. Technical/analytical base for GELD T+I law review and drafting services improved.	(1) T+I laws collected/indexed/codified, by topic. (2) Number of GELD staff and Law Faculty students trained in T+I. (3) Number of T+I legal consistency reviews conducted, by topic.		
2.6. Implementation of T+I regulations improved.	(1) Number and type of private interest groups/governmental units that favorably evaluate implementation of T+I regulations.		

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	
Target(Output) 3: Adjudication of T+I legal and regulatory conflict improved.	(1) Number and types of private sector interest groups (e.g., C of C) and governmental units (e.g., GAI) favorably evaluating adjudicatory performance of (a) court system and (b) administrative tribunals. (2) Number of T+I cases adjudicated by (a) court system and (b) administrative tribunals.	Ministry of Justice, Judiciary, Executive, OAGB, Faculty of Law, Traditional Law Institute, INEP, and C of C records. Project (contractor) records. Project (contractor and USAID) monitoring systems. External (USAID) project evaluations and special (qualitative) assessments.	

USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	
Sub-Targets/Outputs for Target(Output) 3:			
3.1. Formal court system restructured and upgraded to facilitate fair and impartial adjudication of T+I legal conflict.	(1) Plans for judicial (court) system functions, structures, and precedures developed and approved. (2) Number and type of court officers, law adjudicators and support staff trained in T+I statutes and court procedures. (3) Judicial structures established and procedures implemented.	Ministry of Justice, Judiciary, Executive, OAGB, Faculty of Law, Traditional Law Institute, INEP, and C of C records. Project (contractor) records. Project (contractor and USAID) monitoring systems. External (USAID) project evaluations and special (qualitative) assessments.	
3.2. Appropriate governmental units establish clear, transparent and efficient mechanisms for the administrative adjudication of T+I regulatory conflict.	(1) Number and type of administrative tribunals established to handle T+I conflict-resolution. (2) Number and type of private interest groups having voting membership on each tribunal.		
3.3. Traditional law/systems recognized in T+I statutes/regulations and respected in court and administrative T+I rulings.	(1) Number and type of T+I (a) statutes and (b) regulations that make specific reference to traditional law/systems. (2) Number and type of traditional interest groups (e.g., TLI and INEP) favorably evaluating (a) court system and (b) administrative tribunal adjudicatory performance.		
3.4. Lawyers' expertise in T+I laws and regulations improved.	(1) Number of lawyers and law students trained by (a) OAGB and (b) Faculty of Law in T+I laws and regulations.		

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USAID/GUINEA-BISSAU PROGRAM LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS	MEANS OF VERIFICATION	
Target(Output) 4: Ability of entrepreneurs to respond to improved policy, legal and regulatory environment improved.	(1) Number, size and type of new business entities and joint ventures established. (2) Number, size and type of existing firms expanded and successful export ventures operating.	Ministry of Finance, Ministry of Commerce, and C of C records. Project (contractor) records. Project (contractor and USAID) monitoring systems. External (USAID) project evaluations and special (qualitative) assessments.	
Sub-Targets/Outputs for Target(Output) 4: 4.1. Selected private interest groups (e.g., C of C) provide CGS-related T+I support services directly to their members.	(1) Number and type of T+I (a) training programs, (b) research/market reports, and (c) other publications provided entrepreneurs in the CGS via the C of C or other entities.		
4.2. Selected private interest groups (e.g., C of C) and appropriate governmental units (e.g., GAI) provide T+I promotional services in the CGS.	(1) Number and type of T+I (a) promotional materials and (b) T+I trade missions executed via C of C and/or GAI.		

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USAID/GUINEA-BISSAU PROGRAM (TIPS PROJECT*) LOGFRAME

Trade and Investment Promotion Support (TIPS) 657-0021

NARRATIVE	INDICATORS			
Inputs*:	Number of Input Units	LOP Cost ($000)		
Technical Assistance				
Long-Term (expatriate)	13.0 PY	$4,746.3		
Long-Term (local)	15.0 PY	359.6		
Short-Term (expatriate)	180.5 PM	4,741.6		
Short-Term (local)	900.0 PM	546.0		
Training (short-term, off-shore	183.0 PM	2,453.6		
Group Actions				
Trade Missions	At least 12	397.8		
Local Costs of Seminars, Workshops and Outreach	As required	475.0		
Project Commodities	As required	750.0		
Administrative/Logistic Support and Office Operations				
Bissau Office	5 Years	2,948.4		
Home Office	5 Years	2,078.0		
Other Misc. Direct Costs	As required	150.0		
Evaluation (external)	3 Evaluations	209.9		
Audit (external)	3 Audits	141.8		
TOTAL		$19,998.0		

*NOTE: Inputs are limited only to those provided through TIPS. ATLAS, HRDA and PD&S provide other inputs directly supportive of the USAID program covered by this logframe.

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TIPS PROJECT PAPER
657-0021

ANNEX C

AID/W AND REDSO/WCA APPROVAL CABLES

This Annex includes:

1. STATE 181490 dated June 6, 1992.
2. ABIDJAN 16197 dated September 28, 1992.

[redacted] UNCLAS WASHDC

92-2352

AMB ADMN POL GSO AID PC CPU

VZCZCBIO204BAO119
OO RUFHBI
DE RUEHC #1490/01 1580156
ZNR UUUUU ZZH
P 060153Z JUN 92 ZDK CTG RUFHBI 0014
FM SECSTATE WASHDC
TO RUFHBI/AMEMBASSY BISSAU PRIORITY 5739
RUEHAB/AMEMBASSY ABIDJAN PRIORITY 9313
BT
UNCLAS SECTION 01 OF 02 STATE 181490

REC'D
15
USAID-Bissau

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: REVIEW OF GUINEA-BISSAU'S STRATEGY AND TRADE AND INVESTMENT PROMOTION SERVICES (TIPS) PROJECT 657-0021

REF: A. STATE 275380 (91); B. ABIDJAN 21235 (91); AND C. STATE 386349 (90)

1. SUMMARY:

AFRICA BUREAU MEETINGS TO REVIEW GUINEA-BISSAU'S REFINED PROGRAM STRATEGY AND TIPS PROJECT WERE HELD ON MAY 6 AND MAY 14. THE COUNTRY STRATEGY AND TIPS PROJECT PAPER WERE REVIEWED CONCURRENTLY, AND IT WAS AGREED THAT THE OBJECTIVES SET FORTH IN THE TIPS PROJECT PAPER AND AS MODIFIED DURING AID REP LUKOMSKI'S TDY REPRESENT THE MOST COMPLETE STATEMENT OF THE AID PROGRAM IN GUINEA BISSAU. THE MEETINGS WERE CHAIRED BY T. BORK, DIRECTOR AFR/SWA AND INCLUDED REPRESENTATIVES FROM AFR/DP/PAB; AFR/DP/PSE; AFR/ONI/PSD; AFR/ONI/DG; RD/EID/RAD; AFR/ARTS/EA; GC/AFR
AND AF/WAL. THE STRATEGY AS DEFINED IN THE TIPS PROJECT PAPER AND WITH THE REVISIONS PROPOSED BY LUKOMSKI, WAS APPROVED. THE ANTICIPATED OYB OVER THE PERIOD COVERED BY THE STRATEGY IS IN THE RANGE OF DOLS. 5.5 MILLION ANNUALLY. THE TIPS PROJECT WITH A LIFE-OF-PROJECT

OBLIGATION LEVEL OF DOLS. 19,998 MILLION WAS CONSIDERED TO BE TECHNICALLY SOUND. REGARDING NPA COMPONENT, THE DECISION WAS IF OAR/BISSAU BELIEVES THAT SOMETIME IN THE FUTURE, ONE IS NECESSARY, BEFORE ANY DESIGN WORK IS STARTED, A CONCEPT PAPER BE SUBMITTED TO AID/W FOR REVIEW.

CONGRATULATIONS ARE IN ORDER FOR ALL THOSE WHO PARTICIPATED IN THE CONCEPTION AND WRITING OF BOTH THE REFINED STRATEGY AND THE TIPS PROJECT PAPER. SPECIAL RECOGNITION IS EXTENDED TO WAYNE KING, REDSO/W; MIKE LUKOMSKI AND BOB MITCHELL, USAID/BISSAU; AND MARK RENZIE AND JULIE GRANT, OF MSI. THE APPROACH IS INNOVATIVE AS IT COMBINES EFFORTS TO GALVANIZE THE PRIVATE SECTOR, AND IN THE PROCESS, IMPROVE AND STRENGTHEN THE COUNTRY'S

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DEMOCRACY AND GOVERNANCE EFFORTS. THE PP OBJECTIVES ARE CLEAR, THE INDICATORS (AS REDEFINED IN AID/W BY LUKOMSKI) ARE EXCELLENT, THE CONSTRAINTS AND INSTITUTIONAL ANALYSIS WELL ARTICULATED AND PROJECT MODALITY WELL THOUGHT OUT. THE REVISED STRATEGY (WITH ITS REVISED LOGFRAME) AS WELL AS THE PP WILL BE DISTRIBUTED BUREAU-WIDE. END SUMMARY

2. STRATEGY

THE REVIEW GROUP FOUND THAT THE STRATEGY WAS CONGRUENT WITH THE DFA ALTHOUGH A CAUTIONARY NOTE WAS EXPRESSED WITH REGARD TO POSSIBLE PROLIFERATION OF PROGRAM ACTIVITIES. THE PROGRAM WAS DEEMED IN THE MISSION'S MANAGEABLE INTEREST WITH THE FOLLOWING CAVEATS RELATING SPECIFICALLY TO THE TARGETS OF OPPORTUNITY: ANY ACTIVITIES THAT EXPLICITLY DEAL WITH DEMOCRACY SHOULD BE 116E FUNDED; ANY TARGETS OF OPPORTUNITY IN THE SOCIAL INFRASTRUCTURE AREA IS RESTRICTED TO AIDS ONLY. THE REASONING BEHIND THIS RELATES TO FUNDING AND MANAGEMENT CONCERNS AS WELL AS THE BELIEF THAT THE TIPS PROJECT WILL REQUIRE CLOSE MISSION OVERSIGHT.

3. STRATEGY/PROJECT CONSOLIDATION

A. IT WAS DECIDED TO CONSOLIDATE THE STRATEGY AND PROJECT FOR REPORTING PURPOSES, SINCE WITH THE EXCEPTION OF THE TWO TARGETS OF OPPORTUNITY, IMPLEMENTATION OF THE OVERALL PROGRAM WOULD ESSENTIALLY AMOUNT TO IMPLEMENTATION OF TIPS, WHICH IS THE CENTERPIECE OF THE STRATEGY AND REPRESENTS SOME 90 PERCENT OF PROGRAM EFFORT AND ACTIVITY. THIS APPROACH REDUCES THE MANAGEMENT LOAD AS PROJECT REPORTING WOULD BE IDENTICAL TO THE OVERALL PROGRAM REPORTING AND ANNUAL PROJECT REPORTS COULD SUFFICE FOR AN API TYPE DOCUMENT. THERE WERE A FEW MINOR CHANGES TO THE

OBJECTIVE TREE. THE STRATEGIC OBJECTIVE WAS AMENDED TO READ QUOTE PRIVATE SECTOR TRADE AND INVESTMENT (T&I) INCREASED IN CRITICAL GROWTH SUB-SECTORS THROUGH IMPROVED GOVERNANCE. END QUOTE THE TARGETS AND SUB-TARGETS WERE SLIGHTLY ADJUSTED TO SHOW GREATER SPECIFICITY, BUT THE SUBSTANCE WAS NOT CHANGED. THE PROGRAM LOGFRAME WAS ADJUSTED TO REFLECT CHANGES IN THE OBJECTIVE TREE. THE PRINCIPAL REVISION CAME IN A MUCH MORE DETAILED ARTICULATION OF POLICY PERFORMANCE INDICATORS WHICH LUKOMSKI PRESENTED AT THE SECOND REVIEW MEETING. THE TIPS PP INDICATORS WILL BE SIMILARLY REVISED TO REFLECT CHANGES MADE IN THE PROGRAM LOGFRAME.

B. IN SUM, THE APPROVED 1992-1998 PROGRAM STRATEGY FOR GUINEA-BISSAU IS AS REPRESENTED IN THE QUOTE REFINED USAID/BISSAU PROGRAM OBJECTIVE TREE, END QUOTE DATED MAY 14, 1992, AND ITS ASSOCIATED "PROGRAM LOGFRAME". THE PP
BT
#1490

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AMB ADMN POL GSO AID PC CPU

VZCZCBIO205BAO120
OO RUFHBI
DE RUEHC #1490/02 1580156
ZNR UUUUU ZZH
P 060153Z JUN 92 ZDK CTG RUFHBI 0014
FM SECSTATE WASHDC
TO RUFHBI/AMEMBASSY BISSAU PRIORITY 5740
RUEHAB/AMEMBASSY ABIDJAN PRIORITY 9314
BT
UNCLAS SECTION 02 OF 02 STATE 181490

AIDAC
E.O. 12356: N/A
TAGS:
SUBJECT: REVIEW OF GUINEA-BISSAU'S STRATEGY AND TRADE AND INVESTMENT PROMOTION SERVICES (TIPS) PROJECT 657-0021

ANALYSIS FOR TIPS IS ACCEPTED AS SUFFICIENT DOCUMENTATION

TO SUPPORT THE PROGRAM STRATEGY.

4. TIPS COMMENTS

A. CONSISTENCY WITH STRATEGY

THE REVIEW GROUP'S ASSESSMENT WAS THAT THE TIPS PROJECT WAS, FOR ALL PRACTICAL PURPOSES, ONE AND THE SAME AS THE OVERALL PROGRAM STRATEGY. THIS APFROACH OF A SINGLE PROJECT OR NPA ACTIVITY SERVING AS THE BASIC COUNTRY STRATEGY WAS CONSIDERED TO BE A MODEL FOR SMALL PROGRAMS SUCH AS GUINEA BISSAU'S. IT WAS AGREED THAT THE PROJECT ADDRESSES THE DFA CRITICAL SECTOR PRIORITIES, AND THAT IT IS APPROPRIATE FOR DFA AUTHORIZATION AND FUNDING. THE GROUP ALSO FELT THAT THE PROJECT INDICATORS, AS ELABORATED BY LUKOMSKI IN AID/W, WERE EXCELLENT AND CLEARLY DELINEATE PEOPLE LEVEL IMPACT THAT CAN BE MEASURED.

B. NPA COMPONENT

THERE WAS A LIVELY DEBATE ON INCLUSION OF AN NPA COMPONENT INTO THE TIPS PROJECT. THE AID REP, NOTING DIFFICULTIES OTHER AFRICAN COUNTRIES HAVE EXPERIENCED IN IMPLEMENTING POLICY REFORMS, INQUIRED WHETHER AN NPA COMPONENT, IF NEEDED, COULD BE ADDED TO THE PROJECT AT A LATER DATE. CONCERNS WERE EXPRESSED BUT WERE NOT BASED ON THE FEASIBILITY OF OR THE PROBABLE NEED FOR A NPA COMPONENT (THESE WERE ACCEPTED), BUT RATHER ON (1) BUDGET AVAILABILITY; (2) MANAGEMENT CONCERNS; (3) OTHER DONORS AS A FUNDING SOURCE; AND (4) COST OF MONITORING A NFA. IT WAS AGREED THAT SHOULD OAR/BISSAU DETERMINE THAT A NPA

COMPONENT WOULD BE USEFUL A CONCEPT PAPER, WHICH WOULD DETERMINE THE JUSTIFICATION AND FEASIBILITY FOR A NPA, WOULD FIRST BE SUBMITTED TO AID/W FOR REVIEW. M. LUKOMSKI AGREED.

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5. CONTRACTING MODALITY

THE CONTRACT MODALITY QUESTION WAS LOOKED AT IN TERMS OF ITS RELEVANCE TO CONDITIONS IN GUINEA BISSAU AND THE BROAD BREADTH OF EXPERTISE NEEDED TO IMPLEMENT SUCH AN INNOVATIVE PROGRAM. THIS DECISION WAS LEFT UP TO REDSO/W AND THE MISSION. THE CONTRACTING MECHANISMS CHOSEN FOR TIPS SHOULD EXPLORE ALL AVAILABLE OPTIONS, E.G. BUY-INS, COOPERATIVE AGREEMENTS, MANAGEMENT CONTRACT, MASTER CONTRACT; MANAGEMENT CONCERNS SHOULD BE THE KEY SELECTION FACTOR IN DECIDING THE CONTRACT MODES.

6. GRAY AMENDMENT CONSIDERATIONS:

IT IS AFRICA BUREAU POLICY THAT CONTRACTS AND GRANTS BE AWARDED TO GRAY AMENDMENT ENTITIES TO THE GREATEST EXTENT FEASIBLE. THE PP SHOULD CLEARLY IDENTIFY SUBSTANTIVE ROLES FOR GRAY AMENDMENT ENTITIES IN PROGRAM IMPLEMENTATION. FOR CONTRACTS OR GRANTS IN EXCESS OF DOLS 500,000, AT LEAST 10 PERCENT OF THE DOLLAR VALUE SHOULD BE PROVIDED TO GRAY AMENDMENT SUBCONTRACTORS, GRANTEES OR SUBGRANTEES.

7. IEE

THE IEE SHOULD BE REVISED TO REFLECT CONCERNS DEALING WITH THE FORESTRY AND FISHERIES SECTORS. JOHN GAUDET WILL DRAFT THE IEE AND FAX A COPY TO ABIDJAN FOR THE REGIONAL ENVIRONMENTAL OFFICER'S REVIEW. THE IEE COULD BE FINALIZED DURING THE REGIONAL ENVIRONMENTAL OFFICER'S TDY IN AID/W. BUREAU REGIONAL ENVIRONMENTAL OFFICER WOULD APPRECIATE REDSO/W'S COMMENTS ON THE ABOVE. JUNE 15TH IS THE DESIRED DEADLINE FOR FINALIZATION.

8. WID

ON GOING MISSION-FUNDED RESEARCH REGARDING CROSS BORDER TRADE INDICATES THAT WOMEN TRADERS PLAY A SIGNIFICANT ROLE IN MOVING GOODS BOTH WITHIN GUINEA-BISSAU AND ACROSS ITS BORDERS. AS INFORMATION BECOMES MORE SPECIFIC, THE MISSION SHOULD MODIFY PROGRAM/PROJECT INDICATORS TO BETTER CAPTURE PROGRAM/PROJECT IMPACT ON WOMEN.

9. FAA 110 REVIEW

GUINEA-BISSAU MISSION HAS SUBMITTED A DRAFT REQUEST FOR APPROVAL OF A WAIVER OF FAA 110 REQUIREMENT TO AID/W FOR PROCESSING. WILL NOTIFY WHEN WAIVER IS APPROVED.

10. STATUTORY CHECKLIST

MISSION IS REMINDED THAT A COMPLETED STATUTORY CHECKLIST MUST BE ATTACHED TO THE PP. COUNTRY CHECK LIST PORTION WILL BE PREPARED BY CDO Y. JOHN AND POUCHED TO THE OAR/BISSAU. KANTER
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UNCLAS ABIDJAN 016197

AMB ADMN POL GSO AID PC CPU

RM
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DE RUEHAB #6197/01 2721523
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FM AMEMBASSY ABIDJAN
TO RUFHBI/AMEMBASSY BISSAU IMMEDIATE 5354
INFO RUEHC/SECSTATE WASHDC 2228
BT
UNCLAS SECTION 01 OF 02 ABIDJAN 016197

RECEIVED
29 SEP. 1992
USAID-Bissau

AIDAC

E.O. 12356: N/A
SUBJECT: GUINEA-BISSAU TRADE AND INVESTMENT SUPPORT
- SERVICES PROJECT (TIPS) 657-0021

REFS: (A) ABIDJAN 10875 (B) STATE 181490

REF A LISTED THE RESULTS OF THE REDSO/WCA PROJECT REVIEW COMMITTEE (PRC) AND REF B LISTED RESULTS FROM A SIMILAR REVIEW IN AID/W, INCLUDING ISSUES AND RECOMMENDATIONS FOR REVISING THE TIPS PROJECT PAPER.

SUMMARY: A REDSO/WCA PROJECT REVIEW COMMITTEE RECONVENED ON FRIDAY SEPTEMBER 18 TO DETERMINE THE ADEQUACY OF DOCUMENTS SUBMITTED BY OAR/BISSAU TO SATISFY RECOMMENDATIONS SET FORTH IN REFS A AND B. BASED ON A REVIEW OF THE DOCUMENTS PRESENTED, FURTHER MODIFICATIONS TO THE ECONOMIC ANALYSIS, AND INCLUSION OF A BUDGET TABLE TO SPECIFY THE METHODS OF IMPLEMENTATION AND FINANCING, THE REDSO/WCA DIRECTOR PROVIDES CONCURRENCE IN THE APPROVAL AND AUTHORIZATION OF THE TIPS PROJECT AND IN THE EXECUTION OF THE PROJECT AGREEMENT.

1. PROJECT REVIEW

A REDSOWCA PROJECT REVIEW COMMITTEE RECONVENED ON FRIDAY SEPTEMBER 18 TO DETERMINE THE ADEQUACY OF DOCUMENTATION PREPARED AND SUBMITTED BY CAR/BISSAU TO SATISFY RECOMMENDATIONS SET FORTH IN REFS A AND B OF JUNE 6, AND JUNE 19, RESPECTIVELY.

4.PSD:RHANCHETT, 5.OP:SWISECARVER
PARTICIPANTS INCLUDED THE REDSO/WCA DIRECTOR AND DEPUTY DIRECTOR, REPRESENTATIVES FROM COGNIZANT TECHNICAL OFFICES AND OAR/BISSAU REPRESENTATIVE MICHAEL LUKOMSKI. THE MAJOR ISSUES DISCUSSED AND THE ACTIONS TAKEN TO RESOLVE THEM FOLLOW:

--- ECONOMIC ANNEX: THE REDSO/WCA PROJECT REVIEW COMMITTEE, DURING ITS JUNE REVIEW, FOUND THE ECONOMIC ANALYSIS IN THE PP WANTING. WHILE ACKNOWLEDGING THE LIMITATIONS OF THE NEOCLASSICAL ECONOMIC THEORY ON WHICH DEVELOPMENT PROJECTS TRADITIONALLY HAVE BEEN BASED, THE COMMITTEE POINTED OUT THAT IT STILL HAS POSSIBLE TO COMPARE THE LIFE-OF-PROJECT COSTS WITH THE BENEFITS THAT

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WILL ARISE FROM IMPROVEMENTS IN THE LEGAL AND REGULATORY FRAMEWORK. ADDITIONAL GUIDANCE ON THE PREPARATION OF A SUITABLE ECONOMIC ANALYSIS HAS PROVIDED BY JERRY WOLGIN OF AFR/ONI. BASED ON THESE GUIDANCES, OAR/BISSAU PREPARED AND SUBMITTED THE REQUESTED ECONOMIC ANNEX FOR REVIEW AT THE SEPTEMBER 18 MEETING. THE PRC ACKNOWLEDGED THAT THE ANALYSIS REPRESENTED A SIGNIFICANT ADVANCE AND NOTED THAT THERE REMAINED SOME LEAPS IN THE ANALYSIS WHICH, FOR INSTANCE, DID NOT EXPLAIN HOW THE PROJECT WILL GENERATE THE 10 RATE OF RETURN STATED IN THE ANALYSIS. THE PRC REQUESTED THAT OAR/BISSAU MODIFY THE ECONOMIC ANALYSIS TO INCLUDE A NARRATIVE WHICH DESCRIBES THE ASSUMPTIONS AND ACTIONS BEHIND EACH NUMBER. THE COMMITTEE FURTHER RECOMMENDED THAT THE LINKAGE BETWEEN THE BENEFIT STREAM IN THE ECONOMIC ANALYSIS AND THE END-OF-PROJECT STATUS BE CLARIFIED. OAR/BISSAU HAS REQUESTED TO MODIFY THE ANALYSIS TO INCLUDE A DISCUSSION OF THE KINDS OF CHANGES IN PRIVATE SECTOR INVESTMENT AND PRODUCTION DECISIONS THAT SHOULD OCCUR DUE TO THE ENACTMENT OF THE POLICY CHANGES AND THE IMPROVEMENTS IN THE LEGAL AND REGULATORY SYSTEM AND ENVIRONMENT THAT ARE SOUGHT. THE ADDITIONAL ANALYSIS FOR THE AFOREMENTIONED RECOMMENDATIONS HAS COMPLETED TO REDSO/WCA'S SATISFACTION AND INCORPORATED INTO THE ECONOMIC ANNEX.

--- IEE: THE REGIONAL ENVIRONMENTAL OFFICER NOTED THAT THE APPROVED IEE WHICH APPEARED AS ANNEX J OF THE PP HAS NO LONGER ACCURATE BECAUSE REVISIONS HAD BEEN MADE TO THE PP WHICH DEPARTED FROM WHAT IS CONTAINED IN THE APPROVED IEE. SPECIFICALLY, THE PP NOW PROPOSES TO ELIMINATE A KEY STUDY WHICH IS REQUIRED IN THE APPROVED IEE AND INSTEAD USE DATA TO BE PROVIDED BY TH
E WORLD
BANK.

NOTWITHSTANDING THE COST SAVINGS TO OAR/BISSAU, THE QUALITY AND SUITABILITY OF THE WORLD BANK DATA FOR FULFILLING THE REQUIREMENTS OF THE IEE WAS OF CONCERN. FURTHERMORE, AGENCY GUIDANCE PROVIDED IN 85 STATE 19980, TITLED "ENVIRONMENTAL PROCEDURES REG 16," SUGGESTS THAT THIS SORT OF DEPARTURE FROM THE APPROVED IEE REQUIRES A NEW DETERMINATION. FOLLOWING DISCUSSIONS, IT WAS AGREED THAT IN ACCORDANCE WITH REGULATIONS, THE IEE WOULD BE AMENDED PRIOR TO THE COMMENCEMENT OF ANY IMPLEMENTATION ACTIVITIES RELATING TO FORESTRY AND BEFORE THERE IS ANY IRREVERSIBLE COMMITMENT OF PROJECT FUNDS TO THE FORESTRY SECTOR.

--- HOST COUNTRY CONTRIBUTION WAIVER: SECTION 110 (A) WAIVER WAS SIGNED JULY 17, 1992 BY DAA/AFR HICKS. THE SIGNED VERSION CONTAINS A SIGNIFICANT ERROR CONCERNING
BT
#6197

AMB ADMN POL GSO AID PC CPU

VZCZCBIO759EHU186
OO RUFHBI
DE RUEHAB #6197/02 2721523
ZNR UUUUU ZZH
O 281523Z SEP 92
FM AMEMBASSY ABIDJAN
TO RUFHBI/AMEMBASSY BISSAU IMMEDIATE 5355
INFO RUEHC/SECSTATE WASHDC 2229
BT
UNCLAS SECTION 02 OF 02 ABIDJAN 016197

AIDAC

E.O. 12356: N/A
SUBJECT: GUINEA-BISSAU TRADE AND INVESTMENT SUPPORT
- SERVICES PROJECT (TIPS) 657-0021

THE MAGNITUDE OF THE GOVERNMENT OF GUINEA-BISSAU CONTRIBUTION. TO RECTIFY THIS ERROR, IT WAS DETERMINED THAT THE AUGUST 6, 1992 RLA ALEXANDER TO AIDREP LUKOMSKI MEMO SHOULD BE ADDED TO THE EXISTING SIGNED VERSION OF THE WAIVER AND BOTH SHOULD BE INCLUDED IN THE PP AS FURTHER APPROVAL FROM DAA HICKS IS NOT NECESSARY. THIS DOCUMENT NOW HAS BEEN ATTACHED TO THE EXISTING APPROVED WAIVER.

--- PROGRAM/PROJECT LOGFRAME: SINCE THE TIPS PROJECT LARGELY CONSTITUTES THE ENTIRE AID PROGRAM IN GUINEA BISSAU, THE AID/W ECPR RECOMMENDED THAT THE PROJECT LOGICAL FRAMEWORK BE CONSOLIDATED WITH THE PROGRAM LOGICAL FRAMEWORK FOR REPORTING PURPOSES. THE PRC DISCUSSED THE MERITS OF THE RECOMMENDATION AND ALTERNATIVES THERETO. AIDREP LUKOMSKI EXPRESSED A PREFERENCE FOR INCLUDING IN THE PP, THE PROGRAM MATRIX WITH MODIFICATIONS TO INCORPORATE ESSENTIAL PROJECT ELEMENTS, AS WELL AS THE ORIGINAL PROJECT LOGFRAME. THE PRC AGREED THAT THE FINAL VERSION OF THE PP SHOULD CONTAIN BOTH.

2. OUTSTANDING ACTION

GOGB LETTER OF REQUEST: THE LETTERS OF REQUEST FOR ASSISTANCE (ANNEX A) DO NOT FULLY COMPLY WITH THE REQUIREMENTS SET FORTH IN HB3 CH3 SEC 3E2C. THESE LETTERS SHOULD BE REVISED TO INCORPORATE THE AMOUNTS TO BE PROVIDED BY AID, BY GOGB AND BY ANY OTHER SOURCE.

3. OTHER ISSUES/ACTIONS

ALL OTHER ISSUES HAVE BEEN RESOLVED TO THE SATISFACTION OF THE COGNIZANT TECHNICAL OFFICES. HENCE, THE PP NOW INCLUDES:

--- A TABLE ON METHODS OF IMPLEMENTATION AND FINANCING;
--- PROVISIONS FOR THREE AUDITS;
--- EXPLICIT IDENTIFICATION OF SUBSTANTIVE ROLES FOR GRAY AMENDMENT ENTITIES; AND
--- REQUIRED STATUTORY CHECKLISTS HAVE BEEN COMPLETED.

130

4. BASED ON THE INCLUSION IN THE FINAL TIPS PP AND AUTHORIZATION PACKAGE, OF MODIFICATIONS AND REVISIONS MADE DURING AIDREP LUKOMSKI TOY TO REDSO/WCA, WHICH ADDRESS AND RESOLVE ALL ISSUES RAISED BY THE PRC, AND SUBJECT TO EXPIRATION OF THE CN WITH NO OBJECTION, THE REDSO/WCA DIRECTOR, PURSUANT TO SECTION 5(B) OF DELEGATION OF AUTHORITY (DOA) 551, REVISED, HEREBY CONCURS IN THE APPROVAL AND AUTHORIZATION OF THE TIPS PROJECT. THE DIRECTOR, REDSO/WCA, ALSO CONCURS IN THE EXECUTION OF THE PROJECT GRANT AGREEMENT FOR THE TIPS PROJECT.

5. RELEVANT REDSOWCA TECHNICAL, LEGAL, FINANCIAL AND PROJECT OFFICERS HAVE REVIEWED THE TEXTS OF THE DRAFT APPROVAL AND AUTHORIZING DOCUMENTS, INCLUDING THE ACTION MEMORANDUM TO THE OAR, THE PROJECT AUTHORIZATION, THE PP FACESHEET AND THE GRANT AGREEMENT. THE TEXTS REVIEWED HAVE BEEN DEEMED TO WARRANT CONCURRENCE.

6. PLEASE POUCH TO REDSO/WCA SIGNED COPIES OF THE DOCUMENTS. HORAN
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ANNEX D

SECTION 110 WAIVER

This Annex includes:

1. Action Memorandum for the Deputy Assistant Administrator for Africa (approved by AFR/DAA John Hicks on July 17, 1992).

2. REDSO/WCA/RLA August 6, 1992 Memorandum to Michael F. Lukomski.

3. STATE 240318 dated July 27, 1992.

4. Paragraph 1 of ABIDJAN 16197 dated September 28, 1992 (full cable included in Annex C).

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

JUL 13 1992

ACTION MEMORANDUM FOR THE DEPUTY ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: Timothy O. Bork, AFR/SWA

SUBJECT: Guinea Bissau Trade and Investment Promotion Services Project (657-0021) Waiver of Host Country Contribution Requirement

Problem: Your approval is required to waive the requirement in Section 110 of the Foreign Assistance Act of 1961, as amended, (FAA) for the Government of Guinea Bissau (GOGB) to make a minimum 25 percent host country contribution to the Trade and Investment Promotion Services (TIPS) project, 657-0021. The A.I.D. Representative in Guinea Bissau has the delegated authority to obligate the funds, but does not have authority to waive required host country contribution.

Background: The Office of the A.I.D. Representative (OAR/GB) is preparing a six-year $19.998 million dollar project to assist the GOGB to increase private trade and investment in critical growth sub-sectors through reform of the policy, regulatory and adjudicatory environments and through direct assistance to the private sector. The project is particularly timely as an adjunct to the country's decision to democratize the political process by registering multiple political parties that will be competing in open elections. Simultaneously, the current government is convening workshops and, with donor support, commissioning studies to revise the constitution and basic policies in this formerly socialist state.

Discussion: Heretofore, because funds for the programs and projects for the Sahelian countries were made available pursuant to FAA Section 121, the Agency determined that Sahelian countries were not required to meet the country contribution requirement of FAA Section 110, which by its terms requires a minimum 25 percent country contribution for assistance made available pursuant to FAA Sections 103 through 106. As a consequence of the repeal of FAA Section 121, and the addition of the new FAA Section 496 (d), the country contribution requirement is now applicable to Guinea Bissau and other Sahelian countries.

The GOGB is not in a position to meet the 25 percent host country contribution requirement, i.e. $6.66 million, for this project. Until the economy is on its way to sustainable growth, there will

320 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523

JUL-30-1992 12:28 FROM TO 901124520118S P.06

be almost no resources to address basic developmental needs. Because of the stabilization and structural adjustment programs, the GOGB is under extreme pressure to reduce its budget deficit. In 1991, the deficit was $33,247,000 or 17.57 percent of GDP. The deficit target for 1992 is 2.22 percent of GDP. In order to meet the deficit target for 1992, the GOGB will have to institute major increases in tax and non-tax revenue and major reductions in expenditures. Although it cannot provide the nearly seven million dollars, the GOGB has promised the in-kind contribution of key personnel which will provide the local currency equivalent of about $380,000 for each project year. To require the full 25 percent contribution under the current budget constraints is not feasible and would jeopardize the accomplishments of critical project activities, as outlined above.

The government has taken several steps which convey their commitment to this activity. A land tenure and judicial commission are now functioning. In addition, the President has agreed to establish a commission comprised of public and private officials who will, in an effort to promote further expansion of private sector activities, recommend revisions of existing laws and regulations which discourage trade and investment.

The Mission believes that it is appropriate to waive the FAA Section 110 requirement. A.I.D. Handbook 3, Chapter 2, Appendix 2G, Section E.2.b states that "it seems reasonable to conclude that the granting of a waiver is permissible whenever the initiation and execution of an otherwise desirable project is handicapped primarily by the 25 percent contribution requirement."

Pursuant to FAA Section 124(d) and A.I.D. Handbook 3, Chapter 2, Appendix 2G, section E.2.b, the host country contribution requirement may be waived on a case-by-case basis for relatively least developed countries. Guinea-Bissau is on the most recently issued list of the United Nations General Assembly's "least developed countries," and is therefore eligible to be considered for the requested waiver. A waiver of contributions to this project is justified based upon the information provided above.

<u>Authority:</u> A waiver of the host country contribution requirement is permitted under the provisions of FAA Section 124(d). The authority to exercise the waiver has been delegated by the Administrator to, inter alia, the Assistant Administrator for Africa in A.I.D. Delegation of Authority No. 403. Pursuant to DOA No. 550, which grants alter ego authority to Africa Bureau Deputy Assistant Administrators, you have the authority to approve this waiver.

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Recommendation: That you approve this request for a waiver of the requirement for Guinea Bissau to make a minimum 25 percent host country contribution to the Guinea Bissau Trade and Investment Promotion Services project No. 657-0021.

Approved: [signature]

Disapproved: _____

Date: 7/17/92

MEMORANDUM TO: Michael F. Lukomski, AIDREP/Bissau

FROM: Margaret Alexander, REDSO/RLA

SUBJECT: Guinea-Bissau Trade and Investment Promotion Services Project (No. 657-0021) -- Waiver of Host Country Contribution Requirement

DATE: August 6, 1992

I. PROBLEM: On July 17, 1992, John Hicks, DAA/AFR, approved a waiver of the requirement under Section 110(a) of the Foreign Assistance Act of 1961, as amended, ("FAA") that the a host government (in this case, the Government of Guinea-Bissau) contribute at least 25% of the total costs of the cited project. OAR/Bissau has since learned that a misunderstanding between the field and the desk led to a material error in the action memorandum on which the waiver was based. This memorandum is written to correct the error and explain why the waiver is nonetheless valid.

II. DISCUSSION: The original Action Memorandum stated that the Government of Guinea-Bissau ("GOGB") could not afford the $5,245,000 contribution that would constitute 25% of the $20,980,000 total project costs, but that GOGB would be able to provide "in-kind" contributions equivalent to $380,000 per project year. This statement was in error. The Memorandum should have given a figure of $380,000 over the six year life of the project. This is the sum calculated in the Project Paper as the maximum amount that can be contributed by GOGB.

As explained in the A.I.D. guidelines (Handbook 3, chapter 2G-6), the host country contribution, even if less than 25%, must be substantial enough to demonstrate and to insure the country's commitment to the project. OAR recognizes that the sum of $380,000 over a six year period does not, to the American ear, sound substantial. Nevertheless, in the Guinense context, it is a major commitment. The substantiality of the contribution may be appreciated by comparison with other local statistics: The average monthly salary of GOGB employees is $33. Thus, $380,000 represents 11,515 months of government salaries or nearly one thousand person-years. The yearly operating budget for the entire Ministry of Justice is approximately $250,000. Thus, $380,000 represents a year and a half of the Ministry's operations. The actual contribution will comprise government personnel, office space and other facilities and private sector contributions.

CONCLUSION: OAR/Bissau has submitted, and RLA agrees, that, taken together with Guinea-Bissau's RLDC status and the macroeconomic picture set forth in the original Action Memorandum, the requirements for waiver of Section 110(a) are met, and the waiver remains valid.

UNCLAS log action WASHDC 240318

G-P → TIPS file

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RECEIVED
23 JUIL. 1992
USAID-Bissau

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: 25 PERCENT TIPS WAIVER

1. THE 25 PERCENT HOST COUNTRY CONTRIBUTION WAIVER FOR THE TRADE AND INVESTMENT PROMOTION SERVICES (TIPS) PROJECT (657-0021) WAS APPROVED BY AFR/DAA JOHN HICKS ON JULY 17.

2. AFR/SWA WOULD LIKE TO KNOW THE STATUS OF THE IEE AND THE ECONOMIC INFORMATION THAT WAS REQUESTED BY REDSO/WCA. BAKER
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WILL ARISE FROM IMPROVEMENTS IN THE LEGAL AND REGULATORY FRAMEWORK. ADDITIONAL GUIDANCE ON THE PREPARATION OF A SUITABLE ECONOMIC ANALYSIS HAS PROVIDED BY JERRY WOLGIN OF AFR/ONI. BASED ON THESE GUIDANCES, OAR/BISSAU PREPARED AND SUBMITTED THE REQUESTED ECONOMIC ANNEX FOR REVIEW AT THE SEPTEMBER 18 MEETING. THE PRC ACKNOWLEDGED THAT THE ANALYSIS REPRESENTED A SIGNIFICANT ADVANCE AND NOTED THAT THERE REMAINED SOME LEAPS IN THE ANALYSIS WHICH, FOR INSTANCE, DID NOT EXPLAIN HOW THE PROJECT WILL GENERATE THE 10 RATE OF RETURN STATED IN THE ANALYSIS. THE PRC REQUESTED THAT OAR/BISSAU MODIFY THE ECONOMIC ANALYSIS TO INCLUDE A NARRATIVE WHICH DESCRIBES THE ASSUMPTIONS AND ACTIONS BEHIND EACH NUMBER. THE COMMITTEE FURTHER RECOMMENDED THAT THE LINKAGE BETWEEN THE BENEFIT STREAM IN THE ECONOMIC ANALYSIS AND THE END-OF-PROJECT STATUS BE CLARIFIED. OAR/BISSAU HAS REQUESTED TO MODIFY THE ANALYSIS TO INCLUDE A DISCUSSION OF THE KINDS OF CHANGES IN PRIVATE SECTOR INVESTMENT AND PRODUCTION DECISIONS THAT SHOULD OCCUR DUE TO THE ENACTMENT OF THE POLICY CHANGES AND THE IMPROVEMENTS IN THE LEGAL AND REGULATORY SYSTEM AND ENVIRONMENT THAT ARE SOUGHT. THE ADDITIONAL ANALYSIS FOR THE AFOREMENTIONED RECOMMENDATIONS HAS COMPLETED TO REDSO/WCA'S SATISFACTION AND INCORPORATED INTO THE ECONOMIC ANNEX.

--- IEE: THE REGIONAL ENVIRONMENTAL OFFICER NOTED THAT THE APPROVED IEE WHICH APPEARED AS ANNEX J OF THE PP HAS NO LONGER ACCURATE BECAUSE REVISIONS HAD BEEN MADE TO THE PP WHICH DEPARTED FROM WHAT IS CONTAINED IN THE APPROVED IEE. SPECIFICALLY, THE PP NOW PROPOSES TO ELIMINATE A KEY STUDY WHICH IS REQUIRED IN THE APPROVED IEE AND INSTEAD USE DATA TO BE PROVIDED BY TH
E WORLD
BANK.

NOTWITHSTANDING THE COST SAVINGS TO OAR/BISSAU, THE QUALITY AND SUITABILITY OF THE WORLD BANK DATA FOR FULFILLING THE REQUIREMENTS OF THE IEE WAS OF CONCERN. FURTHERMORE, AGENCY GUIDANCE PROVIDED IN 85 STATE 19980, TITLED "ENVIRONMENTAL PROCEDURES REG 16," SUGGESTS THAT THIS SORT OF DEPARTURE FROM THE APPROVED IEE REQUIRES A NEW DETERMINATION. FOLLOWING DISCUSSIONS, IT WAS AGREED THAT IN ACCORDANCE WITH REGULATIONS, THE IEE WOULD BE AMENDED PRIOR TO THE COMMENCEMENT OF ANY IMPLEMENTATION ACTIVITIES RELATING TO FORESTRY AND BEFORE THERE IS ANY IRREVERSIBLE COMMITMENT OF PROJECT FUNDS TO THE FORESTRY SECTOR.

--- HOST COUNTRY CONTRIBUTION WAIVER: SECTION 110 (A) WAIVER WAS SIGNED JULY 17, 1992 BY DAA/AFR HICKS. THE SIGNED VERSION CONTAINS A SIGNIFICANT ERROR CONCERNING
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#6197

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E.O. 12356: N/A
SUBJECT: GUINEA-BISSAU TRADE AND INVESTMENT SUPPORT
- SERVICES PROJECT (TIPS) 657-0021

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ANNEX E

STATUTORY CHECKLIST

This Annex includes:

1. Country Checklist.
2. Assistance Checklist.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. **Narcotics**

a. **Negative certification** (FY 1991 Appropriations Act Sec. 559(b)): Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? NO

b. **Positive certification** (FAA Sec. 481(h)). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct N/A

source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? N/A

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance? N/A

c. **Government Policy** (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)). (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress N/A

listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

2. **Indebtedness to U.S. citizens** (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

NO

3. **Seizure of U.S. Property** (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

NO

4. **Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by

NO, RECIPIENT IS NOT A COMMUNIST COUNTRY

N/A

the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? N/A

5. **Mob Action** (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? NO

6. **OPIC Investment Guaranty** (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC? NO

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? NO

8. **Loan Default** (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? NO

(b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds? NO

9. **Military Equipment** (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

N/A

10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

NO

11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

AS OF 8/19/92, GOGB WAS * $269,700 IN ARREARS. NO, SITUATION DEVELOPED AFTER DECISION MADE

12. **International Terrorism**

a. **Sanctuary and support** (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

NO

b. **Airport Security** (ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? NO

13. **Discrimination** (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? NO

14. **Nuclear Technology** (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) NO

15. **Algiers Meeting** (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) NO *

16. **Military Coup** (FY 1991 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? NO

17. **Refugee Cooperation** (FY 1991 Appropriations Act Sec. 539): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? YES

18. **Exploitation of Children** (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? NO

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

1. **Human Rights Violations** (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? NO

2. **Abortions** (FY 1991 Appropriations Act Sec. 535): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary NO

sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, 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?

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest? N/A *

5C(2) - ASSISTANCE 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?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

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.

BY ASSISTING IN MODERNIZATION OF TRADE AND EXPORT-RELATED POLICIES AND PRACTICES, TIPS WILL INCREASE ABILITY OF G-B TO DEVELOP DOMESTIC AND EXPORT INDUSTRIES AND INCREASE INTERNATIONAL TRADE (A & B). DIRECT ASSISTANCE TO PRIVATE SECTOR BUSINESS GROUPS WILL INCREASE INDUSTRIES' TECHNICAL EFFICIENCY (E)

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).

BY IMPROVING THE CLIMATE FOR INVESTMENT IN G-B, TIPS WILL ENCOURAGE US INVESTMENT. IN ADDITION, TRADE MISSIONS TO US WILL HELP TO ESTABLISH RELATIONSHIPS AND ADVANCE US PARTICIPATION IN AID

3. **Congressional Notification**

a. **General requirement** (FY 1991 Appropriations Act Sacs. 523 and 591; FAA Sec. 634A): If money 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)? YES

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 poolicy 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

NO LEGISLATIVE ACTION IS REQUIRED FOR THE PROJECT TO GO FORWARD IN TIMELY FASHION. SINCE TIPS INTENDED RESULTS INCLUDE LEGISLATIVE ACTION, HOWEVER, OAR/GB HAS MET REGULARLY FOR 18 MONTHS WITH GOGB AND OPPOSITION PARTY COUNTER-PARTS AND ASCERTAINED THEIR COMMITMENT TO PROPOSED LEGISLATIVE CHANGES

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will be completed in time to permit orderly accomplishment of the purpose of the assistance?

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)?

N/A

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 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.

BY ASSISTING IN MODERNIZATION OF TRADE AND EXPORT-RELATED POLICIES AND PRACTICES,TIPS WILL INCREASE ABILITY OF G-B TO DEVELOP DOMESTIC AND EXPORT INDUSTRIES AND INCREASE INTERNATIONAL TRADE (A & B). DIRECT ASSISTANCE TO PRIVATE SECTOR BUSINESS GROUPS WILL INCREASE INDUSTRIES' TECHNICAL EFFICIENCY (E)

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).

BY ASSISTING IN MODERNIZATION OF TRADE AND EXPORT-RELATED POLICIES AND PRACTICES, TIPS WILL INCREASE ABILITY OF G-B TO DEVELOP DOMESTIC AND EXPORT INDUSTRIES AND INCREASE INTERNATIONAL TRADE (A & B). DIRECT ASSISTANCE TO PRIVATE SECTOR BUSINESS GROUPS WILL INCREASE INDUSTRIES' TECHNICAL EFFICIENCY (E)

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 lieu of dollars.

ALTHOUGH THE REQUIREMENT OF A 25% CONTRIBUTION HAS BEEN WAIVED, G-B WILL CONTRIBUTE PERSONNEL AND OTHER IN-KIND RESOURCES

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:

N/A - NO LOCAL CURRENCY * GENERATIONS

(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 disbursements from the separate account?

N/A - NO LOCAL CURRENCY * GENERATED

(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?	N/A - NO LOCAL CURRENCY GENERATED
(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?	N/A - NO LOCAL CURRENCY GENERATED *
(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?	N/A - NO LOCAL CURRENCY GENERATED *
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?	NO
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	NO. THE AGREEMENT CONTAINS A SPECIAL COVENANT AGAINST SUCH ASSISTANCE

textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

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. IN CONJUNCTION WITH WORLD BANK, PROJECT WILL BE MONITORED TO INSURE AGAINST AND MITIGATE ANY DEGRADATION OF TROPICAL FORESTS. THE PROJECT DOES NOT INVOLVE TIMBER EXTRACTION

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.?

ANY PVO INVOLVED IN TIPS WILL CONFORM TO AUDIT AND REGISTRATION REQUIREMENTS

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?

YES, UNLESS WAIVED

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).

CONFIRMATION WILL BE CABLED, AND TEXT WILL BE POUCHED, WITHIN 60 DAYS OF SIGNATURE ANTICIPATED TO TAKE PLACE IN LATE AUGUST, 1992

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion 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 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

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?

ASSISTANCE WILL SEEK OUT AND ENCOURAGE WOMEN PARTICIPANTS AMONG LAW STUDENTS AND GOGB OFFICIALS

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? — YES - SOME WORK WITH * COOPERATIVES IS PLANNED

21. **U.S.-Owned Foreign Currencies**

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. — U.S.G OWNS NO RELEVANT FOREIGN CURRENCY

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? — INSTITUTIONAL CONTRACT WILL REQUIRE SBA NOTIFICATION TO INSURE SMALL BUSINESS PARTICIPATION IN FURNISHING GOODS AND SERVICES TO PROJECT

b. **U.S. procurement** (FAA Sec. 604(a)): Will all 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 cooperating 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?	YES
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 NO AGRICULTURAL COMMODITIES ARE TO BE FURNISHED UNDER THE PROJECT
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 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.)	N/A NO CONSTRUCTION WILL BE FINANCED UNDER THE PROJECT
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?	NO
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	YES

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?

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 1991 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 provided by law or Executive order)? YES

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? YES

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 YES

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

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 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(g)): 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? YES

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31. **Military Personnel** (FY 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 Propoganda** (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support 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 Government, a 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 that is intended primarily to benefit U.S. producers?	N/A AGRICULTURAL DEVELOPMENT IS BEYOND THE SCOPE OF THE PROJECT. TO INSURE THAT NO PROHIBITED ASSISTANCE IS FURNISHED COVENANTS AND STUDIES WILL ASCERTAIN THAT COMMODITY GROUPS RELEVANT TO THE PROJECT WOULD NOT CAUSE SUBSTANTIAL INJURY TO U.S. COMPETITORS IF EXPORTED

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 businesses, and small incomes of the poor)?	YES, TO THE EXTENT APPLICABLE TO THIS NON-TECHNOLOGICAL PROJECT
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 processes essential to self-government.	TIPS WAS DESIGNED IN CONSULTATION WITH ALL POLITICAL PARTIES IN G-B. IT HAS MADE AND WILL MAKE USE OF GOVERNMENT PERSONNEL, BUSINESS AND ACADEMIC RESOURCE PERSONS AND WILL PROVIDE TRAINING IN BUSINESS AND REGULATORY PRACTICE TO MAKE LEGAL PROTECTIONS IN CONSULTATION WITH VARIOUS GROUPS THROUGHOUT G-B
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 efforts of developing countries; (d) promote the participation of women in the national economies of developing countries	TIPS WILL A) INVOLVE THE POOR BY REFORMING THE BUSINESS ENVIRONMENT IN G-B TO MAKE IT MORE HOSPITABLE AND REMUNERATIVE TO SMALL BUSINESSES AND FARMERS AND TO GIVE THEM ACCESS TO EASY ENTRY INTO THE FORMAL SECTOR, B) ENCOURAGE PRIVATE AND LOCAL DEMOCRATIC INSTITUTIONS BY SUPPORTING THE CHAMBER OF COMMERCE AND ENCOURAGING GOGB'S CONSULTATION WITH EMERGING POLITICAL PARTIES, D) ENCOURAGE WOMEN'S PARTICIPATION THROUGH TRAINING AND BY ASSISTANCE IN CRITICAL SUBSECTORS DOMINATED BY WOMEN (RICE, FRUIT)

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)?

NO. HOST COUNTRY 25% CONTRIBUTION REQUIREMENT HAS BEEN WAIVED BY DAA/AFR

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. IMPACT ASSESSMENTS WILL ASCERTAIN EXTENT OF INCREASED MARKET ACCESS AND PARTICIPATION BY POOR MAJORITY

9. **Abortions** (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):

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 NO FUNDS ARE BEING MADE AVAILABLE FOR FAMILY PLANNING
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 NO FUNDS ARE BEING MADE AVAILABLE FOR FAMILY PLANNING
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 disadvantaged (including women)?	ALL CONTRACTS EXCEEDING $500,000, WHICH ARE NOT AWARDED TO GRAY AMENDMENT ENTITIES, WILL INCLUDE A MINIMUM 10% GRAY AMENDMENT SUB-CONTRACTING PLAN

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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 ecosystems or other wildlife habitats; (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?

N/A NOT A BIODIVERSITY PROJECT

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 sustainably managing forest resources; (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

YES
THE TIPS POLICY COMPONENT WILL WORK WITH HOST COUNTRY AND DONOR COUNTERPARTS TO ELABORATE THE DRAFT GUINEA-BISSAU TROPICAL FOREST RESOURCES MANAGEMENT POLICY PREPARED WITH SUPPORT PROVIDED BY THE WORLD BANK, EEC, AND THE JAPANESE MINISTRY OF FINANCE. THE OBJECT OF THIS EXERCISE WILL BE TO ENSURE THAT THE POLICY PROVIDES FOR APPROPRIATE AND SUSTAINABLE USE OF TROPICAL FOREST RESOURCES. THE PROJECT WILL ALSO COLLABORATE CLOSELY WITH THE WORLD BANK'S GUINEA-BISSAU RESOURCES MANAGEMENT PROJECT

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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 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. Government agencies 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; (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

NO

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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 livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

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?

YES

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?

YES

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 NOT AN ENERGY-RELATED PROJECT

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

YES, ALL PRIORITIES OF THE DFA (ITEMS A - F OF THE QUESTION) HAVE BEEN REVIEWED AND INCORPORATED IN PROJECT DESIGN

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private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a 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 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, ALL PRIORITIES OF THE DFA (ITEMS A - F OF THE QUESTION) HAVE BEEN REVIEWED AND INCORPORATED IN PROJECT DESIGN

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 plant 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 NOT DEBT-FOR-NATURE SWAP

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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**	
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 - ENTIRELY GRANT FUNDED *
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?	N/A - ENTIRELY GRANT FUNDED *
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?	N/A - ENTIRELY GRANT FUNDED *
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?	N/A - ENTIRELY GRANT FUNDED *
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	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

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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?

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 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.

N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

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.

N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

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c. **Food security:** Describe extent to which activity 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.

N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

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 mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

22. **Education and Human Resources Development** (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal 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.

N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

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 - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS

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;	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS *
b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS *
c. research into, and evaluation of, economic development processes and techniques;	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS *
d. reconstruction after natural or manmade disaster and programs of disaster preparedness;	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS *
e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS *
f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.	N/A - DFA-FUNDED, NOT SUBJECT TO FUNCTIONAL ACCOUNT LIMITS *

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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 - NO ESF FUNDING

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

N/A - NO ESF FUNDING

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 - NO ESF FUNDING

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 - NO ESF FUNDING

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 - NO ESF FUNDING

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?

N/A - NO ESF FUNDING

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?

N/A - NO ESF FUNDING

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. government 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?

N/A - NO ESF FUNDING

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?

N/A - NO ESF FUNDING

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ANNEX F

INSTITUTIONAL ANALYSIS

This Annex includes:

1. A 15-Page Institutional Analysis.

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ANNEX F

INSTITUTIONAL ANALYSIS

F.1. This annex describes in some detail the key institutions, both public and private, that will be the objects of or conduits for project assistance. These institutions play a critical role in the economic and political development of Guinea-Bissau, yet all lack some of the fundamental ingredients, such as qualified personnel and reliable information, required to make sound and effective decisions on public policy priorities.

F.2. The TIPS Project will enhance the capabilities of private actors to participate in the policy and rule-making processes and will utilize private institutions, like the Chamber of Agriculture, Industry and Commerce, as conduits for training and technical assistance. At the same time, the project will target key governmental institutions in an effort to improve their capacity to analyze, formulate, and implement economic policies and rules affecting trade and investment in Guinea-Bissau.

A. Introduction: Requisites for Effective Policy/Rule-Making in Guinea-Bissau

F.3. At this critical juncture in the transition to a market-based economy and to a more open, multi-party political system, Guinea-Bissau needs solid institutions with skilled personnel who can formulate and implement a rational, formal and impartial set of rules, and who can be responsive to the demands and requirements of the private sector. Yet, government institutions suffer from a dearth of trained personnel, reliable information, and other resources that can support deliberation of policies, and effective and efficient management of economic resources. At the present time, policy formulation and law making are diffused throughout the public sector and no effective institutional mechanisms exist to coordinate policies among different government offices or to channel public demands for responsible and effective governance.

F.4. At the same time, an organized private sector is only now beginning to emerge, and there are no private institutions with the necessary capability to carry forth a private sector agenda, to advocate policy reform and responsible governance, and to assist with the training and other needs of the embryonic private sector. The result is very limited participation by the private sector in the policy-making process affecting this sector.

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F.5. In light of the institutional weaknesses of both the public and private sectors, project assistance will target key private as well as public institutions. Substantial assistance under the project will focus on enhancing the ability of private actors and private institutions to invest and to participate in the policy-making process. At the same time, the project will target key governmental institutions, including the Ministry of Finance, the Ministry of Commerce, and the Ministry of Justice in an effort to improve decision-making at the highest levels of government with input from private and non-governmental organizations. This approach recognizes that effective governance must be promoted because it is central to the development of sound and sustainable economic policies, but that good governance is unlikely in the absence of broader participation by the private actors in the reform process.

B. Current Needs and Opportunities

F.6. Whether out of necessity or choice, the GOGB began the process of fundamental economic and political reform in the mid-1980s. That process has gained momentum as the public sector's dominant role in the formal economy is making room for an emerging private sector. The GOGB's commitment to this process of reform seems strong and is evidenced in their resolve to "stay the course" on the World Bank's stabilization and structural adjustment program. Recently, for example, the World Bank had indicated that improvements in the collection of counterpart funds owed by private sector creditors to the BCN would need to be made for continuation of Bank support. The GOGB managed to collect GP30.6 billion in arrears; the World Bank's target was GP37 billion.

F.7. Recent reports have also found considerable consensus among government officials with regards to the need to continue and deepen the economic and political reform processes that are currently underway. Nonetheless, even though there is agreement on the general direction of policies, government leaders recognize that they lack knowledge, expertise and resources to move the country through a successful economic and political restructuring. Broadly speaking, there is a poor understanding of market forces and a general lack of skills in policy formulation and implementation. Moreover, poor linkages and consultative mechanisms exist among government agencies and between public and private sectors. There is a lack of mutual trust and an unclear definition of the public versus the private domain. The results are inconsistent or irregular application of laws and regulations, lack of public accountability, duplication of efforts, inadequate prioritization of policy reforms, and limited input by private sector groups into the policy reform process.

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F.8. The next 3-5 years of reform will be critical, for it is during this period that basic institutional structures will be revised and established, new rules of the game installed, and major economic challenges addressed. Assistance to the institutions described below thus comes at a critical juncture and must remain flexible in order to respond to the different needs of the various institutional players as new opportunities arise.

C. Existing Institutional Structures and Capabilities within the Private Sector

F.9. The private sector in Guinea-Bissau is in its early stages of development. Until recently, government discouraged private initiative and owned most productive activities and basic services. National policy was determined by a small group of political leaders. As a result, few mechanisms exist for private participation in the policy reform and rule-making processes, and formal institutions representing private sector interests are only now beginning to emerge.

F.10. In this context, the TIPS Project will provide assistance to strengthen the capacity of the private sector to analyze problems, mobilize opinion, and dialogue with government on key economic policies, laws and regulations affecting trade and investment in Guinea-Bissau. The intention is to significantly increase the number and variety of decision-makers and the concerns they represent. In this way, accountability will be encouraged.

F.11. The Chamber of Agriculture, Industry and Commerce of Guinea-Bissau will be the main conduit for project assistance aimed at promoting private entrepreneurship and at strengthening the private sector's advocacy role. In addition, the project will work with the Lawyers' Bar Association, the Traditional Law Institute, and other burgeoning private and non-governmental organizations.

1. The Chamber of Agriculture, Industry and Commerce

F.12. The Chamber of Agriculture, Industry and Commerce of Guinea-Bissau was formed in late 1989 and is the only organization legally recognized by the government as representing the private sector. The catalyst for the formation of the Chamber was the ex-Minister of Economy and Commerce who, in 1989, invited a group of entrepreneurs to establish a private sector organization that could work with government in a partnership for development.

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F.13. In the modern history of Guinea-Bissau only the Association of Commerce, Industry and Agriculture, which has been inoperative since 1974, had previously attempted to represent the collective and individual interests of business people. That Association, however, was never formally recognized by the government.

F.14. The new Chamber of Agriculture, Industry and Commerce is the business community's only representative body. The country's private sector is not yet large enough or mature enough to support multiple business associations at this time. Consequently, the Chamber is the most viable organization through which project assistance to the private sector can be channelled at this stage. The role of the Chamber will be that of a "conduit" for training and technical assistance to the private sector. Actual implementation of these activities will be undertaken by a private US organization or contractor in the name of the Chamber.

F.15. The principal objectives of the Chamber are: (1) to defend and promote the interests of its members, commercial enterprises in GB, protecting their economic interests and professional activities in such a way as to contribute to the economic development and well-being of the country; and (2) to serve as private sector vehicle for communications with the Government on all commerce-related and trade and investment questions, both domestic and international. The goals of the Chamber also include promoting the interests of the business community at large and improving the standard of living in Guinea-Bissau.

F.16. The principal functions of the Chamber are to:

- Promote and stimulate the development of commercial activities;
- Increase international commerce;
- Study problems affecting commerce and recommend solutions;
- Maintain contacts with the Center for International Commerce, the International Chamber of Commerce, and other similar organizations;
- Organize and promote training programs in the area of business and commerce;
- Create an arbitration center for trade;
- Cooperate in the organization of and provide representation in national and international trade shows and fairs;
- Manage commercial deposits, warehouses and markets as well as emit Certificates of Origin and provide commercial services;
- Represent the members of the Chamber;

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- Publish a bulletin to keep members and the general public informed with regard to legislation, research, statistics, and important business news.

F.17. The Chamber began with 50 paying members, but in less than one year membership almost doubled. Since then, the Chamber has expanded its membership four-fold, has created satellite chapters in several regions, and will soon begin radio programs, newsletters, and other service activities. Membership is open to all enterprises regardless of size or origin of capital. The leadership is elected for 3-year terms by secret ballot.

F.18. As the most prominent leader of the private sector in the country, the Chamber must face the challenge of creating a strong public image, gaining trust and access to government, providing an adequate level of operations, and expanding its membership throughout the country. The Chamber does not currently possess the human or financial resources to undertake these tasks. USAID/Bissau, through MDI/Labat-Anderson is successfully providing assistance to the Chamber. It is the intention of the TIPS Project to incorporate and extend this association, and will use the Chamber as a conduit for training and technical assistance to the private sector without placing an undue burden on its current human and resource capabilities.

2. Private Law and the Lawyers' Bar Association

F.19. The Ordem dos Advogados da Guine-Bissau ("OAGB") is in the process of organizing and incorporating itself as an independent, private association of lawyers. At an organizational meeting in January, 1991, thirty-seven lawyers registered as charter members and agreed to support the OAGB through payment of monthly dues. Once established (which should occur prior to implementation of this project), the very existence of an organized bar association will represent a quantum leap forward for legal practice in Guinea-Bissau.

F.20. Currently, fewer than fifty attorneys live in Guinea-Bissau. Of these, approximately thirty-eight practice law; the remainder serve as judges or government officials. Many also serve as adjunct teaching staff at the Faculty of Law. All but two practicing lawyers work at least part time for the government in a legal capacity, and most of those maintain a private practice after the government workday ends at 2:30. The exceptions are a father and son who have opened a "law firm" for full-time private practice with one part-time associate; significantly, the "firm" was opened in the past few months in response to increased demand for legal services owing to the GOGB's socio-economic liberalization program.

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F.21. Until now, lawyers have obtained their legal education abroad, primarily in Portugal and Brazil, but also in the Soviet Union, Cuba and France. In 1989, a heavily-subsidized national Law Faculty was re-opened after earlier abortive attempts at legal education failed. The school provides a five-year legal education equivalent to that of the Law Faculty of Lisbon under the terms of a reciprocity agreement between Portugal and Guinea-Bissau; it does not, however, provide practical training or continuing legal education, and no program for either presently exists. The Faculty of Law is now graduating up to 25 attorneys each year.

F.22. Availability of legal materials is very limited. The three existing libraries -- at the Law School, the Supreme Court and GELD -- have few relevant volumes, no lending facilities and no general access for the legal community. Laws, to the extent they are compiled, are difficult to obtain, such that even the Law School does not have a complete collection of Guinean legislation. Most lawyers have access to no more than basic legal codes (which themselves do not reflect current legislation), and perhaps no more than a few treatises on analogous Brazilian or Portuguese legal topics.

F.23. Communication between lawyers and the legislature, judiciary or the private sector is informal, but frequent. However, there is no regular dissemination of legal information and no system for feedback on person-level impacts arising from changes in the law.

F.24. Few Guineans can afford legal services, or even have access to lawyers, because no practicing attorneys live outside of Bissau. Judges can and do appoint lawyers for criminal defendants who cannot afford counsel, but there is no organized system of pro bono representation in place, much less a program for those with commercial claims but no money to pay a lawyer.

F.25. The OAGB has ambitious plans for addressing these many problems facing legal practitioners in Guinea-Bissau, but it does not yet have sufficient resources to implement its plans.

3. Trade Associations and NGOs

F.26. Trade associations and non-governmental organizations form part of the civil society so central to sustainable development and openness in government. Because a formal private sector in Guinea-Bissau is only now emerging, new trade associations and non-governmental organizations will be identified during the course of project implementation. SOLADAMI is an official agency that assists Guinea-Bissau's large and growing number of local and foreign PVOs. Together with the Chamber of Agriculture, Industry and Commerce, and the Bar Association, trade groups and other non-governmental organizations will provide the "bottom-up"

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input that can guide the policy and legal reform processes and make such processes sustainable.

F.27. The Faculty of Law of Guinea-Bissau and the Instituto Nacional de Estudos e Pesquisas (INEP) are creating a program on traditional law and plans are underway to set up an Institute on Traditional Law (TLI). The Traditional Law Institute will be similar in structure to an American law review, with academically superior students working under a professor or practitioner with outside experts to produce scholarly publications and studies on various aspects of traditional law.

D. Existing Institutional Structures and Capabilities within the Public Sector

1. Overview of Policy-Making Process in Guinea-Bissau

F.28. The government of Guinea-Bissau has a six-tier hierarchy of officials with policy-formulation and law-making authority. From top to bottom, this hierarchy consists of : (1) the People's National Assembly (PNA); (2) the Council of State, a standing committee of the National Assembly; (3) the President, who also serves as President of the Council of State; (4) the Council of Ministers; (5) individual Ministers; and (6) individual Secretaries of State.

F.29. Policy-formulation and rule-making are diffused within this six-tier system. The two highest levels adopt policies expressed as substantive law; the other four levels issue administrative laws that can effectively under-cut or change substantive law. This complex system results in general statements of government policy, constitutional revisions, laws, resolutions, decree laws, presidential decrees, decrees, regulations, orders, and executive decisions that lack coherence and often conflict with one another.

F.30. The project design recognizes that the public sector is and will likely remain the dominant economic actor in Guinea-Bissau for many years to come. Despite recent constitutional changes, the state owns all natural and mineral resources as well as many productive enterprises, utilities, services and businesses, which it also manages. The GOGB plans to decrease state involvement in the economy through privatization, concessions and licensing, but will continue to regulate the emerging private sector. The issuing of licenses and granting of concessions, business registration requirements, tax codes, management of public bids and contracts, and myriads of other activities will remain under the aegis of the GOGB, with a substantial impact on the health of the economy and the success of efforts at economic stabilization, restructuring and growth. It is essential, therefore, to help government institutions

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improve their capacity to formulate policies, and draft and implement laws and regulations supportive of private initiative and investment.

F.31. In this context, the TIPS Project will offer training, technical assistance, equipment, and other material assistance to key government institutions. Assistance will be geared towards improvements in: the analysis of trade and investment policies, laws and regulations; the formulation and re-formulation of trade and investment statutes and regulations; and the adjudication of trade and investment conflicts.

2. Public Sector Institutions to be Targeted by Project

(a) Executive Offices/Ministries

F.32. In Guinea-Bissau, the Office of the President, the new Office of the Prime Minister currently being established, and the various ministries that support the executive branch lack the human, technical and material resources to debate, coordinate or implement a coherent set of national economic policies, laws, and regulations supportive of and responsive to the recent economic and political liberalizations.

F.33. Although the Office of the President has overwhelming powers in all domains of public policy, it depends on information provided by the individual ministries in order to formulate, discharge, and control economic policy. Since the ministries themselves lack the necessary informational, technical and human resource capabilities to collect, analyze and transmit needed information, each ministry operates in isolation from the other. The result is the formulation of policies, laws, and regulations that are poorly thought out, overlapping, and often contradictory.

F.34. Under the constitution in effect until May, 1991, executive power was wielded by the President of the Council of State and the Council of Ministers. In practice, almost all power was reserved to the President of the Council of State, who also served as President of the country, the head of government and the Commander in Chief of the Armed forces. The President had enormous legislative, executive and judicial powers. He could call the People's National Assembly (PNA) to session and dissolve it. He nominated and dismissed the Prime Minister, the Ministers, the Judges of the Supreme Court, ambassadors and senior civilian and military officers. Most of these powers continue under the present constitution, though efforts are being made to effect changes that give more power to the legislative and judicial branches.

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F.35. The Office of the President was recently reorganized in conjunction with the creation of the Office of the Prime Minister (an office that has yet to be clearly defined). Prior to the reorganization, the Presidency included the following officers:

1. The Minister of Presidential Affairs, with many of the functions of a Prime Minister but without the constitutional attributes or title;

2. The Secretary of State for the Presidency, who operates as the President's Chief of Staff, with responsibility for appointments, correspondence and coordination of the President's agenda; and

3. The Director General, who, with ten assistants, is responsible for management, finance, personnel and procurement.

F.36. The President also has three advisors, one in the economic area, one for local affairs and one for political and diplomatic matters. These advisors sometimes work directly with the president, sometimes through the then Minister of Presidential Affairs (now Personal Counselor to the President) and sometimes through the Chief of Staff. These advisors have no staff of their own and very often render advice on the basis of personal opinions and impressions.

F.37. Laws are drafted within individual ministries and then distributed to the other ministries during meetings of the Council of Ministers. Most ministerial actions, however, are taken through decrees and may or may not involve dialogue and coordination with other government entities.

F.38. The policy and legal reform efforts supported by the TIPS Project will involve a number of different ministries, as well as the new Office of the Prime Minister. The Ministry of Justice will be a key player. The Ministry of Finance, which already has an office that prepares draft legislation and decrees on matters affecting liberalization of the economy, will also need to be involved. The Ministry of Commerce and Tourism also will have a key role. Other ministries with a stake in the policy and legal reform processes are the Ministries of Rural Development and Agriculture, Fisheries, and Natural Resources and Industry. It is envisioned, however, that project activities will by and large involve the Ministry of Finance and the Ministry of Justice.

F.39. The project will also support the development of a private-public Permanent Presidential Commission. The purpose of the Commission will be to decide the nature and direction of changes in investment policy, establish priorities for making those changes, identify which laws need to be changed or enacted, locate and determine strategies for the removal of barriers to

investment, and supervise and monitor implementation of policy reforms.

F.40. The Commission will be convened by the President of the Republic and will be comprised of the President, key ministers and representatives from the private sector. Members of the Commission will most likely include the Prime Minister (Chairman), the Minister of Administrative Reform (Co-Vice Chairman), the Minister of Justice, the Minister of Finance, the Minister of Commerce and Tourism, the Governor of the Central Bank, the Chief Justice of the Supreme Court, the Minister of Natural Resources and Industry, the Minister of Rural Development and Agriculture, the Secretary of State of the Treasury, and two members of the private sector (one of whom will serve as Co-Vice Chairman).

F.41. In addition, a Policy Analysis Unit (PAU) will be organized under the project. The primary purpose of this unit will be to establish the key areas of policy reform needed to create a more enabling environment for investment growth. The unit will conduct the primary analysis required to determine which policies and, consequently, which institutions will need to be changed or modified. Such a unit will also allow the commission to be sensitive to policy reforms that will enhance the investment climate in rural areas and for traditional forms of production. This unit will draw on/employ specialists in Guinea-Bissau on a part-time or temporary basis.

F.42. The Policy Analysis Unit proposed under the project differs from the Gabinete de Apoio aos Investimentos (GAI) housed within the Ministry of Finance in at least one important respect. The GAI, which is a one-stop investment promotion unit, is taking a "top-down" approach to macroeconomic reform. The PAU supported by the TIPS Project, on the other hand, takes a "bottom-up" approach to legal and regulatory reform supportive of trade and investment.

Gabinete de Estudos, Legislacao e Documentacao (GELD)

F.43. The Gabinete de Estudos, Legislacao e Documentacao (GELD) is the office within the Ministry of Justice responsible for reviewing and providing legal opinions on all proposed laws. It provides legal opinions on administrative and legal matters that originate from within the GOGB, ranging from opinions on treaties and international agreements to reviewing the constitutionality of a proposed law or decree. GELD has been assigned major responsibility for drafting laws, including those needed to address the new realities of the country, as well as to organize and compile legislation, legal doctrine and case-law to promote uniform understanding and application of the law. Under current arrangements, GELD is thus the focal point where laws converge

prior to and after enactment and, in that sense, can be viewed as the "gate-keeper" for the legislature.

F.44. GELD's library is the designated repository for legal documents for the entire country. However, this resource center is inadequately housed, equipped, staffed and operated. GELD also suffers from a lack of specialized personnel; it has been staffed by a revolving door of expatriate legal advisors from various countries, including Ghana and Portugal who have tasks assigned to them according to availability rather than specialization. Often, the country's governing bodies assign staff from outside GELD to draft bills or give legal opinions, which again allows for considerable duplication and conflict.

F.45. Despite its critical role in the formulation of statutes and regulations, GELD is inappropriately housed within the Ministry of Justice, is inadequately staffed, and lacks the technical and material resources required to perform its functions effectively. Nonetheless, the GOGB has begun to focus attention on the need to revitalize GELD and, as a result, new staff has been added and a new director has been appointed. The new director is responsible for overseeing and coordinating all GELD's activities, establishing an annual work-plan for the GELD, and establishing guidelines for cooperation between GELD and other government entities. Few resources, however, are at his disposition to carry out these duties effectively. Finally, the GOGB is also discussing the possibility of housing GELD elsewhere, perhaps in the legislature or in the Office of the Presidency.

F.46. The TIPS Project will strengthen GELD in an effort to improve the formulation and reformulation of trade and investment statutes and regulations.

(b) Popular National Assembly

F.47. The TIPS Project will work with and through the Popular National Assembly (PNA) in the (re)formulation of statutes, codification and, in certain instances, policy-formulation and implementation planning. For the most part, assistance will be directed at key committees, their elected members and staff, their capabilities to meet their private trade and investment law-making responsibilities, and the specific codification and legal information services the PNA might provide if and when GELD is transferred from the Ministry of Justice to the Legislature.

F.48. It is anticipated that the legislature will be significantly transformed under a separation of powers arrangement into an independent, multi-party body with enhanced responsibilities and authority. TIPS will not itself address this larger transformation, but the assistance given to specific

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committees and key members should have important spill-over effects on the legislature.

F.49. Although the constitution in force grants the legislature the powers and attributes normally associated with legislative powers, in actuality the PNA has never exercised those powers nor has it developed the institutional capability to do so. Nevertheless, the PNA, according to the constitution, can initiate legislation, amend or approve legislation prepared by the President or the Council of Ministers, debate and approve the budget, oversee the executive, and establish national policy.

F.50. The PNA is composed of 150 members. About 80% of the members can speak and understand Portuguese, the other 20% speak only either "criolo" or a variety of local languages. Close to 80% of the members are men.

F.51. The PNA has been meeting twice a year in ordinary sessions. Each session lasts for a week during which the members approve between 15-20 laws that have been prepared and approved by the Council of Ministers and the Council of State. Normally the action in the plenary involves points of clarification by the respective minister or members of the Central Committee of the PAIGC and ratification by the PNA. Bills are drafted and duplicated by the executive and distributed during the session for ratification, since the PNA has no capability to draft bills or duplicate the needed number of copies.

F.52. The budget of the nation is approved in a similar manner. Once prepared and approved by the Council of Minister, it is sent for ratification by the PNA. Although it is required that the budget be submitted to the PNA by mid-October and should be approved before January 1 of the following year, this is rarely observed. Normally the PNA has only a few days to ratify the budget.

F.53. The PNA is supposed to have internal autonomy to adopt its internal rules and procedures, formulate and adopt its agenda, and set up its budget and determine its compensation. In reality, the Minister of Finance determines the PNA budget and the President sets the legislative agenda under the one-party system that was recently abandoned. Even the day-to-day business of the assembly is entrusted to the Council of State. It functions as the actual legislative power.

F.54. In the recent past, the PNA organized itself into six permanent committees, each consisting of about seven members. Since the legislature meets only occasionally and has had no support staff to speak of, the work of the committees was marginal.

F.55. In addition to the permanent committees, the PNA has a "Mesa" composed of a President, two vice presidents and two secretaries elected from among its members at the beginning of each legislative term for a period of five years. The Mesa is assisted by a small secretariat and their advisors, none of whom is known to have a university degree.

F.56. There is also an Administrative Council composed of the first vice president and the first secretary of the Mesa, two deputies selected by the MESA, the Director General and two other staff selected by the Director General. This Council is responsible for the preparation of the budget of the PNA and for handling all aspects of administrative, financial, personnel and space management. The Director General has a staff of 16 to handle administrative matters. When the PNA is in session, it hires personnel from the ministries to record and prepare the minutes of the debate.

F.57. The PNA has no space of its own to hold its plenary sessions. This normally takes place in the headquarters of the PAIGC or the air force club hall. There is a two-story office space with about 15 offices to house the staff and the President. There is a small space for an archive and another for a reference library. The Government of Taiwan has promised to construct a new building for the meetings of the PNA. The allocation of space, staff and other resources will change under a multi-party system, as each Party is expected to control its own resources.

F.58. Salaries of the members and staff of the PNA varies from a maximum of $200 a month for the president to $30 for a messenger. The average salary is close to $100 a month. Members receive remuneration only when they are in session and when they perform assigned tasks. The total budget of the PNA is close to $150,000 a year.

F.59. These glaring deficiencies in the organization, operations and capabilities of the PNA to perform any of its constitutional functions were tolerated under the single party rule because the PNA operated as a marginal institution. Power was concentrated in the Office of the President and his support in the Party and military.

F.60. Within the context of the present constitutional and political reforms, the role of the PNA and its relationship with other branches of government are being radically changed. The members of the PNA will be directly elected in accordance with a multi-party system of elections. The Council of State will be abolished, and the legislative, executive and judicial powers will be separated. These changes will give a new importance to the PNA and affect the formulation of private trade and investment policies and statutes. TIPS will concentrate its

resources on the key committees assigned these trade and investment policy and law-making responsibilities.

(c) Judicial Institutions

The Courts

F.61. The judiciary in Guinea-Bissau has been under the Ministry of Justice. However, because there is no separation of powers, the judiciary is not truly independent. Moreover, the judicial system lacks qualified personnel, adequate funding, and infrastructure. The 1992 budget for the country's entire judiciary, for example, is the equivalent of US$70,000. Very often, the same people who make the laws, also interpret them and control those who are supposed to enforce the laws.

F.62. The absence of a truly independent, efficient, and trained judiciary has serious implications for the promotion of private investment in Guinea-Bissau. It is very difficult, for example, for investors to take a dispute over a contract or other matter to a court. Another problem is that once a case is in court, there is no certainty that the magistrate will know the law or be able to enforce it. The absence of set procedures in court leads some businessmen to resort to personal contacts in the executive branch as a means to resolve disputes. With the courts under the supervision of the Ministry of Justice, however, investors have little recourse in litigation involving the government.

F.63. The court systems are also conflicting and lead to considerable confusion. In addition to the official judiciary system, there are local community courts which apply customary law in adjudicating disputes. Investors in commercial farms who have land use permits from the government try to avoid community courts. Nonetheless, jurisdictional disputes occur.

F.64. Other problems arise because judges are not fully independent. Regional court judges, for example, are appointed and can be removed by the regional councils, and Supreme Court judges are at the mercy of the Council of State. In general, courts depend on the Ministry of Justice for financial resources, and judges are even listed as employed by the Ministry of Justice. The Supreme Court itself does not have the power to rule on the constitutionality of laws and decrees, but must seek advice from the Council of State.

F.65. Access to the courts is also limited by the number of judges available. At present, there are two civil judges and one criminal judge in the Autonomous Sector of Bissau, one regional judge in Bafata, Bafata Region (East), one judge in Catio, Tombali Region (South), and another in Bissora, Oio Region

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(North). These regional judges adjudicate both civil and criminal cases. There are no sectoral courts.

F.66. Claims must enter the courts at the regional level as first degree jurisdiction. These regional courts function like "provincial" courts for all regions of East, South and North, respectively. The law-judge hears the cases assisted by two lay-judges, elected by the community for a specific length of time. This three-judge panel sits as a tribunal. The case is directed by the law-judge, but any of the lay-judges may question the parties and witnesses. A summary of the interrogation is dictated to the clerk in Portuguese (the sessions are often in Criolo or a local dialect). The lay-judges serve to clarify custom and usage in the community. Whenever there is conflict between customary and written law, the latter generally prevails. Aside from the Bissau court, which is fairly active, the regional courts each hear fewer than one hundred cases a year.

F.67. Appeals from regional-court decisions are entered to the Supreme Court of Justice, which is located in the capital city of Bissau. The Court is separated into three chambers (criminal, civil and military), with a fourth ("social" -- for labor, family law, etc.) under formation. The Supreme Court hears fewer than two hundred cases a year and is seldom asked to sit in plenary session to establish points of law because there is currently no coherent body of law on which to opine.

F.68. Although efforts are underway to reform the judiciary and to make the court system independent, the lack of resources and qualified personnel is likely to slow down the pace of reform. The bills that have been drafted to effect those reforms are an Organic Law, Magistrates' by-laws, and Supreme Court by-laws. Changes will include:

- Formation of People's Tribunals in every sector to function as lower courts for small civil claims and to conduct criminal investigation;
- Creation of additional circuit courts for each provincial zone; and
- Expansion of the powers, responsibilities, and personnel in the Supreme Court.

F.69. The TIPS Project will assist with the restructuring of the court system to facilitate efficient, fair and impartial adjudication of conflicts regarding trade and investment transactions.

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ANNEX G

ECONOMIC ANALYSIS

This 17-page Annex includes an economic analysis of the TIPS Project.

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ANNEX G

ECONOMIC ANALYSIS

G.1. TIPS will assist Guinea Bissau in replacing its institutional environment supportive of a command economy by one that supports the private sector operating under competitive market conditions to increase trade and investment in critical growth sub-sectors. The present annex provides two perspectives on economic analyses of this transformation. The first adopts the institutional approach commonly followed in other A.I.D. projects with outputs that do not lend themselves to standard quantitative assessments of cause-effect relationships. The second perspective requires making certain numerical estimates in order to determine the stream of net benefits necessary to provide a minimum reasonable rate of return on the TIPS life-of-project investments. Chapter VII of the Project Paper touches on a third perspective in indicating that TIPS is adopting a least-cost approach to project implementation.

G.2. While recognizing the limitations of these three perspectives, they together confirm that TIPS is able to meet different standards of economic viability.

A. Perspective I: The Institutional Base for Economic Development

G.3. The underlying economic rationale for the TIPS Project stems from the role of institutions--legal, political, and administrative--in the economic development process. Institutions can be defined as the "rules of the game" -- as the policies, laws, and regulations that govern production, exchange, and decision-making. When a citizen has the right to make contracts with others that will be impartially enforced, or has a secure property right in the assets in which he has invested, these rights are derived from the institutions of the society. While these rights are taken for granted in the United States and other developed countries, they are often missing in the developing countries. Guinea-Bissau is a case in point.

G.4. The ability of individual entrepreneurs to borrow money to start or expand a business is very limited if contracts are not reliably enforced and property rights are not clear enough to serve as collateral for loans. Thus, many mutually beneficial market transactions may not take place in countries such as Guinea-Bissau because the rights of the individual parties to the transaction are ambiguous. Institutions are important not only for reducing the costs of business transactions, but also for creating incentives to invest and produce. In the absence of secure property rights, the incentive to invest in productive

assets or to produce or exchange goods that others may seize is severely limited. Thus, levels of investment, production and the extent of trade depend on the nature, accessibility, and reliability of the institutions in a particular country.

G.5. Unfortunately, the body of neoclassical economic theory on which development projects traditionally have been based has tended to ignore or at least to take for granted the significance of institutions to economic growth. As a result, more attention has been given to "getting the prices right," and relatively few projects have focused on the reform of laws and regulations, and on the need to build a constituency for these types of institutional reforms. The proposed TIPS Project will be one of the few projects in A.I.D.'s current portfolio to attempt to further improvements in the legal and regulatory framework of a host country, while at the same time building and strengthening channels for increased participation in the reform process in a "bottom-up" fashion.

G.6. In Guinea-Bissau, as has been discussed in other sections of this project paper, the institutional framework is very weak and not conducive to private investment, production or trade. The current legal and regulatory framework is complex, contradictory, and onerous for both domestic and foreign investors. As a result, investment (and to a lesser extent, trade) has failed to increase despite implementation of several stabilization and structural adjustment policies demanded by the IMF and the World Bank.

G.7. Laws governing the ownership of land, for example, include a law dating back to the colonial period, a 1975 law that gives the state the right to own all land, and traditional village rules of land allocation. This overlapping set of laws creates uncertainty for the long-term investor. Moreover, ill-defined ownership of the land limits an entrepreneur's ability to access credit because land cannot be pledged as collateral. This problem may be particularly thorny for a new business with little or no track record. Moreover, because the system for registering land is deficient, multiple ownership of the same piece of land may result. And, without an impartial court system to arbitrate business disputes, the potential investor faces a high degree of uncertainty and unpredictability. As a result, the entrepreneur restricts his investment or demands a much higher rate of return. In either case, the impact of such behavior at the level of the firm translates into poor economic performance at the macroeconomic level.

G.8. There is widespread agreement within the donor community and among policy-makers in Guinea-Bissau that increased trade and investment are key to achieving the sustainable economic growth rates required for the country to escape the cycle of poverty and underdevelopment in which it finds itself today. All recognize too that significant and sustainable increases in trade and investment will not take place in the absence of significant

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changes in the current legal and regulatory framework. Moreover, while improvements in laws and regulations are essential to the formation and expansion of private enterprises within the context of a market economy, improvements in the institutional capacity of government to carry out such reforms and to enforce new rules is also vital.

G.9. Recognizing the limits of a "top-down" approach to institutional reform and the vital role that openness and broad-based participation can play in promoting and sustaining those reforms, the project will place utmost priority on building channels and mechanisms to facilitate and promote greater involvement by the private sector in the reform process. For the reasons given above, however, the project will also place a high priority on increasing the capacity of key government institutions to work with the private sector to identify and analyze the important impediments in the legal and regulatory framework, to formulate policy reforms and draft new legislation, and to implement those changes.

G.10. The TIPS Project, however, will also channel considerable resources in support of direct interventions that will assist the private sector in identifying constraints and opportunities in trade and investment in priority sub-sectors, namely agriculture, horticulture, fisheries, and forestry, as well as commerce and services necessary to support these. These types of interventions are necessary at this time in Guinea-Bissau because of the relative newness of a private sector, the inadequate level of human resources development, and the lack of business support services and information about rules and regulations and about business opportunities. Until a few years ago, the government of Guinea-Bissau discouraged private sector initiatives, and there is currently a dearth of experienced entrepreneurs in the country. Moreover, Guinea-Bissau has some of the worst human resource development indicators in the world, and there is an acute shortage of technical, managerial, and entrepreneurial capabilities. There are also very few business support services and institutions that can provide information about markets, joint venture opportunities, and so forth. In the absence of adequate managerial capabilities, support services, and readily-accessible information to identify and exploit investment opportunities, the impact of improvements in the legal and regulatory framework will be limited. For these reasons, the TIPS Project will also support training, feasibility studies, trade missions, and other forms of technical and material assistance for the emerging private sector at the same time that legal and regulatory reforms are advocated and implemented.

G.11. In Guinea-Bissau, the exact pace and mix of policy reforms and of changes in laws and regulations will be determined by multiple factors. These include the magnitude of the bottlenecks encountered, the capacity of the government to understand and implement these reforms, the extent of political support for reform, and the continued commitment of the leadership to "stay

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the course." While these factors are largely outside the control of USAID/Bissau, they can be influenced to some extent by the offer of financial and technical resources, by pooling resources and coordinating activities with other international donors, and by supporting the types of activities proposed under the TIPS Project.

G.12. The costs that have been and are being incurred under the current legal and regulatory environment must be weighed against the life-of-project costs. It is virtually impossible to calculate a specific dollar amount for the opportunity costs of economic transactions that did not take place because an entrepreneur found the risks of institutional deficiencies and legal and regulatory impediments too high, or to estimate accurately the additional transaction costs associated with doing business in the current environment in Guinea-Bissau. It can be stated with a certain amount of confidence, however, that these costs have been very high and that they are likely to rise as the economy becomes more open, and as the pressures of population growth and widespread poverty continue unabated.

G.13. Constraints on growth from either debilitating regulations or inefficient policies mean heavy costs. At the macroeconomic level, these costs can (in theory) be measured in terms of GDP growth or lack thereof. At the people level, these costs translate into unemployment, low income, and limited opportunities for advancement. Ill-defined and ill-enforced policies and regulations increase risk and raise the costs of transactions and capital. Higher interest rates and higher return on investments are necessary to balance risks that could be reduced through appropriate legal and administrative structures. Weak enforcement of laws and poor adjudication of conflicts inflict heavy costs on the economy and on the people who live within that economic system. Measured from any perspective, the life-of-project costs are likely to be minimal compared to the benefits that will arise from improvements in the legal and regulatory framework and in the capacities of both public and private sector institutions to play their respective roles more effectively and efficiently within the context of an emerging market economy. Further, fundamental institutional changes envisioned are likely to produce benefits extending over the next 10, 15, 20 or more years.

B. Perspective II: Towards a Quantitative Economic Analysis

B.1. Limitations and Qualifications

G.14. TIPS does not fall within the context of a standard investment project. Given the uncertain nature of the project's outputs, let alone its impacts, it is not possible to do a traditional cost-benefit analysis. Emphasis is placed on research, analysis, and broad-based participation in policy,

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legal, regulatory and judicial reforms. These types of private sector "environmental" improvement activities account for some 75% of project resources. The remaining 25% will be used to provide more "direct assistance" to the private sector -- for example, basic business training, market studies, feasibility analyses, trade promotion missions, as well as activities to strengthen the ability of key new private sector institutions (such as the Chamber of Commerce, Agriculture and Industry) to provide information and services to the private sector and to represent the sector's interests in policy fora.

G.15. Achievement of the GOGB's real GDP growth objective of about 4% per year between 1993 and 1998 depends not only on the results of the TIPS project but also on the improved implementation of IMF and World Bank stabilization and structural adjustment programs; on an orderly transition to multiparty democracy; on continued high-level donor support; and on other exogenous factors, such as lack of serious drought. With the exception of the latter, all are closely interrelated with TIPS. TIPS will support and reinforce these developments, and they in turn will support and reinforce TIPS. GDP growth is, thus, a joint product of TIPS and other GOGB/donor actions.

G.16. TIPS is only one essential element in an overall economic growth package, and it is not possible to isolate and quantify the economic growth benefits due solely to TIPS.

G.17. The goal of the TIPS project (which is beyond the manageable interest of the Mission's program and the TIPS project) is not only <u>economic growth</u> (increased GDP), but also growth that is <u>broad-based</u> and <u>sustainable</u>. Achievement of the latter two components of the goal are in some cases likely to conflict with the short-term maximization of the first. For example, increased and indiscriminate cutting of forests would tend to maximize short-term GDP growth during the 6-year life of TIPS; however, the large negative impact of such actions on the sustainability of growth would only be registered in the medium to long-term. Similarly, putting project resources into increasing commercial production of fruit for export would very likely directly impact relatively few larger farmers, while efforts to increase traditional rice production would greatly benefit large numbers of farmers. Other things equal, and assuming an equal impact on GDP growth, an emphasis on traditional rice production would be preferable. Even if growth impacts were different (e.g., increasing traditional rice production results in less GDP growth than for the fruit alternative), should all investment be in fruit? Probably not. There would be a growth/equity trade-off, and pure economic analysis might not provide the "correct" or "desirable" response. The objective of <u>economic development</u>, as reflected in the TIPS goal, is not equivalent to the maximization of short-term economic growth (increased GDP); equity (broad-based participation) and sustainability (the continuation of growth in the medium and long-term) are major considerations. To view TIPS

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only in terms of the maximization of short-term GDP growth would be a serious error.

G.18. Many of the costs of the TIPS Project are directly measurable (technical assistance, training, commodities, project management and administration, etc.). Other costs are difficult (if not impossible) to estimate. These include: (1) Mission policy-dialogue costs, including costs of unsuccessful policy dialogue; (2) costs of foregone private trade and investment transactions; (3) GOGB, private sector, and other donor costs for participating with the Mission and TIPS in analyzing, promoting, adopting and implementing policy, legal, regulatory and judicial changes; and (4) the economic costs of individual policy-implementation actions themselves.

G.19. The expected benefits from TIPS in the policy, legal, regulatory, judicial and direct private sector assistance areas can be listed, but they are not for the most part easily quantifiable. The economic benefits are difficult to quantify because: (1) as noted in G.15 and G.16 above, they are joint products; (2) they are largely qualitative in nature, cutting across a broad array of existing GOGB and other donor programs and projects at the sub-sectoral, sectoral, cross-sectoral, regional and national levels; (3) the value of research and analysis, and thus the value of better understanding problems, is not easily quantifiable, and the number of variables is so large that cause and effect attribution to any one element, particularly better information for policy decisions and policy-implementation, is not feasible; (4) the role of TIPS is to provide information, promote participation, and support policy-implementation, but it is the GOGB and the country's private sector that will choose or not choose to implement and/or respond to policy changes, and if so, at what pace; and (6) even with direct assistance, it is not possible to know in advance what specific responses individual private decision-makers will make to changes in the policy, legal, regulatory and judicial environments. In sum, the establishment of direct and unambiguous linkages between TIPS interventions, costs, and increases in GDP growth rates is not possible.

G.20. It should also be noted that expected benefits are likely to be more responsive to the "efficiency of resource use" (total factor productivity) than to higher levels of investment. According to Lawrence Summers, Chief Economist for the World Bank, "A two tenths of one percent increase in total factor productivity in developing countries would do more for their living standards than an additional $100 billion of capital invested at historical rates of return." It is neither possible nor appropriate at this time to assign relative weights to the effects that total factor productivity and levels of investment will have on Guinea-Bissau' GDP rate of growth.

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B.2. Backwards Analysis

G.21. Despite the serious above-noted limitations, it is instructive to perform what is called a "backwards analysis." The basic objective is to determine what stream of net benefits is necessary to provide a reasonable or "minimum necessary" rate of return on the TIPS investment. For the purposes at hand, that rate of return is taken to be 10% per annum. It is expected that the rate of return on TIPS will greatly exceed 10%. However, given the previously noted difficulties with quantifying TIPS benefits, 10% is taken as the target.

G.22. The TIPS project will expend (invest) $19,997 thousand over a six-year period beginning in 1993. Given the projected rate of expenditure as per Table No. 5 on page 69-B, and assuming a discount rate of 10%, the present value of the TIPS investment is $15,384.1 thousands.

G.23. The task now is to generate a reasonable TIPS net benefit stream that, when discounted at 10% (the minimum acceptable rate of return for TIPS), yields a present value of $15,384.1. Such a benefit stream may be generated as follows:

(1) Assume that the more direct investment portion of TIPS (about 25%, or $3,846.0) is all invested in year 1 and that it generates a benefit stream representing a 10% per year rate of return.

(2) Assume that the research/analysis/policy/-legal/regulatory/judicial or environmental portion of TIPS (about 75%, or $11,538.1) is invested as per Table No. 5 (5% in year 1, 16.2% in year 2, 20.9% in year 3, 21.4% in year 4, 19.1% in year 5, and 17.4% in year 6). Further, assume that the individual yearly investments generate a return with a one-year lag, but that when returns start, they are at the same 10% rate as assumed for the more direct investments.

(3) The total TIPS benefit stream is then the yearly sums of (1) and (2) above, as modified per (4) below.

(4-a) During years 1 through 10, it is assumed that the operational/replacement/maintenance costs of maintaining the benefit stream are zero. That is, all costs are captured by, or included in, investment. Thus, benefits are equal to net benefits.

(4-b) During years 11 through 15, it is assumed that operational/replacement/maintenance costs rise at a rate just sufficient to keep yearly net benefits constant at year-10 levels.

(4-c) From year 16 through year 20, it is assumed that costs increase so rapidly that by year 21 net benefits are zero -- that is, although net benefits are positive, they decrease rapidly toward zero.

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G.24. The real net benefit stream that results from the above assumptions and approach is presented in Chart No. 1 below. Based on the assumptions that all other things are/remain equal, and that TIPS is the only source of GDP growth in the Guinea-Bissau economy, Chart No. 1 also presents the yearly percentage rates of GDP growth that would be generated by the TIPS project.

CHART NO. 1

Year	TIPS Net Benefits	% GDP Growth	Year	TIPS Net Benefits	% GDP Growth
1	$384.6	.21	11	2,847.6	1.40
2	498.1	.27	12	2,847.6	1.38
3	768.5	.41	13	2,847.6	1.36
4	1,104.9	.59	14	2,847.6	1.35
5	1,456.6	.77	15	2,847.6	1.33
6	1,798.6	.94	16	2,391.9	1.10
7	2,139.4	1.11	17	2,040.8	.93
8	2,353.4	1.21	18	1,735.6	.78
9	2,588.7	1.31	19	975.1	.49
10	2,847.6	1.42	20	162.1	.02

Note: The base 1992 GDP figure used above is $187 million. The latest Ministry of Finance estimate is about $220 million. Use of the higher figure will, of course, reduce the TIPS percent contribution to GDP growth figures significantly.

G.25. The TIPS net benefit stream presented in Chart No. 1, when discounted at 10%, has a present value of $15,384.1 -- i.e., it is equal to the present value of the TIPS investment stream. Thus, it represents a 10% rate of return on the TIPS project.

G.26. Relaxing for the moment the assumption that all other things are/remain equal, it is interesting to note that a constant 3.3% rate of growth in GDP due to other factors (stabilization, structural adjustment, smooth political transformation, other donor projects, increased credit, etc.), when added to the growth due to TIPS as per Chart No. 1, results in an average annual growth rate of 3.78% for the years 1993 through 1998. This in turn results in a GDP increase of 25% during the life of the TIPS project.

G.27. Working very limited existing data to the maximum extent possible, Chart No. 2 on the next page presents the Mission's best estimate of the contributions of the TIPS critical growth sub-sectors (CGSS) to the 1992 GDP.

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CHART NO. 2

Critical Growth Sub-Sectors	1992 % Contribution to GDP	1992 $ Contribution to GDP (000)
1. Rice		
-- Production	17.9%	$33,548.0
-- Processing (commercial)	0.0	-
2. Cashews		
-- Production	5.3	9,911.0
-- Processing (commercial)	0.0	-
3. Fruits		
-- Production	0.3	561.0
-- Processing (commercial)	0.0	-
4. Vegetables		
-- Production	0.5	935.0
5. Wood		
-- Production	4.5	8,415.0
-- Processing (including furniture-making)	0.7	1,309.0
6. Fish (& Shrimp)		
-- Production	2.0	3,740.0
-- Processing	0.0	-
7. Agroindustry (Excludes all above processing)	3.0	5,610.0
8. Commerce (related to the CGSS)	8.9	16,643.0
9. Services (related to the CGSS)	8.9	16,643.0
TOTAL	52.0%	$97,240.0

NOTE: The GDP figure again used was $187 million, not the higher $220 million figure.

G.28. The following demonstrates that, based on a very modest set of assumptions as to likely TIPS impacts on the critical growth sub-sectors, TIPS will generate a net benefit stream that exceeds that which is required for a 10% rate of return.

G.29. The assumptions as to how TIPS may generate the required benefit stream are indicated below. They should be read in conjunction with the base GDP estimates presented in Chart No. 2. A narrative regarding each critical growth sub-sector follows after.

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1. Rice
   - -- Production (0.5% growth in years 1 through 10).
   - -- Processing ($100,000 in year 1; no growth in year 2; 15% per year growth in years 3 through 10).

2. Cashews
   - -- Production (no growth in year 1; 2% per year growth in years 2 through 10).
   - -- Processing ($75,000 in year 1; 100% growth in year 2; 15% per year growth in years 3 through 10).

3. Fruit
   - -- Production (no growth in year 1; 50% growth in year 2; 5% per year growth in years 3 through 10).
   - -- Processing ($50,000 in year 1; 100% growth in year 2; 10% per year growth in years 3 through 5; 5% per year growth in years 6 through 10).

4. Vegetables
   - -- Production (no growth in year 1; 5% per year growth in years 2 through 10).

5. Wood
   - -- Production (no growth in years 1 through 4; 1% in years 5 and 6; 2% in years 7 through 10).
   - -- Processing (no growth in year 1; 10% growth in year 2; 15% per year growth in years 3 through 10).

6. Fish
   - -- Production (1% growth in year 1; 2% growth in year 2; 5% per year growth in years 3 through 10).
   - -- Processing (zero in year 1; $50,000 in year 2; 5% growth in year 3; 10% per year growth in years 4 through 10).

7. Agroindustry
   - -- (No growth in years 1 and 2; 4% per year growth in years 4 through 10.)

8. Commerce (CGSS)
   - -- (0.5% growth in years 1 and 2; 1% in year 3; 2% growth in years 4 and 5; 3% per year growth in years 6 through 10.)

9. Services (CGSS)
   - -- (0.5% growth in years 1 and 2; 1% growth in year 3; 2% growth in years 4 and 5; 3% per year growth in years 6 through 10.)

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G.30. Chapters III, IV and IV (pages 15 through 43) of the body of the Project Paper describe the main characteristics of the critical growth sub-sectors and their potential for growth, identify the most serious constraints to the realization of that potential, and define the rational for the planned TIPS interventions. Special attention is called to the fact that TIPS is but one crucial component of a coordinated GOGB and other donor effort to move the Guinea-Bissau economy forward on the path to market-oriented growth that is both sustainable and broad-based. Chapter V (pages 44 through 62) describes TIPS interventions and objectives in detail.

G.31. Section B of this Annex (beginning on page 4) stresses that about 75% of TIPS activities are targeted on <u>research and analysis</u> to develop plans and strategies for promoting policy, legal and regulatory reform, and to develop plans and strategies for providing direct assistance to the private sector, as well as on <u>promoting broad-based participation</u> in the policy, legal, regulatory and judicial reforms (the "environmental" reforms) actually undertaken. On the other hand, 25% is targeted on direct assistance to the private sector. The private sector "environmental" improvement activities are essential (necessary) to the long-term sustainability of growth in Guinea-Bissau. Specific linkages between any one "environmental" project activity and a specific supply-side response in any one given critical sub-sector are difficult to define and most difficult to quantify. The general linkages between better governance and growth are now generally accepted, and there is little doubt that with the passage of time the "science" will become more exacting and quantifiable. TIPS and the Guinea-Bissau governance program that it represents will no doubt contribute to the advancement of the development community's governance/growth knowledge base.

G.32. Out of necessity, the following discussion concentrates more heavily on the direct private sector assistance aspects of TIPS. These linkages are more direct and clear, but without the major "environmental" component, they would not be sustainable. Because Chapters III, IV and V make these points, they need not be repeated here.

<u>Rice</u>

G.33. Most of G-B's rice is produced in the south. Current production levels are significantly below historical production maximums. The opening of other donor-financed new roads will soon cut travel time to Bissau from a very difficult twelve hours to about four hours. A very large and modern private rice mill in Bafata is currently operating at minimal capacity. USAID studies have determined that the rice mill is economically viable, but that a private rice-collection facility is required in the south to insure a steady flow of rice to the mill. Also required are revisions to current regulations that prevent mill operators from buying directly from local traditional producers. Modern commercial firms are also expanding rice production and

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will continue to do so as they acquire clear title to their land. The World Bank, at least partially based on USAID studies of rice production, processing and marketing, is pushing for a 20% tariff on rice imports. If the rice mill at Bafata can be moved towards full-capacity level, the rice sub-sector targets established for TIPS will be exceeded. A 0.5% increase in production due to increased mill demand alone represents only about 550 tons or $165,000. A $100,000 increase in mill processing in year one is likely; 15% per year increases after year 2 will help move the mill toward its full capacity.

Cashews

G. 34. Though cashews are G-B's primary export, current production techniques are mostly primitive and there is almost no processing within the country. A 650-member cashew producers association was recently formed, and USAID, as part of its ongoing Chamber of Commerce, Industry and Agriculture activities, sent leading growers and others to Brazil to study that country's very modern and efficient production and processing systems. The trip was quite successful, and excellent contacts were established with both private and public cashew supporting entities in Brazil. The Brazilian government is very interested in collaborating with USAID and the TIPS project. It was observed, for the first time in G-B, that minor changes in planting configurations, use of limited modern inputs, and perhaps the introduction of some different varieties could increase production significantly. Perhaps even more important was the exposure to simple processing technologies that result in the production of up to 20 cashew products, most of which are suitable for the local G-B market.

G.35. Several G-B entrepreneurs are already exploring technology-transfer/equipment purchases with Brazilian counterparts who are also potential joint-venture partners. A 2% cashew production increase in year two represents less than $200,000. Further, as the GOGB reduced the cashew export tax even below what USAID required under its just-completed NPA project, TIPS will only reinforce the trend towards increased production. As the quality of G-B cashews improve, the export price it commands will rise. Though G-B is a price taker, quality is important to total revenue. As to cashew processing, if only one or two entrepreneurs successfully adopt the Brazilian technologies, the projection for cashew processing, up to $150,000 by year 2 with 15% growth thereafter, can be met.

Fruit

G.36. G-B's "commercial" tropical fruit growers already produce significant quantities of export-quality fruits, particularly mangos and melons. Most is not sold; it rots or is fed to livestock. In typical command-economy fashion, the President

some years ago said that commercial fruit production had to be expanded. It was, but with little attention to how it would be marketed. Some fruit has already been placed on the Portuguese market with difficulty but with good consumer acceptance. The main problems encountered involved lack of knowledge of Portuguese regulations and procedures, as well as lack of understanding of how the highly competitive and not always transparent fruit import game is played.

3.37. USAID collaborated with the World Bank and the Portuguese to help establish a commercial fruit producers association that will enter the USAID-supported Chamber of Commerce as a special section or interest group. USAID and World Bank are also co-sponsoring a 9-person trade mission (private sector, plus representatives from the Ministries of Agriculture, Commerce, and Finance) to Portugal and to Cape Verde. The Portuguese are also collaborating closely.

3.38. Fruit production of $840,000 in year two, with about a $42,000 per year increases thereafter, is feasible, particularly as TIPS explores other export markets and G-B's exporters become more sophisticated.

3.39. As with cashews, fruit processing in G-B is now almost zero. However, G-B's entrepreneurs were exposed to simple fruit-processing technologies in Brazil. $50,000 in processing, with rapid expansion to $100,000 per year and an average of 7.5% growth thereafter, is feasible. Again, to achieve this, only one or two entrepreneurs need to initiate fruit-processing.

Vegetables

G.40. Vegetable production for the local market expanded significantly over the past few years. USAID studies of cross-border trade show that some produce is exported to neighboring countries. None is officially exported. It is anticipated that TIPS activities (market studies, trade missions, etc.) will identify specific time-sensitive niches in Portuguese and other markets. Exports of about $50,000 per year would more than satisfy the growth estimate for this sub-sector.

Fish and Wood Products

G.41. Fisheries and forest products share the common characteristics of providing significant foreign exchange and of being less than fully transparent in the allocation of licenses and permits.

G.42. Most trees that are cut for export are shipped as unprocessed logs. Rules and regulations regarding cutting limits and reforestation are largely ignored. Donor interest, particularly the World Bank, USAID and those more oriented toward conservation and environmental concerns, is very high. TIPS

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anticipates almost no increase in the value of production and exports over the next six years, as studies are conducted, policies formulated and laws and regulations are put into place. Modest 2% growth is projected thereafter. However, given the current lack of transparency, plus the critical need for foreign exchange, there is a real danger that production and exports may expand significantly in the short and medium-term. Should this happen, TIPS will fight to actually reduce the short-term GDP growth rate.

G.43. The major constraint to increased domestic use of wood for building and furniture-making is the unstable and limited supply of quality cut boards. Regardless, small furniture shops have developed throughout Bissau, as well as in other parts of the country. The quality of some products is quite good. TIPS will work to develop associations of both board-producers and furniture-makers and to get them to work together on problems of mutual interest. The estimate of about a $200,000 increase per year after year 2 in the production of cut boards and in their use to make furniture is reasonable, particularly in view of the GOGB's current policy switch encouraging the private sector to take the leading role in expanding the housing stock.

G.44. Over $100,000,000 in fish, shrimp, squid, etc. (or about half the value of G-B's GDP) is taken from G-B waters each year, almost all by foreign vessels operating under license agreements. The license-allocation process is not fully competitive, and catch limitations are regularly abused. One Canadian/G-B joint venture under the new investment code is already operating. However, the legal start-up process was/is very difficult, as regulations and procedures associated with the investment code have yet to be fully defined and implemented. Other countries and private sector interests have demonstrated interest in other joint-venture agreements, but they are hesitant to fully commit due to policy, legal and regulatory uncertainties. TIPS will work in these areas, starting with a private/public sector conference to review the sector's problems and potential. Even one additional joint-venture would more than meet the TIPS production growth estimate of about $190,000 per year after year 2.

G.45. As to fish-processing, the Japanese were recently in G-B to explore the possibility of buying dried fish. The projection of a $50,000 market by year 2, with 10% yearly growth after year 3, is attainable.

Agroindustry

G.46. The TIPS growth estimate for the sub-sector is 4% per year starting in year 4. This amounts to about $225,000 per year. USAID studies indicate that up to two times this amount of cane alcohol alone is informally exported to neighboring countries each year. As TIPS works to better business registration procedures and to improve implementation of tax and other

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regulations, much of these informal exports will be captured in official GDP estimates.

Commerce and Services

G.47. Commerce and services supporting the critical growth sub-sectors and those individuals who operate within them may be expected to expand in response to growth in production and processing in these sub-sectors, as well as revisions in policies, laws and regulations that simply make it easier to establish businesses formally and to execute business transactions. As the south is opened up and rice production and money incomes increase, an effective demand for both consumer and producer goods will develop there. This will also happen in other areas. USAID is already working with the Chamber of Commerce and AFRICARE to develop up to 5 basic how-to business manuals for G-B's new entrepreneurs, most of whom have almost no free market experience. An initial printing of 5,000 copies each is anticipated. Associated training will be provided throughout the country via the Chamber and its regional offices. USAID is also already working with the Ministries of Industry and of Agriculture, the largest current suppliers of agricultural support services, the Chamber, and other agricultural associations to move many of the current support services to the private sector. Collaboration to date has been good with both Ministries, although USAID recognizes they have neither a comparative advantage nor the resources to get the job done. Growth of these sub-sectors at a rate eventually reaching 3% or about $1 million per year by year 6 is reasonable.

G.48. The benefit stream generated based on the above exceeds the minimum 10% rate-of-return benefit stream by the following percentages:

Year	Percentage	Year	Percentage
1	55.1%	6	39.5%
2	149.3	7	27.1
3	92.7	8	21.4
4	79.6	9	16.1
5	41.9	10	11.3

G.49. To again allow for the operational/replacement/ maintenance costs of maintaining the benefit stream, the same assumptions for years 10 through 15 and 16 through 20 are made as in paragraph G. 23 (4.a through 4.c). Thus, the yearly benefits for years 10 through 20 will also exceed the minimum required for a 10% rate of return.

G.50. Clearly, even if significant portions of the minimum growth estimates are not fully realized in the early years, TIPS would still register a minimum 10% rate of return. Furthermore, not all benefits are included. For example: policy, legal,

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regulatory and judicial reform will impact on the 48% of the economy outside the critical growth sub-sectors; TIPS pre-implementation activities have already identified Portuguese-speaking policy, legal, regulatory and judicial consultants being used by A.I.D. in Mozambique and Angola; and along the same lines, HRDA, as a bridge to TIPS, is using Guinea-Bissau as the lead in developing a HRDA training package in Brazil that will serve Mozambique, Angola, Sao Tome and Cape Verde. Clearly these programs will benefit because of TIPS. Finally, TIPS is a new type of project for the Africa Bureau. It is expected that much will be learned that will be of use not only in other Portuguese-speaking countries but also elsewhere. In sum, there is a high expectation that the TIPS investment will generate a greater than 10% rate of return. It may be difficult to quantify, but it should be realized.

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ecannex2

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ANNEX H

SOCIAL SOUNDNESS AND WID ANALYSIS

This Annex summarizes Carey Lifton's report prepared for project design and titled "Social Soundness and WID Analysis for USAID Legal Reform Project Paper."

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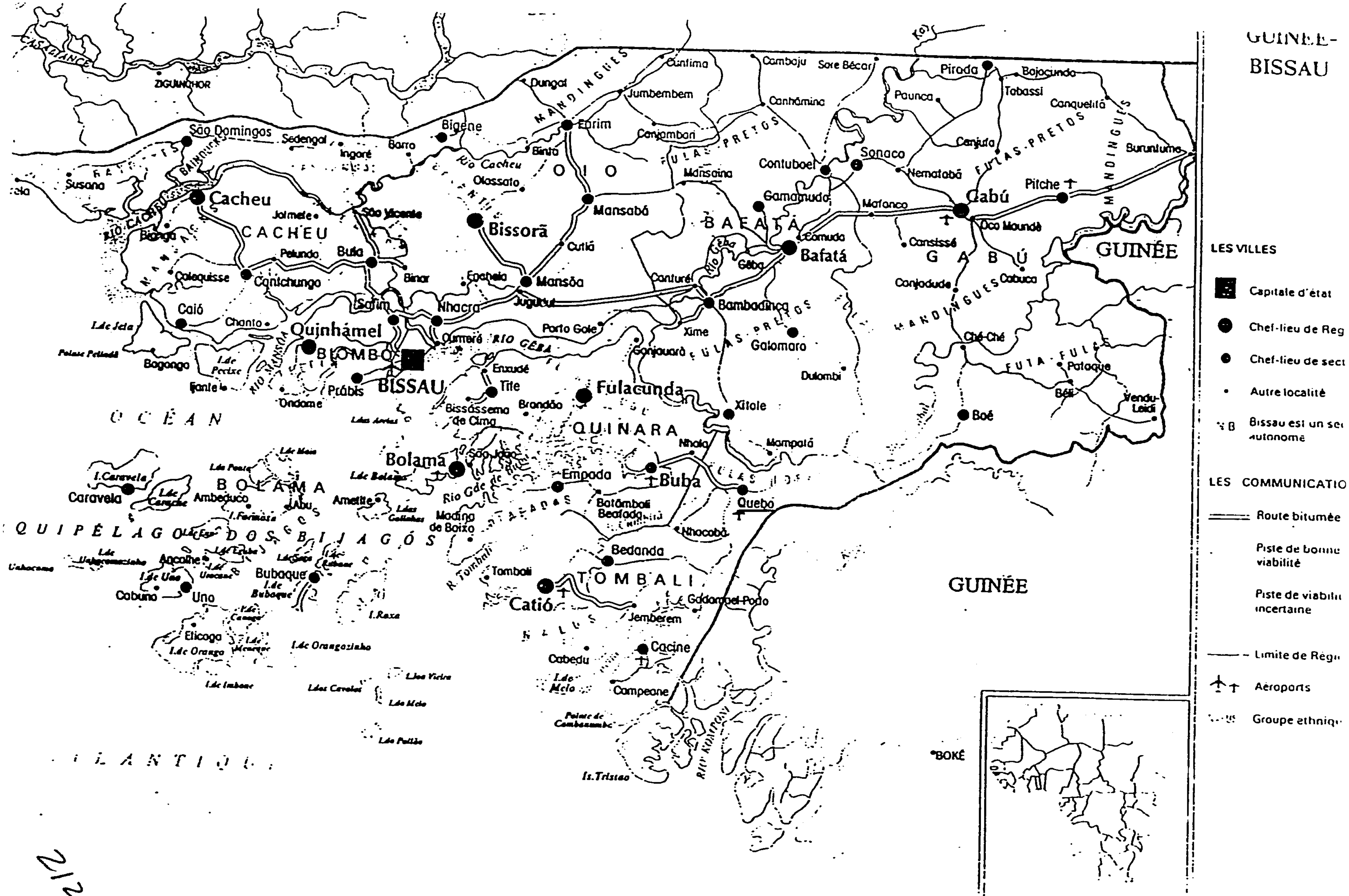
GUINÉE-BISSAU
LES VILLES
Capitale d'état
Chef-lieu de Reg
Chef-lieu de sect
Autre localité
Bissau est un sec autonome
LES COMMUNICATIO
Route bitumée
Piste de bonne viabilité
Piste de viabili incertaine
Limite de Régi
Aéroports
Groupe ethniqu
GUINÉE
GUINÉE
BOKÉ
ZIGUINCHOR
São Domingos
Susana
Cacheu
CACHEU
Canchungo
Caió
Quinhámel
BIOMBO
BISSAU
Prábis
Bigene
Farim
OIO
Bissorã
Mansabá
Mansôa
Nhacra
BAFATÁ
Bafatá
Bambadinca
Contuboel
Sonaco
Gabú
GABÚ
Pirada
Pitche
Buruntuma
Boé
Xitole
Fulacunda
QUINARA
Tite
Empada
Buba
Quebo
Bolama
BOLAMA
Caravela
Bubaque
Uno
TOMBALI
Catió
Bedanda
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ARQUIPÉLAGO DOS BIJAGÓS
OCÉAN
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MANDINGUES
FULAS PRETOS
FUTA-FULAS

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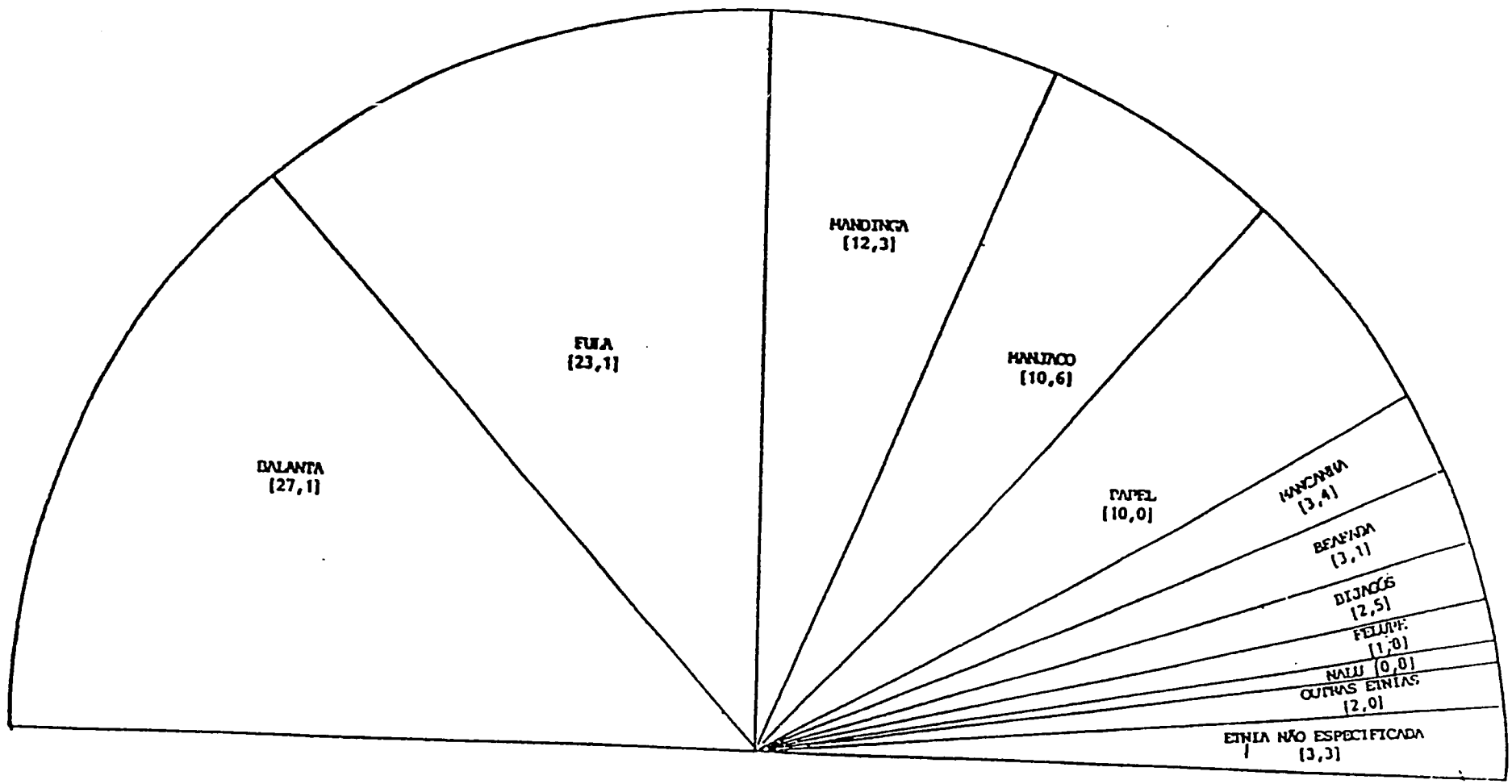
REPÚBLICA DA GUINÉ-BISSAU

8.D3 : GUINÉ-BISSAU 1979 - DISTRIBUIÇÃO NA POPULAÇÃO GUINEENSE DOS PRINCIPAIS GRUPOS ÉTNICOS, DO CONJUNTO DAS RESTANTES ETNIAS E DOS INDIVÍDUOS QUE SE CONSIDERAM DESLIGADOS DOS LAÇOS ÉTNICOS (PERCENTAGENS).



MICEP, 1981

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A0.8.1 : PRINCIPAIS GRUPOS ÉTNICOS SEGUNDO A IMPORTÂNCIA NUMÉRICA

Nº de Ordem	GRUPOS ÉTNICOS	POPULAÇÃO RESIDENTE GUINEENSE	POPULAÇÃO ACUMULADA	PERCEN-TAGENS	PERCENT. ACUMULADAS
(1)	(2)	(3)	(4)	(5)	(6)
	TOTAL	760.143*	-	100,0	-
1	BALANTA	206.017	206.017	27,1	27,1
2	FULA	175.447	301.464	23,1	50,2
3	MANDINGA	93.556	475.020	12,3	62,5
4	MANJACO	80.624	555.644	10,6	73,1
5	PAPEL	75.958	631.602	10,0	83,1
6	MANCANEA	25.481	657.083	3,4	86,5
7	BEAFADA	23.937	681.020	3,1	89,6
8	BIJAGÓS	18.984	700.004	2,5	92,1
9	FELUPE	13.761	713.765	1,3	93,9
10	NALÚ	5.991	719.756	0,8	94,7
11	SARACOLÉ	3.676	723.432	0,5	95,2
-	OUTRAS ETNIAS	11.543	734.975	1,5	96,7
-	ETNIA NÃO ESPECIFICADA	25.168	760.143*	3,3	100,0

Nota: * Desconhece-se à classificação de um indivíduo quanto à etnia, pois a população guineensa é de 760.144 pessoas.

A0.8.2 : LISTA DAS ABREVIATURAS UTILIZADAS NOS QUADROS PARA IDENTIFICAR OS GRUPOS ÉTNICOS E RESPECTIVA POPULAÇÃO

Nº. de ordem		Etnia	Pop. Res.
01	BAL	BALANTA	188.018
02	FUL	FULA	154.600
03	MAN	MANDINGA	93.556
04	MAJ	MANJACO	80.624
05	PAP	PAPEL	75.958
06	BRA	BRÂME - -MANCANHA	25.481
07	ENI	Etnia Não Identificada	25.168
08	BEA	BEAFADA	23.937
09	BIJ	BIJAGÓ	18.984
10	FUL	FULA DO FUTA (FUTA-FULA)	16.001
11	FEL	FELUPE	13.761
12	CUB OU CUN	CUNANTE (MANSOANCA)	11.263
13	B-M	BALANTA - - MANÉ	6.736
14	NAL	NALÚ	5.991
15	SAR	SARACOLÉ	3.676
16	SOS	SOSSO	2.203
17	JAG	JACANCA	2.167
18	F-P	FULA-PRETO	1.941
19	F-F	FULA-FORRO	1.848
20	OUT	Outras Tribos	1.555
21	PAJ	PAJADINCA	1.464
22	BAI	BAIOTE	1.218
23	TOR	FULA DO TORO (TORANCA)	703
24	CAS	CASSANGA	672
25	COB	COBIANA	647
26	TAN	TANDA	400
27	BAM	BAMBARÁ	350
28	BOE	FULA DO BOÉ (BOENCAS)	354
29	BAN	BANHUM	265
30	LAN	LANDUMÁ	249
31	JAL	JALOFO	165
32	SUR	SURUÁ	101
33	BAG	BAGÁ	69
34	CRI	CRISTÃOS	13
35	TEM	TEMÉNÉ	5

NOTA: Os quadros gerais e os gráficos agregam sob a designação de:
Balanta: os grupos 01;13;12
Fula: os grupos 02;28;10;23;19;18
Outras Etnias: as Outras Etnias propriamente ditas, mais as etnias não citadas

INTRODUCTION

In 1979, Guinea-Bissau had approximately 760,000 inhabitants. The estimation for 1991 reaches over one million. These inhabitants are divided into more than twenty ethnic groups, each with their own land tenure system, production system, and social system. Six of these ethnic groups represent over eighty-six percent of the population. These groups include Balantas, Fulas, Mandingas, Papels, Manjacos, and Mancanhas. At least eighty-five percent of the population lives in the rural areas. Only fifteen percent resides in the urban areas, with the majority of urban dwellers living in the capital. (MICEP, 1981).

Any legal reform project in Guinea-Bissau will primarily benefit the small urban population. Thus, an important issue in project design is the problem of achieving spread effects and the social and cultural constraints on the spread. This report, which is concerned with both the social soundness and WID analyses for the USAID/Bissau Legal Reform Project Paper, will focus on the largest segment of the population, the rural inhabitants, and the variety of cultural and social features found among this population that may affect, or be affected by, legal reform. Due to the large number of ethnic groups in the country, the report will only concentrate on the six major ethnic groups listed above. The two Islamic groups, the Fulas and the Mandingas, who are similar in many respects, will be treated together in one chapter. The Papels, the Manjacos, and the Mancanhas, who are all closely linked, will also be discussed together. The Balanta, who are significantly different, will be treated independently.

The report is divided into several sections. The chapters on the different ethnic groups will examine the social structures and the political and social lives of each group. They also provide activity profiles, showing the gender division of labor, and discuss access to and control over different resources. A summary of these chapters immediately follows the introduction. The last two sections more directly address the likely affects that legal reforms would have on men and women in the rural areas. The first of the two sections deals with questions concerning land tenure and the commercial farms or pontas. The last section looks at gender differences in access to traditional and modern legal systems, and the roles women play in administering these systems. This section also addresses the impact of legal reform on women.

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SUMMARY

BACKGROUND

Brief histories of the six different ethnic groups, descriptions of their sub-divisions, and the relations each group has with other ethnic groups. are provided in each chapter.

SOCIAL ORGANIZATION

These sections furnish descriptions of the social and physical organization of each ethnic group. All of the groups described in this report are socially organized by descent systems. Clans and their sub-divisions, lineages, are ways of arranging persons and ordering social relations based on culturally posited genealogical connections. Descent arranges descendents of a common ancestor into structurally continuing groups according to specified types of genealogical connections. These links can be traced exclusively through males (patrilineal), females (matrilineal), or a combination of the two lines of descent. The Fulas, Mandingas, and Balantas have patrilineal descent systems. The Papels, Manjacos, and Mancanhas are matrilineal. Descent systems, which describe ancestor-oriented social relations, should not be confused with kinship systems, which describe ego-centric social relations.

Clans are the largest sub-divisions within the ethnic groups that are based on descent. Members of a clan claim common descent from an apical, usually mythical, ancestor. Clans are divided into lineages, whose members can trace actual descent from a known ancestor, often the founder of a village or territory. Through membership in a lineage and clan, a person gains rights, such as usufruct rights to land, and duties in the society. The Fula resident clan segments are groups of clansmen that reside in, and are associated with, specific territories. Clans and lineages are the social groups that claim territorial rights, common property, and common action.

Some clans may have rules regulating marriage. The different rules are exogamy (members of an exogamous clan are required by custom to marry outside of their own clan), or endogamy (members of an endogamous clan are required by custom to marry other members of the same clan). Other clans do not have restrictive marriage rules; members may marry inside or outside of their clan. The Balanta clans and the clans of the Papel group of peoples are exogamous. The Fula and the Mandinga clan systems today no longer apply rules of endogamy and exogamy as they had in the past.

The village and compound sub-sections describe how the different ethnic groups are spatially organized. The Fulas and the Mandingas in Gabu region tend to live in separate villages.

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The Balantas live in small dispersed communities. A large number of Papels, Manjacos, and Mancanhas live in multi-ethnic villages in areas with relatively high population densities.

Compounds (morancas, Creole) are the main household units that are usually composed of several kin-related conjugal families extending across three generations. Compounds are demarcated by fences among the Fulas and Mandingas, and compartmentalized by mud walls among the Papels, separating families and their activities from outsiders.

VILLAGE POLITICAL AND SOCIAL LIFE

All ethnic groups have several different means available for resolving disputes and decision-making; councils of male and female elders, local authorities and comités, and religion. A common feature to all groups is the tradition of reaching decisions by consensus. This section of each chapter describes the various ways the ethnic groups order their political and social lives.

The Fulas, the Mandingas, and the Papel group of peoples have relatively centralized authority structures. All of the groups have noble clans which traditionally held the rights to rule. Today, these hierarchical relations among clans, and the power vested in chiefs, are only nominally recognized. Chiefs in these societies may have access to more land than others but this is not a benefit that they can exploit for their own profit. Chiefs, and other persons with religious roles, have larger obligations than most people. They need larger harvests and larger stores of food in order to feed guests, to conduct ceremonies, and to guard against shortages.

The Balantas do not have any kings, chiefs, nobles, or occupational specialists. There is very little differentiation on the basis of authority or property.

All of the ethnic groups have patriarchal gerontocracies. Male elders hold the authority at the village, the clan, the lineage, and the compound levels. There are instances in which women, because of their seniority and the lack of male counterparts, could be considered a lineage head, but all villages and compound heads are male. This is not to say that women have no authority at any level. Women have a great deal of influence over the daily running of the compounds. Female elders are consulted whenever important issues arise. Among the Balanta, there are regulating mechanisms that help compensate young men and women for their lack of authority and low status.

Each ethnic group has its own punishments and ways of enforcing customary laws. The Balantas stand apart from the others in that they do not believe in the concept of taking away a person's liberty.

INHERITANCE

The transmission of noncorporate statuses, rights and duties, and properties is governed by succession and inheritance rules according to particular forms of genealogical connection recognized within the kinship systems of the different societies. These kin relations may be either agnatic or uterine, with preference given to either siblings or children. Inheritance among the Fulas and the Mandingas is agnatic, with a preference given to siblings. Balanta inheritance is agnatic with a preference given to children. Among the Papel, inheritance is by sister's son, which is a form of uterine inheritance with preference given to children. In this latter system, the property in question is held by males and transmitted through females (the mothers of the heirs).

The Papel inheritance rules are slowly altering due to the changing economy and ecology. Male children are becoming increasingly frustrated that the wealth of their fathers, which they may have helped to create, will be passed on to their cousins. Thus, some men, who have more to gain by inheriting from their fathers instead of from their uncles, are seeking ways to circumvent the rules. This may have future legal implications if men begin turning to the modern legal system in order to resolve these conflicts.

All of the ethnic groups practice the levirate; certain rights and duties in respect of the wives and children of the deceased devolve on the heir (the brother or the son of the deceased).

MARRIAGE AND DIVORCE

All ethnic groups are polygynous; men may have more than one female mate at one time. The Islamic groups obey the Muslim law of a maximum of four wives at one time. Most Fula, though, do not have the resources for four wives, due to high brideprices.

The marriage residence rule is the same for the six ethnic groups described in this report. Residence is patrivirilocal; a woman moves into her husbands natal compound or, if her husband is initiated, into his own compound.

Divorce is possible but not encouraged among these ethnic groups. Divorce is more difficult for Papel women due to their sanctified sexual attachment to their husbands upon marriage.

PERSONAL STATUS

Among the Muslim groups, there does not seem to be any signs of the Islamic law of Sharia. Fula and Mandinga women are always under the authority of men throughout their lives. Yet, a woman's status is not necessarily tied to the status of her husband. All Fula and Mandinga women are restricted in their movements. Normally, they are not allowed to leave their villages and the surrounding areas. Women who have the greatest freedom are either post-menopausal, breast-feeding, or pregnant. The husbands of these women do not have to fear, due to their wives' condition and to post-partum taboos, that their wives will commit adultery and become pregnant by someone else. Thus, these women are allowed to travel and engage in trading activities.

Balanta women are legally considered minors all of their lives. They are conceived as intellectually and physically inferior to men. There is no female initiation. This prevents women from obtaining the required knowledge and status to become citizens and enjoy full rights in the society. Women do, though, have a high degree of physical and sexual freedom. Women may spend months at a time outside their marital villages engaging in love affairs or trade activities. Adultery is an institutionalized act among the Balanta.

Uninitiated Balanta men participate in cattle stealing raids to prove their masculinity and intelligence. These raids cause a large number of inter-tribal conflicts, many of which are resolved in the police courts.

Papel women have less sexual and economic freedom than Balanta women. Marriage attaches a woman sexually to her husband, making adultery, which is not institutionalized, more difficult. There are also more gender related household expenditures among the Papel. Unlike the Fula and Mandinga women, the status of a woman is closely tied to that of her husband.

MODERN AUTHORITY STRUCTURES

This section describes the Comités and the local police forces. Since these structures are similar throughout the country, they have only been described in the chapter devoted to the Fulas and the Mandingas.

Comités are found in almost every village. There are also Comités at the sectoral and regional levels. The Comité de Tabanca functions as the lowest level of the PAIGC party structure and the state government. The Comité administers government policy and promotes the Party programme. It is the official intermediary through which the state and the traditional structures communicate.

There are five members on a Comité de Tabanca, two of whom should be women. Members are often elders of the traditional clans and councils.

In the rural areas, the local police officers are in charge of all law enforcement. Moreover, due to the lack of regional courts, local police officers are responsible for the rural legal system throughout the country. They operate local tribunals and small claims courts.

RELATIONS BETWEEN MODERN AND TRADITIONAL AUTHORITY SYSTEMS

Villagers prefer to use their traditional structures whenever possible. Disputes that require mediation by the modern system are often between people from different ethnic groups who do not have a traditional authority structure in common. It appears that men and women from all of the six ethnic groups are allowed independent access to the modern authority structures. Women do not need to be represented by men. Women may, though, be more restricted by cultural norms, time, and money. This issue is discussed further in the "Women and the Legal Systems" chapter.

ACTIVITY PROFILES

These profiles describe the gender division of labor for each ethnic group. It is necessary to recognize the fact that women have many more daily tasks than men and usually work more hours, for which they are not paid.

Fulas and Mandingas:

The Fulas and the Mandingas in the Gabu region utilize all of their surrounding environment in a diversified farming system. Men and women work together in cultivating upland fields of grains and tubers. Men cultivate the savannah areas in collective and individual fields of grains and individual fields in peanuts and cotton. Irrigated rice fields (bolanhas) are cultivated exclusively by women. Both men and women have separate vegetable gardens around the villages.

Men control the products of the upland fields, the savannah fields, and their gardens. Cotten and peanuts are grown for the market. Women control the products of their bolanhas and gardens.

Men create handicrafts, gather forest products, and carry on trading activities. Women are involved in ceramics and in trading. Young men migrate seasonally in search of wage labor.

Women are responsible for almost all household activities, except for house construction which is done by men.

The Balantas:

The Balantas are, for the most part, involved in the production of irrigated swamp rice. Men and women perform complementary tasks. Men have collective and individual strips of bolanha land. Women may receive small parcels of bolanha from their husbands.

Men cultivate upland fields in grains, tubers, and peanuts, usually with the help of female labor. Some women grow vegetables in gardens near the villages.

Men have the rights over the products from their collective and individual plots. Women control the products from their bolanha strips and gardens.

Some men do a limited amount of fishing in the rivers and in the ocean. Women are involved in the artisanal production of a variety of goods. They also make cashew wine, fish, and collect molluscs. Young men and women migrate during the dry season to seek out employment and carry on trading activities.

Women are responsible for all household activities. Men's labor within the household is limited to house construction.

The Papel-Manjaco-Mancanha group:

All of these groups cultivate irrigated rice in the same manner as the Balantas. Upland fields of grains, fruit trees, and tubers are worked jointly by men and women. Women have two types of gardens: small plots near the villages and large plots near the rice fields. The latter are cultivated for the market.

Bolanha rice, controlled by men, is for home consumption. Upland crops, cultivated by men and women, are used mainly to supplement the rice harvest. Women control the products from their gardens and their small plots of bolanha and upland fields.

Men are involved in the production of handicrafts, work as professional house builders, and harvest palm products. Women produce a variety of artisanal goods and services. Men fish in the rivers and in the ocean. Women do a significant amount of fishing year-round in small rivers to which they have usufruct rights. They also collect molluscs to sell on the market.

ACCESS TO AND CONTROL OVER RESOURCES AND BENEFITS

In general, land is collective property of the clans or lineages who founded a certain territory. It is usually the male elders who allocate usufruct rights to parcels of land. Normally, only when new land is opened do new distributions take place. Groups who have large tracts of land to rotate and fallow may

"redistribute" the land every year when the male elders look at which tracts are to be cultivated. A certain levelling takes place as families that have grown larger borrow land and, those that have become smaller lend land. It is often the case that much of the land belonging to a group has already been allocated decades ago.

The Fulas and the Mandingas:

Land is the collective property of the Fula and Mandinga resident clans. Usufruct rights are allocated by the council of male elders. All household heads have the right of access to land for collective fields. The senior women of the compounds have exclusive usufruct rights to the bolanhas. Control over this major resource gives women a degree of autonomy. Any individual who wishes may receive rights to cultivate an individual field.

All individuals, men, women, and children, have the right to own cattle and other livestock. In the Gabu region, cattle are managed in collective herds controlled by the male elders. A woman must have permission from the male elders in order to sell any of her cattle. Fula women have exclusive rights over the products of cows, the milk and the dung. Mandinga men and women share rights in the milk.

Spousal incomes are not pooled. Women earn income by selling garden produce, palm products, pots, milk, and rice from individual fields. Women must show their earnings to their husbands before disposing of the money. Men earn incomes through wage labor, handicrafts, and trading activities.

The Balantas:

Land is the collective property of the founding lineages of the territory. The Balantas strongly adhere to their rule that land is not alienable. Usufruct rights are allocated by the senior males of the founding lineages. Each head of a compound has the right to this means of production. He ensures that all persons in his compound have access to land, both collective and individual plots as desired. Recent dislocations of people have led to a large number of land tenure conflicts. These disputes are often brought to the local police courts to settle.

Both men and women own cattle but do not exploit cattle products.

Spousal incomes are kept separate. Men are responsible for the survival of the family and contribute significantly to the household budget. Women, who control their own incomes, often help cover the families expenses.

THE PAPEL GROUP

Chiefdoms have their own traditional territorial lands. Nominally, the chief of the territory is the owner of the land. Actually, land is controlled by the clans and is allocated by the lineage heads. Husbands grant wives usufruct rights to small parcels of bolanha and upland areas. Like the Balanta, much of the Papel territory has already been allocated. Today, there is a shortage of bolanhas and pressure is increasing on upland areas. Thus, land holdings are becoming individualized. Unlike the Balanta, land is alienable under certain conditions. Compound heads have the right to "sell" or rent land belonging to the compound. Selling land is equivalent to giving up the usage rights in that land in exchange for a number of animals.

Men are the traditional owners of cattle while women may own small livestock. Herds of cattle are not large as among the other ethnic groups.

Wives and children contribute to the wealth of their husbands and fathers. Women are supposed to show their earnings to their husbands. Women have a wide variety of ways to earn an income, with most revenues coming from the sales of fish, crustaceans, and wine. Mancanha women are the largest vegetable producers in Bissau. The two largest expenditures for women are rice and ceremonies, especially funerals. Men earn incomes through handicrafts, house building, the sale of agricultural products, and wage labor.

RELIGION AND EDUCATION

The Fulas and the Mandingas are devout Muslims who also retain certain animistic practices. The Fulas belong to the Tijaniya Muslim brotherhood and the Mandingas adhere to the Qaddariya brotherhood. Almost every village has their own mosque and Koranic school. Boys and girls may also attend the government schools but few do so. There are initiations ceremonies, which include circumcision, for both boys and girls.

The Balantas and the Papel group of peoples are animists who have initiation ceremonies for men. Women, especially Balanta women, are prevented from learning the traditional ethnic knowledge and religious knowledge that gives a person the ability and the right to govern. Yet, girls, as well as boys, have access to formal education at the state schools.

REGIONAL DIFFERENCES AND CHANGE

These sections briefly describe any significant regional differences. They also describe ecological, economic, and social changes that are occurring and the implications of these changes for legal reform.

ANNEX I

INITIAL ENVIRONMENTAL DETERMINATION

This Annex includes the IEE approved by the Africa Bureau's Environmental Officer on April 6, 1992. AFR/GC cleared the IEE on June 12, 1992.

In accordance with a recommendation of REDSO/WCA (see Annex C for ABIDJAN 16197), the IEE will be amended "prior to the commencement of any implementation activities relating to forestry and before there is any irreversible commitment of project funds to the forestry sector."

ANNEX I

INITIAL ENVIRONMENTAL EXAMINATION
or
CATEGORICAL EXCLUSION

PROJECT COUNTRY: Guinea Bissau

PROJECT TITLE: Trade and Investment Promotion Support (657-0021)

FUNDING: FY(s) 1992 - 1998 US$ 19.89 million

IEE PREPARED BY: Robert Warren Hanchett, 6/3/92
Regional Environmental Officer, REDSO/WCA

ENVIRONMENTAL ACTION RECOMMENDED:

Positive Determination	
Negative Determination	XXX
Categorical Exclusion	
Deferral	

SUMMARY OF FINDINGS:

(see text below)

CLEARANCE: Mission Director: Michael F. Lukomski DATE: Aug 2, 1992
Michael F. Lukomski

CONCURRENCE: Bureau Environmental Officer: APPROVED: ✓
John Gaudet, AFR\ARTS DISAPPROVED:
DATE: 4/6/92

CLEARANCE: GC/Africa: Pauline Johnson DATE: 12 June 92
Pauline Johnson

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SUMMARY

The Trade and Investment Promotion Support (TIPS) Project is a policy reform effort which cannot be foreseen to have any direct significant environmental impacts. TIPS is not expected to have direct significant impacts on threatened or endangered species or critical habitat. However, the over-all objective, which is to increase private sector trade and investment in critical growth sub-sectors, is liable to have long-term indirect impacts on the natural resource base. It is therefore recommended that a baseline environmental review [**Environmental Impact Review (EIR)**] be carried out by USAID/Guinea-Bissau encompassing each of the sub-sectors (commercial agriculture, fisheries, and forestry) to clearly identify long-term impacts, to provide a baseline for the present status of the resource base, to define appropriate indicators, and to ensure adequate impact monitoring, evaluation, reporting, mitigation, and oversight. In addition, the EIR should identify the organization responsible for environmental monitoring activities in-country, assign conformance assurance responsibility, and indicate the source of data for the Environmental Monitoring, Evaluation, and Mitigation Plan (EMEMP).

The forestry report will specifically investigate the potential for impacts on primary tropical forests which may result from project activities over the long-term. Such a Forestry Sub-sector Review is required in order to assure compliance with Section 533(c)(3) of the FY 1991 FAA. This section of the FAA requires that an assessment be carried out in cases where commercial timber extraction may occur in any primary tropical forest. The assessment will: 1) identify potential impacts on biological diversity; 2) demonstrate that all timber extraction will be conducted according to an environmentally sound management system which maintains the ecological functions of the natural forest while minimizing impacts on biological diversity; and 3) demonstrate that the activity will contribute to reducing deforestation.

The long-term impacts due to policy reform will be identified by the EMEMP, which will also pass on recommendations to the appropriate body within the GOGB so that corrective measures can be taken as appropriate. This will also result in the feed-back to the GOGB that will be needed regarding desired changes in policy reform and/or regulations. An environmental finding of a **negative determination** pursuant to 22 CFR 216.3 (a)(2) is therefore recommended for the policy reform sections of the TIPS project.

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1.0 PROGRAM DESCRIPTION

The Guinea-Bissau Trade and Investment Promotion Support Project (657-0021) is a six year $ 19.89 Million effort to generate market-oriented economic growth that is broad-based and sustainable. The objective is to increase private sector trade and investment in critical growth sub-sectors through production, processing and marketing. The project will concentrate on improvements in trade and investment by the private sector in agriculture, forestry and fisheries. Commodities which will be emphasized include rice, cashews, palm kernels, groundnuts, fruits, vegetables, and high value forest and fisheries products. Under the TIPS Program, proposed targets for improvement include: 1) the information/knowledge base; 2) the policy, legal and regulatory environment; 3) the adjudication of regulatory and legal conflict; and 4) a business climate in which entrepreneurs with ability can respond to change. Components of the project include technical assistance, training, commodities, workshops, and studies.

2.0 BACKGROUND ENVIRONMENTAL CONDITIONS

Guinea-Bissau is a small nation of approximately one million inhabitants located on the West Coast of Africa sandwiched between Senegal to the North and Guinea to the South and East. The topography consists of a coastal plain etched by the meanders of the two main rivers the Cacheu and the Geba. A transition plateau forms the Bafata plain in the center of the country and the Gabu plain to the southeast.

Guinea-Bissau has approximately 1.2 million hectares of arable land of which only about thirty percent is currently under cultivation. There are approximately two million hectares of forest land in the nation. Commercial timber reserves are estimated to comprise only 1.8 million cubic meters of the estimated 48 million cubic meters of total wood reserves. Two species of mahogany and African rosewood represent 90% of the total timber production. African Teak (Pericopsis elata), which is listed on Appendix II of Cites, is not expected to be found in the type of forest biomes which are present in Guinea Bissau. Classified and protected forests do not yet exist, even though the state currently owns all land. One of the richest West African fishing grounds exists within Guinea-Bissau's territorial coastal waters. Ninety-four percent of the catch, which comprises most of the high value species, is taken by foreign-owned vessels under license. The annual catch which is estimated to be 170,000 tons is only about half of the estimated annual production potential.

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Additional background information is needed regarding the natural resource baseline conditions of the three critical growth sub-sectors: agriculture, forestry and fisheries. The sustainability of the economic activities which will be generated by increased trade and investment is in question because not enough is universally know about the viability of the resource base. In order to increase the baseline information available, three studies are needed. These studies will establish the baseline environmental conditions, will suggest indicators of change, will establish a monitoring program with a time table and limits for change, will suggest reporting procedures, will assign responsibility for quality control and quality assurance, and will propose mitigating measures and procedures. Assistance in these sub-sectors must satisfy the provisions of REG 16, the Foreign Assistance Act sections 117, 118, and 119, and relevant sections of the Development Fund for Africa (DFA) legislation.

3.0 ISSUES AND IMPACTS

3.1 POTENTIAL IMPACTS

A project which is designed to promote growth in private sector trade and investment through the removal of policy, legal and regulatory constraints cannot be foreseen to pose any direct significant environmental impacts. However, if growth does occur in the agriculture, forestry and fisheries sub-sectors, there will be indirect impacts on the resource base. An attempt will be made in the following paragraphs to quantify these impacts.

The expansion of agricultural production could be realized by revitalizing fallow land, opening new land, extending the agricultural season, intensifying inputs or increasing water delivery. Systems and procedures must be developed to guard against any indirect significant impacts which would result from a decrease in fallow time, new-land clearing, indiscriminate fertilizer use, mono-croping, declining genetic diversity, ill-advised pesticide use, and new irrigation system construction. As a minimum, means to monitor, evaluate, report and mitigate such impacts must be developed, appropriate indicators chosen and confidence limits set which define the acceptable range of deviation around the normal (baseline) values. When values exceed these set limits, mitigation by GOGB would become necessary.

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Growth in the forest industry could be realized through very careful selective logging of primary forest, and logging of secondary forest under a forest management plan that includes replanting, logging plantations, selective logging of additional species, improving the efficiency of wood use, expanding the range of value-added products, initiating forest management practices, establishing classified forests, establishing forest reserves, establishing plantations, establishing nurseries for high value species, vesting tree tenure in the planter, encouraging village woodlots, reforestation and afforestation. Assistance in this sub-sector must additionally satisfy the requirements of the Foreign Assistance Act (FAA) sections 117, 118 and 119.

Growth in the fisheries sub-sector could be realized through reducing illegal fishing, regulating foreign fishing fleets, encouraging on-land processing, improving on-shore provision and maintenance facilities, capturing higher value species, capturing a wider range of species, establishing nurseries, protecting critical habitat, revising licensing fee structures, catch limit control, catch minimum-size control, and improved enforcement.

3.2 MONITORING AND EVALUATION

The development of an Environmental Monitoring and Evaluation Plan (EMEP) is needed and requires considerable technical expertise. Resident environmental expertise is not known to be available in Guinea-Bissau, consequently, a monitoring and evaluation program which requires only basic on-going technical expertise must be devised and instituted. The EMEP plan should therefore be prepared by an expert and should include an assessment of the ability and availability of local experts to conduct the EMEP and the monitoring program. The careful selection of indicators and the establishment of limits for the variation of indicator values, could allow, e.g., a local PSC to perform the quality control function. This would allow the USAID Mission Environmental Officer (MEO) to perform, the less time-intensive, quality assurance function. An evaluation of the environmental impacts associated with the program should be a regular part of the mid-term and final evaluation exercises.

3.3 MITIGATION

Mitigating measures are necessary whenever impacts on the environment result from the actions taken on AID funded projects. A mitigation plan should be designed to: moderate critical activities in order to avoid creating negative impacts; suggest alternative

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activities which do not have negative impacts; and suggest appropriate compensating actions for unavoidable activities which might have negative impacts.

4.0 ENVIRONMENTAL ACTION RECOMMENDATIONS

It is therefore recommended that the TIPS project receive a negative determination since the policy reform activities cannot be foreseen to have a direct impact on the environment, and the potential for indirect impacts will be the subject of a baseline study which will be undertaken as a part of the initial activities of the project. The baseline study will establish an Environmental Monitoring, Evaluation and Mitigation Plan and assign responsibility for the environmental quality control and quality assurance functions.

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