

PD-ARG-816
84524

PROJECT GRANT AGREEMENT

BETWEEN

**THE REPUBLIC OF GUINEA
("Grantee")**

AND

THE UNITED STATES OF AMERICA

ACTING THROUGH

**THE AGENCY FOR INTERNATIONAL DEVELOPMENT
("A.I.D.")**

**FOR THE ECONOMIC POLICY REFORM SUPPORT PROJECT
(675-0218)**

Date: 15 JUL 1982

**PROJECT GRANT AGREEMENT
Between**

THE REPUBLIC OF GUINEA ("Grantee")

And

THE UNITED STATES OF AMERICA,

**acting through the Agency for International
Development ("A.I.D."),**

Together hereinafter referred to as "the Parties".

ARTICLE 1: THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the Parties with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

ARTICLE 2: THE PROJECT

Section 2.1 Definition of the Project

The project, which is further described in Annex 1, will incorporate all activities and funding previously established under the Limited Scope Grant Agreement, as amended, for A.I.D. Project 675-0218, dated September 15, 1986. In general, the project will consist of financing to assist the Government of Guinea implement its economic reform program, primarily in MARA, BCRG and MPF. It will emphasize capacity building and knowledge transfer in management structure, administrative and regulatory framework, information and analysis and developing human resource capacity. The project will finance technical assistance, project management, training, commodities, audits and evaluations for these key GOG institutions.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties specified herein, without formal amendment of this Agreement.

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Section 2.2 Incremental Nature of the Project

2.2(A) All funds and activities under the Limited Scope Grant Agreement (LSGA), as amended, are hereby incorporated into the project upon signing by the parties of this agreement.

2.2(B) All funds and activities under the A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. It is planned that over the life of the Project, including those activities initiated under the LSGA, as amended, A.I.D. will contribute an amount not to exceed \$19,300,000 under this Agreement; this figure includes \$8,500,000 previously obligated under the LSGA, as amended. However, subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

2.2(B) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

ARTICLE 3: FINANCING

Section 3.1. The Grant

To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed One Million, Two Hundred Two Thousand United States dollars (US\$ 1,202,000).

The Grant may be used to finance foreign exchange and local currency costs of goods and services required for the Project.

Section 3.2. Grantee Resources for the Project

The Grantee agrees under the terms of the agreement to provide or cause to be provided Two Million United States dollars (US\$ 2,000,000) or equivalent in local currency as specified in Annex I, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

Section 3.3. Project Assistance Completion Date

3.3(A) The Project Assistance Completion Date ("PACD"), which is August 26, 1996, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have

been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

3.3(B) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

3.3(C) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D. giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE 4: CONDITIONS PRECEDENT TO FIRST DISBURSEMENT

Prior to any disbursement, or issuance of any commitment documents under the Project Agreement, the Grantee shall, except as the parties may otherwise agree in writing, furnish the following to A.I.D., in form and substance satisfactory to A.I.D.

Section 4.1.: Specimen Signatures: A statement of the names and titles of the persons who act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement.

Section 4.2: Legal Opinion: An opinion of legal counsel that the Grant Agreement has been duly authorized and signed by the Grantee, and that the Grant Agreement constitutes a legal commitment of the Government of Guinea (GOG) to its terms and conditions in accordance with the laws and regulations in effect in the Republic of Guinea.

Section 4.3. Notification: When A.I.D. has determined that the conditions specified in paragraph 4.1. and 4.2. above have been met, it will promptly notify the Grantee.

Section 4.4. Terminal Dates for Conditions Precedent: A.I.D., at its option, may terminate the Agreement by written notice to the Grantee if the conditions specified in paragraph 4.1. and 4.2. above have not been met within 60 days of the date of this Agreement.

The Parties may agree jointly in writing to revise the terminal date specified above without formal amendment of the Agreement.

ARTICLE 5: COVENANTS

Section 5.1. Governmental Development Intern (GDI) Program

The Grantee agrees to take all necessary measures to launch the pilot Governmental Development Intern (GDI) Program to recruit new professional into the civil service, including initiating and receiving concurrence of the IMF, in order that GDI position ceilings do not alter GOG commitment to overall civil service personnel reduction, identifying positions and collaborating with the project's technical assistance personnel to execute the program.

Section 5.2 Counterpart Personnel

The Grantee covenants that it will provide counterpart personnel for the technical assistance personnel provided under this Grant.

Section 5.3. Taxation

The Grantee shall exempt the Agreement and the Grant from any taxation, duties or fees imposed under laws in effect in the Republic of Guinea.

Section 5.4. Necessary Goods and Services

The Grantee agrees that it will provide the goods and services needed to support the technical assistance provided under the Grant.

ARTICLE 6: PROCUREMENT SOURCE

Section 6.1. Foreign Exchange Costs

Disbursements of foreign exchange under the Grant will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services. This will apply except as A.I.D. may agree otherwise in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under the flag registry of countries included in Code 935, except as A.I.D. may otherwise agree in writing.

Section 6.2. Local Currency Costs

Disbursement under the Grant for the acquisition of local currency to finance the costs of goods and services required for the Project will have their source, and except as A.I.D.

may agree otherwise in writing, their origin in the Republic of Guinea.

ARTICLE 7: DISBURSEMENT

Section 7.1. Disbursements

All funds provided under this Grant will be disbursed by A.I.D. based upon the terms of the technical assistance contracts or by any other method agreed upon by the Parties in Project Implementation Letters.

ARTICLE 8: MISCELLANEOUS

Section 8.1. Rate of Exchange

Funds provided under the terms of this Agreement, introduced into the Republic of Guinea by A.I.D. or any public or private entity for purposes of carrying out activities under this Grant, shall be converted into currency of the

Republic of Guinea at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of Guinea.

Section 8.2. Pesticides

No commitments for the procurement of pesticides, herbicides, fungicides, or rodenticide, with funds provided under this Grant, shall be entered into without the prior approval of A.I.D.

Section 8.3. Communications

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:
Mail Address:

Minister
Ministry of Foreign Affairs and Cooperation
Conakry, Guinea

To A.I.D.:
Mail Address:

Director
USAID/Guinea
B.P. 603
Conakry, Guinea

All such communications will be in French or English, unless the Parties otherwise agree in writing. To the extent any conflict or ambiguity exists between English and French versions of a document, the English version will be controlling. Other addresses may be substituted for the above upon the giving of notice.

Section 8.4. Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Foreign Affairs and Cooperation, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID/Guinea, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1.

The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.5. Language of the Agreement

This Agreement has been prepared and signed in both French and English. To the extent that there is any ambiguity or conflict between the French and English versions, the language of the English version shall be controlling.

Section 8.6. Standard Provisions Annex

A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS THEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

By: [Signature]

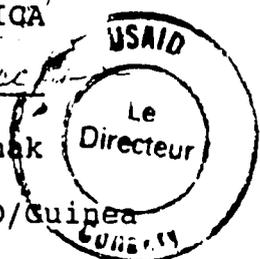
Name: William G. Kaschak

Title: Director, USAID/Guinea

By: [Signature]

Name: Dane F. Smith, Jr.

Title: Ambassador



THE REPUBLIC OF GUINEA

By: [Signature]

Name: Ibrahima Sylla

Title: Minister of Foreign Affairs and Cooperation



26 JUL 1992

FISCAL DATA

PRJ : 675-0218
APP : 72-112/31014
BPC : GSS2-92-21675-KG13
RCN : E220019
ODN : PGA-675-0218
PEN : 01 \$800,000
 02 300,000
 03 50,000
 04 52,000
AMT : \$1,202,000
 =====

Clearance: Controller: MRocha MR 6/8

Draft: PPD: RNiec: 5/4/92

Clearances:

PPD: DHess ----- *submit for*
GDO: FManteiga *draft* -----
EXO: GRender *draft* -----
D/DIR: AReed *4/15/92* -----
REDSO/WCA/RLA: JKnott *[Signature]*

[Handwritten mark]

ANNEX I

GUINEA ECONOMIC POLICY REFORM SUPPORT PROJECT (675-0218): ABBREVIATED PROJECT DESCRIPTION

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I. PROJECT SUMMARY

The Economic Policy Reform Support (EPRS) Project (675-0218) was authorized in 1986 to provide the Government of Guinea with technical assistance to implement its economic reform program, and was intended to complement the Guinea Economic Reform Program (675-0217), which focussed on liberalization of policies affecting the agricultural sector.

The original project purpose of assisting the Government of Guinea, through short- and long-term technical assistance, studies and training, to understand, develop, analyze, implement and assess the impact of market-oriented reform does not change with this amendment. The scope of the project is now, however, focussed on enhancing the capacity of governmental institutions to facilitate increased private sector participation in the economy in general and agriculture in particular. The major emphasis of the project is increased management effectiveness through: improved planning, impact and process monitoring and evaluation, and accountability and transparency of government decision making. The PACD is extended to August 26, 1996 for a total project life of just under ten years. Total additional funding provided under this amendment will be \$10,800,000, bringing total life of project funding to \$19,300,000.

II. PROJECT BACKGROUND AND CONTEXT

A. PROJECT BACKGROUND

The Economic Policy Reform Support Project (EPRS) was authorized in 1986 to provide the Government of Guinea (GOG) with technical assistance to facilitate implementation of its economic reform program, and was intended to complement the Guinea Economic Policy Reform Program (AEPRP, 675-0217,) which focussed on liberalization policies affecting the agricultural sector. Initial project funding of \$2.5 million over four years was increased to \$4.5 million in FY 1988. The original project envisaged providing technical personnel such as economists, credit specialists, and statisticians, but the early stages of project implementation indicated that weak administrative and managerial infrastructure presented a binding constraint to successful implementation of both the project and economic reform.

The project was therefore amended in 1989 to provide specific technical assistance and training to strengthen key GOG institutions implementing economic and agricultural policy reforms. Given the lack of information on the impact of the GOG's structural adjustment program, and the need to develop a social policy which protects the most vulnerable, an additional component, designed to assess food security needs and the impact of reform policies on the urban poor, was included as part of the amendment. The focus on private sector agriculture was maintained, as revitalization of the agricultural base was identified as central to Guinea's economic recovery and development, and was a cornerstone of the Mission's strategy.

The amended project provided assistance primarily to the Central Bank of Guinea (BCRG), the Ministry of Agriculture and Animal Resources (MARA), and the Ministry of Health, with general project coordination through the Ministry of Plan and International Cooperation. USAID agreed to provide a balance of payments specialist and a bank regulatory policy and operations advisor for BCRG. Institutional development and capacity building assistance was provided to MARA through an add-on to an AID/W-managed cooperative agreement with the National Association of Schools of Public Affairs and Administration (NASPAA). This will expire in December 1992. An add-on to an AID/W-managed Cornell University Food and Nutrition Policy Program cooperative agreement provided assistance, through the Ministry of Health, to analyze nutrition, food security and the impact of adjustment policies on the urban poor. This activity will be completed by June 1993.

In light of the imminent conclusion of the cooperative agreements with NASPAA and Cornell, and the need for a more focussed approach to supporting the GOG Economic Reform Program, USAID/Guinea initiated a second project amendment in April 1992, based on the premise that the EPRS project must retain sufficient flexibility to ensure that funded activities meet the changing needs of participating GOG entities and contribute to the effective implementation of Guinea's economic reform program. Project implementation has highlighted a number of governance issues which must be addressed if the project is to continue to be effective. Weak bureaucratic capacity, as much as limited technical expertise, presents a constraint to policy planning and implementation. Lack of transparency and accountability in government functions threaten to undermine progress made under the economic reform program. Given that both the Cornell University and NASPAA cooperative agreement add-ons are due to expire in the near future, the Mission decided to undertake a review of project progress, an institutional analysis, and training needs assessment, and amend the project accordingly.

The latest amendment proposes to continue and expand the assistance provided to MARA to support implementation of the Guinean economic reform program. However, given the importance of BCRG, the Ministry of Plan and Finance (MPF), the Counterpart Fund Management System (CFMS) and the Ministry of Foreign Affairs and Cooperation (MFAC) to MARA's effective functioning and their role in the economic reform program, limited technical assistance will also be provided to these institutions. Project activities will be implemented over three years, and will include:

- 1) Additional assistance to MARA to strengthen its agricultural sector planning and policy analysis capability, and to improve institutional and project management.
- 2) Assistance to BCRG focussed on bank regulation and balance of payments, to improve both the financial system and the policy environment for private agricultural investment.
- 3) Assistance to MPF to enhance transparency of the budgetary system.
- 4) Assistance to the CFMS to ensure an effective management by financing a management advisor for two years.
- 5) Assistance to MFAC/DNCI to enhance their capacity to effectively deal with the donor community.

B. PROJECT CONTEXT

1. Socio-economic and Political Background

Guinea is currently in transition from the First Republic's command economy and totalitarian regime to a free enterprise economy and a democratic society. Overarching constraints faced in this period of transition are: a) extremely weak institutions, and b) a seriously undercapitalized human resource base.

Although a country of considerable potential wealth, Guinea currently suffers from the effects of years of underdevelopment, lack of human and financial resources in the years following independence, ineffective state control of the economy, weakly developed administrative capacity, and pervasive corruption. In spite of significant progress under the Economic Reform Program (ERP), the economy remains highly dependent on the mining sector. The formal private sector has been slow to develop, and Guinean and foreign investors are reluctant to invest.

Social indicators suggest that much remains to be done in the provision of basic services -- illiteracy is currently estimated at 82 percent, the average life expectancy is 47 years, and infant mortality is estimated at 145 per 1000. Per capita income is estimated at US\$435, and while economic growth rates of 4.5 percent were achieved during the first years of the ERP, in 1991 GDP growth dropped to 2.4 percent. A population growth rate of 2.8 percent per annum threatens to undercut any increased prosperity from reform measures.

Economic Reform. Since the inception of the economic reform program in 1985, significant progress has been made in terms of initiating a process of structural and institutional reforms. The banking system has been revamped, flexible exchange and interest rate policies have been adopted, prices are no longer subject to control, the budgetary process has been tightened, a number of state enterprises divested, and the civil service drastically reduced in size.

Initially, such reforms led to economic growth, gains in real per capita income and a reduction in inflation. Early progress, however, has not been sustained, and the GOG experienced difficulty in implementing a broad range of financial and structural measures introduced in 1990 and 1991, including the implementation of new customs and tax codes, implementation of the petroleum tax, and continued civil service reform. The GOG must move forward on such measures to meet conditionality of IMF and World Bank agreements. It now has the more difficult task of ensuring effective implementation of fiscal and structural adjustment measures already in place. /

Political Liberalization. Economic reform has been accompanied by political liberalization, which may well be as important in determining the success of Guinea's economic rehabilitation efforts in the long term. Under the Second Republic, the GOG moved away from the previous

regime's policy of rigid central control. A number of political reforms were designed to encourage decentralization and increase participation. However, the GOG has only slowly implemented political reforms which significantly reduced its power. Thus local authorities function within parameters defined by the state, and while there has been some delegation of authority, there has been no real devolution of control.

Actual achievements in terms of real political liberalization have also come only recently. The GOG is increasing the pace and expanding the scope of reform. The Constitution, enacted in 1990, makes provision for greater civil liberty, freedom of expression, an independent judiciary and an open electoral system. A functioning legal system and independent judiciary is crucial to improved governance and sustained development. In Guinea, there is a need for considerable reform of the legal system, both in terms of operational functions and in development of legislation. Although the Mission recognizes the importance of legal sector reform, a decision was taken not to provide assistance in this area, both because Guinea's legal system is based on the French system, and also because the World Bank proposes to provide soon such assistance.

It now also appears that the GOG will accept a multi-party system as opposed to the dual party system the Constitution first proposed. Legislation required to implement some of the provisions of the Constitution, including the political party, freedom of media and election law have been promulgated. National legislative elections are scheduled for December 1992, and the Presidential election for 1993. This democratization process provides a most favorable environment for project success. It also calls for maintaining flexibility in project implementation to allow the project to adapt to the changing conditions.

2. GOG Strategy for Economic Liberalization

Since the inception of its economic reform program, the GOG has sought to stimulate economic growth by reducing governmental control and promoting private sector activity. In particular, the GOG has stressed the importance of agriculture to Guinea's economic recovery. It has become apparent during the course of the ERP that though many of its policies are sound, accelerated economic development will not occur until an environment of confidence which encourages savings, investment and private sector activity is created. The GOG recognizes that such environment will not be created by the introduction of fiscal policy measures alone, but that the capacity of key public sector institutions to nurture an attractive investment climate, control corruption, and reduce opportunities for rent seeking, must be strengthened.

The GOG has made significant progress in increasing governmental accountability and transparency, and establishing administrative and managerial systems. Until 1988, there was no budget. Now, increasingly, income and expenditures are on budget, and public expenditure management is rationalized by the public investment program. Additionally, senior GOG officials have publicly addressed the problem of corruption through the media, and have actively addressed the issue in relation to USAID programs. The GOG's commitment to continued

economic and structural reform was reaffirmed in its 1991 agreement with the IMF on an Enhanced Structural Adjustment Facility.

The GOG approved a major restructuring of its organization on February 6, 1992. This reorganization reduces duplication of functions in different ministries, streamlining the bureaucracy, reducing costs, and thus improving effectiveness. The project focus is reinforced as the planning, budgeting and economic policy activities are concentrated in the MPF.

III. PROJECT DESCRIPTION

A. PROJECT GOAL AND PURPOSE

The goal of the Economic Policy Reform Support Project, which corresponds to the Mission's first policy subgoal, is *increased per capita income from non-mining sources*. The purpose, as previously amended, of *assisting the Government of Guinea, through short- and long-term technical assistance, studies and training, to understand, develop, analyze, implement, and assess the impact of market-oriented reform*, remains unchanged by this project amendment. The scope of the project has, however, been focussed on enhancing the capacity of governmental institutions to facilitate increased private sector participation in the economy in general and in agriculture in particular.

B. RELATIONSHIP TO A.I.D. STRATEGY

The amended project contributes to the Mission's strategic objective of *growth and increased efficiency in agricultural markets*. It is the primary vehicle for achieving the target, defined under this strategic objective, of an *improved policy and regulatory environment for agricultural marketing*.

The amended project not only reinforces the Mission's support of the economic reform program and policy dialogue with the GOG, but also complements other program activities. Most specifically, the project supports the Agricultural Marketing Investment Project (675-0221) currently under development, which is designed to promote private agricultural activity through a private sector agricultural foundation and by providing a marketing investment and guarantee fund. The EPRS Project also supports the overall focus of the Mission's Title III program by increasing capacity of key institutions, such as MARA and the CFMS, to perform their function. In addition, by concentrating on human resource development and public sector capacity building, the project complements both the HRDA project and the institutional strengthening components of the Mission's population and education activities. The project also assists the Mission measure program achievement by providing a vehicle through which information and data can be accessed.

By concentrating on public sector reform, the project continues the process of promoting increased accountability and transparency which the Mission has consistently stressed throughout

its portfolio and policy dialogue with the GOG. Previous Mission efforts have led to improvements in GOG accountability and management of resources provided under A.I.D. programs. Most specifically, conditionality under the PL-480 Program has led to tightened financial management, improved procurement policies, and greater private sector involvement in commodity import and distribution. The current agreement on management of counterpart funds is also the result of continued Mission and GOG dialogue, and directly represents GOG progress in increasing transparency and efficiency in managing these significant resources.

C. PROJECT COMPONENTS - ACTIVITIES

The majority of the assistance provided by the Project will be directed to MARA. Complementary assistance will be provided to BCRG, MPF and the CFMS to develop their capacity and to strengthen linkages to create an enabling environment for private agriculture.

1. Improving the efficiency of agricultural sector planning and policy analysis capability within MARA

The emphasis of the project is to improve private investment climate and public investment effectiveness in the agricultural sector. Within this context, the project will contribute to these functions by improving MARA's capacity to:

- a) Establish a management planning system for the agricultural public sector, specifically the National Directorate for Agriculture (DNA), incorporating:
- b) Annual operational plans tied to the budgetary process, with a budget by program, that relates expenditures to outputs and services; and
- c) Public investment planning that identifies the agricultural sector needs, and sets priorities according to expected economic returns;
- d) Design and implement agricultural projects in support of private sector activities;
- e) Negotiate with the donor community to obtain the required resources to develop the agricultural sector according to the priorities established in the planning system; and
- f) Analyze and implement policies conducive to a better environment for a market economy.

2. Strengthening the BCRG

Project intervention at the BCRG is intended to have the following indirect effects:

- a) To improve the policy environment for private agricultural investment; and
- b) To increase the availability of financial resources for agricultural marketing, agribusiness development and private investment in agriculture.

3. Strengthening the MPF

Given the importance of budget and policy roles in MPF, the project will provide assistance to improve the budgeting system enhancing its transparency and concurrence with the planning system established in MARA.

The project will work directly with the National Office for Public Investments (DNIP) of MPF. Specifically, technical assistance will be given to the Primary Division which includes the agricultural sector. The assistance will enable the DNIP to a) evaluate on-going projects within the agricultural sector, b) identify projects which will assist MARA in the execution of the LPDA, and c) identify funding sources for key agricultural projects (e.g. by assisting the MFAC to deal with the donor community).

4. Management of the counterpart fund

In 1991, the Mission negotiated with the GOG the creation of a Counterpart Fund Management System. A significant amount of this counterpart fund is used in MARA's projects. In addition, the counterpart fund is an important leverage point for the Mission in policy dialogue. Thus, proper management of this fund is essential to the success of many activities in the agricultural sector. The project will contribute to this goal by providing a long-term TA (PSC) as advisor to the Executive Director of the Technical Unit, which is the management body for the Counterpart Fund Management System. The Contractor will provide the required resources to establish, execute and monitor an on-the-job training program for the fund's personnel. In addition, the Project will strengthen CFMS management by funding a local-hire Project Assistant PSC to work in USAID/Guinea.

5. National Directorate for International Cooperation (DNCI)

Assistance to the DNCI will consist primarily of commodities (e.g. computers) which will enhance their ability to effectively deal with the donor community.

6. Training

The primary purpose of the proposed public sector training is to strengthen public service ability to efficiently execute its responsibilities related to the agricultural sector. The training is designed to ensure the transfer of knowledge and skills as well as improve the functioning of public systems. Training will be provided in MARA, BCRG, MPF and the CFMS.

Training needs will be met predominantly through on-the-job training (OJT) supplemented with short term courses of six weeks or less, at local and international institutions, which meet specific technical needs related to job specific tasks.

The OJT will be very highly structured, delivered through each TA working in the project, and monitored and evaluated within the project itself.

The interdependence of MARA's success with the coordinated performance of BCRG, MPF and

the CFMS is essential for the economic policy reform program to function effectively. The OJT training program is designed to help achieve this objective. For example, each of the TAs in MARA can have some trainees under their tutelage who work in either BCRG, MPF or the CFMS.

7. Governmental Development Intern Program (GDI)

In order to comply with IMF and World Bank conditionalities, Guinean civil servant ranks have been frozen at a certain number. In order to attract qualified, new individuals to the civil service, and respect the imposed restrictions, the Project will introduce a Governmental Development Interns (GDI) program. The program will work as follows: For the respective Ministry, the GOG agrees to maintain civil servant ranks ten positions below the acceptable number (ceiling). The GOG, with Project assistance, would then open competition for these positions and guarantee training of selected individuals. The project will pay the salaries of the individual while they are in training. Once the off-the-job training is complete, these individuals will fill the ten reserved positions and assume a place on the GOG civil servant role (i.e. GOG begins paying them as civil servants). This program will primarily target recent University graduates, but will be completely open to competition from all.

D. PROJECT LOCATION, TECHNICAL ASSISTANCE, AND MANAGEMENT RESPONSIBILITIES

1. Project Location

Project-funded technical advisors will work and have offices within their respective ministries (e.g. DAAF, DNA and coordination unit within MARA). For overall project management, the Institutional Contractor will rent office space in Conakry large enough for the Chief-of-Party to fulfill his/her duties and provide working space for a local administrative assistant. Additionally, this office should have access to a conference room large enough for project team meetings. Before arrival of the TA team, the Institutional Contractor will send one person to Guinea, for approximately two months, to arrange logistical support (e.g. office space and housing). This two-month logistics assistance will be financed under the short-term TA to MARA which the Institutional Contractor will provide.

2. Role of the Technical Assistance Team

The technical assistance team will be primarily responsible, with GOG and USAID, for implementing project activities (see Section III - C above) and achieving project outputs (see below). Serving as advisors and specialists, the technical assistance team will work closely with their GOG counterparts planning, implementing and reviewing project activities, training plans and monitoring systems. In dealing with GOG counterparts, the technical assistance team will respect the lines of authority and functional relationships and procedures established by the respective ministries.

3. Project Management Responsibilities

USAID/Guinea, through the USAID Regional Contracting Officer in Abidjan, will enter into a contract with a U.S. institutional contractor to provide various services described in this Project Summary. At the USAID level, the Project will be managed by the General Development Office. A full-time Project Manager, Assistant Project Manager and Project secretary/admin. assistant under Personal Service Contracts will be assigned responsibility for the day-to-day management of the Project. A Project Assistant will work in the Program and Project Development Office on CFMS management. The four incumbents will work under the direction and supervision of a USDH Project Officer. The project management team will liaise closely with other members of the Mission working on agricultural marketing, economic reform, and training and will draw on the executive and controller's office for specific assistance. The Chief-of-Party will report to the Project Manager who will be responsible for monitoring project implementation, reviewing and reporting project progress, identifying and trouble-shooting implementation problems and advising USAID on steps to improve project implementation. Additionally, the Project Manager will coordinate activities between the institutional contractor and the USAID-funded PSC's in the BCRG and CFMS. All communications with USAID will take place through the Project Manager.

E. PROJECT OUTPUTS

The following outputs will be expected at the end of the Project:

1. Improved management in support of transparency and accountability in key GOG institutions, indicated by:
 - a) Establishment and operation of clearly defined budgetary, financial management, accounting and audit systems;
 - b) Clearly defined administrative and managerial structure and systems in place and operating;
 - c) Career structures based on job classification and definition, and incentive in place and operating; and
 - d) Efficient and transparent management of counterpart funds.
2. Enhanced planning and budgeting capacity in support of the private agricultural sector, indicated by:
 - a) Coherent budgeting system for agriculture developed in MARA and MPF;
 - b) Improved control and supervision in the banking system;
 - c) Establishment of a budget by program for DNA/MARA;
 - d) Improvement of BCRG ability to maintain a system of balance of payments statistics; and
 - e) Establishment of a monitoring and evaluation system in MARA.

F. PROJECT INPUTS

Technical Assistance: USAID will provide short- and long-term technical assistance through an Institutional Contractor and personal services contracts. A total of 21 person years is budgeted for the following long-term technical assistance: 1) Chief-of-Party/Management Specialist (3 years), Human Resource Development Specialist (3 years), Agriculture Policy and Monitoring and Evaluation Specialist (2.5 years), Agriculture Policy Specialist (2.5 years), Budget and Planning Specialist (2 years), Junior Management Specialist (2 years), Bank Regulations Specialist (2 years), Balance of Payment Specialist (2 years), and Counterpart Funds Management Specialist¹ (2 years). Short-term technical assistance amounting to 39 person months for will be defined during the course of project implementation. Illustrative funding levels have therefore been allocated to budget line-items, with the intent that detailed financial plans will be developed along with annual revisions to the technical assistance plan.

Project Management: A total of 14 person years is budgeted for the long-term project management team of project manager, assistant project manager, and secretary/administrative assistant. Funds are included in the project management budget line-item for housing, salaries, benefits, and travel, as well as for purchase of office support commodities such as computers, office furniture and equipment.

Training: A total of \$1,000,000 is budgeted for training activities in addition to on-the-job training. This covers primarily third-country and overseas training. Funds designated to the project management budget line-item will be used to meet costs of necessary support services for Mission training staff to manage project-funded off-the-job training.

Commodities: Funds in the amount of \$335,000 have been budgeted for commodities in support of the technical assistance and training activities. Funds for commodities in support of long-term technical assistance are included in the personnel line-item.

Monitoring and Evaluation: Funds in the amount of \$300,000 are budgeted for monitoring, evaluation, and audit activities.

GOG Contribution: Guinea is recognized as a relatively least developed country. Thus, the normal twenty five per cent host country contribution does not have to be met. However, the GOG will make significant in-kind contributions (e.g. office space for resident advisors within their respective ministries), as well as meeting certain cash costs associated with the project.

¹ The Balance of Payment Specialist, Bank Regulations Specialist and the Counterpart Fund Management Specialist will be procured by USAID through Personal Services Contracts. All other technical assistant positions will be procured through an Institutional Contractor.

addition, approximately \$2,000,000 of counterpart funds generated by PL 480 Title III programs will be programmed to meet project local currency costs (e.g. office supplies, in-country workshops, local per diem, local scholarships, Government Development Intern (GDI) pilot project). The approximate breakdown of the counterpart fund budget is as follows: \$1,000,000 for commodities, \$500,000 for local training activities, \$250,000 for local technical assistance costs and \$250,000 for audit/evaluation/studies.

G. PROJECT BENEFICIARIES

The primary (direct) beneficiaries will be those officials in the selected departments within participating GOG institutions where project technical assistance will be placed (e.g. Planning bureau of MARA). These officials will benefit from training and from improved management systems. Secondary beneficiaries will be those in government who do not directly participate in the project, but who, nonetheless, will benefit from, or be affected by it. Thus, policy makers within the GOG will benefit from increased efficiency, improved access to information, streamlined procedures, and accurate budget and plans.

Indirect beneficiaries of the project will be those who will benefit from enhanced public sector capacity to meet the needs of the private agricultural sector--agricultural producers, traders, agribusiness entrepreneurs and investors. As the private sector agriculture responds to the improved economic environment, consumers will also be indirect beneficiaries in the long-term.

IV. PROJECT FEASIBILITY ANALYSIS

As part of the project amendment design process, the Mission reviewed project evaluations and drew upon experience gained in the design and implementation of similar projects in Africa, as well as on experience of designing and implementing projects in Guinea. A number of key issues emerged, which were factored into the design process, thus enhancing the overall feasibility of the project.

- There is a need for flexibility in both the design and implementation of projects, to permit timely amendment and re-allocation of resources if required.
- Projects should be based on a clear understanding of the environment and constraints, and avoid unrealistic assumptions of possible achievements.
- Ownership of projects by host country institutions is essential, and technical assistance provided must be both integrated into, and perceived as meeting the needs of, such institutions.
- Economic and policy reform measures will only be sustainable if the institutional capacity to implement them is developed.
- Projects dealing with economic policy and public sector reform are extremely management intensive, and require close monitoring.
- The GOG approved a major restructuring of its organization on February 6, 1992

- aim at reducing duplication of functions and streamlining the bureaucracy; actions which will should ultimately increase project feasibility.
- Scheduled national legislative and presidential elections will bring about more changes, requiring the project to be flexible to adapt to the new environment.

Consideration of these issues, as well as experience gained during project implementation thus far, were factored into the design process. The proposed activities were selected because of their potential for impact within both the institutional and wider governance constraints which exist. Although project success cannot be guaranteed, the Mission believes that *the amended project is feasible, and the expected achievements are realistic.*

Both the structure of the project and the emphasis on close monitoring permit flexibility. Resources will be allocated and directed towards quick response activities. The role and function of the USAID project manager have been expanded under this amendment to ensure effective management and coordination with other donors. The USAID project management committee will also enable project activities to be seen in the wider context of Mission policy and the interaction between project activities to be more clearly understood.

The project provides specific technical assistance to meet clearly defined needs. Building on lessons learned thus far, the amended project focuses on technical assistance and training for knowledge transfer, which will facilitate ownership. Much technical assistance provided to the GOG in support of its economic reform program thus far has been in the form of senior advisors, or technicians who function in line positions. In most cases, this has meant that the reform process has not been assimilated.

The project addresses institutional problems which are, to a certain extent, the result of overarching governance constraints. Such problems cannot be overcome in the short-term, but the project begins a process of institutional capacity building through individual knowledge transfer, which could be continued and built upon by other interventions.

V. PROJECT IMPLEMENTATION

A. CONTRACTING AND PROCUREMENT

USAID will procure technical assistance through personal services contracts for the following positions: 1) Bank Regulations Specialist, 2) Balance of Payment Specialist, and 3) Counterpart Funds Management Specialist. All other technical assistance, both long- and short-term, will be secured by USAID through a direct contract with an Institutional Contractor. USAID will procure the Institutional Contractor from a qualified Gray Amendment firm. Joint proposals from the bidders (universities, private firms and PVO's) will be encouraged. USAID will procure Project Management services through Personal Services Contracts (PSC).

The Institutional Contractor will be responsible for procuring all project-funded commodities and implementing proposed on-the-job training activities. USAID will retain responsibility for all international training.

B. PROJECT IMPLEMENTATION PLAN AND SCHEDULE

New activities introduced by the project amendment will begin with the signing of a Project Grant Agreement between the GOG and USAID/Guinea and fulfillment of Conditions Precedent, for the first disbursement. All individuals procured through USAID personal service contracts should be in place by June 1992 and the Institutional Contractor should be selected and begin operations in October/November 1992.

C. ROLES AND RESPONSIBILITIES

1. Government of Guinea

The GOG, in collaboration with the long-term technical assistance provided by the project, will be responsible for scheduling short-term TA in participating GOG Ministries and organizations, and for providing counterparts and office space. GOG designated counterparts will be responsible for discussing project progress with the USAID project manager, providing required reports and ensuring that the technical assistance and training personnel are able to undertake their tasks effectively. At least one counterpart from each GOG Ministry or organization involved with the project will be appointed to act as the representative of their Ministry or organization on the Project Management Committee, which will meet on a semi-annual basis to review project progress.

2. USAID/Guinea

USAID project management staff will continue to have primary responsibility for monitoring project implementation, and for donor coordination. Responsibility for issuing requests for proposals, negotiating an institutional contract and amendments thereto, and all contracting actions pertaining to the Institutional Contractor will rest with the REDSO/WCA Contracting Officer. The USAID Controller will be responsible for keeping project expenditure records and providing assistance to the project management team. The project committee will meet on a semi-annual basis to review project progress. USAID/Guinea will draw upon the Regional Legal Advisor to provide legal advice and clearance of project and project grant agreement documents.

3. Institutional Contractor

The Contractor will be responsible for providing all technical assistance and training personnel, providing all administrative and logistic support required for such personnel, and procuring all commodities required to support the technical assistance and training programs. The Contractor

will appoint a Chief-of-Party to act as primary liaison with the GOG and USAID. The Contractor will produce semi-annual financial and quarterly progress reports and will be represented on the Project Management Committee by the Chief-of-Party and designated technical assistance and training personnel.

4. Project Management Committee

The Project Management Committee will hold semi-annual workshops to review project progress, raise issues, and discuss ways in which problems and constraints to project progress might be overcome. The Project Management Committee will also provide a basis for exchange of information and liaison between GOG entities involved with the project. Project Management Committee meetings will be attended by representatives of USAID, the contractor, each functional unit of technical assistance or training, and each of the GOG institutions involved with the project.

D. MONITORING AND EVALUATION

On-going project monitoring will be undertaken through a combination of formal meetings and reporting, and informal discussion with counterparts and technical assistance personnel. The amended project will be reviewed and evaluated at two stages in order to ensure that it is meeting the needs of the GOG in the most cost effective manner, and to facilitate more structured assessment of impact. Formal review of project activities will take place as follows:

1. Two external evaluations will be conducted during the remaining LOP years; during the third quarter, 1994, and second quarter, 1996. USAID/Guinea will procure evaluation services through work orders under existing IQCs, or through competition and award of contracts in accordance with A.I.D. regulations. USAID Project Manager will draft scopes of work for these evaluations which will then be reviewed by both the USAID project committee and the Project Management Committee.
2. RIG/A/Dakar will be requested to perform an audit in the second quarter of 1996. At present, only a close-out audit is scheduled, as the project was audited in 1990. Contingency funds will finance any interim audit deemed necessary during project implementation. USAID Project Manager will draft the scope of work for the audit(s).
3. USAID reserves the right to implement periodic end-use spot-checks on the disbursement of USAID grant funds by the Chief-of-Party.

E. WAIVERS

No waivers are considered necessary for this project amendment.

VI. CONDITIONS AND COVENANTS

A. CONDITIONS PRECEDENT TO DISBURSEMENT

Prior to any disbursement, or issuance of any commitment documents under the Project Agreement, the Grantee shall, except as the parties may otherwise agree in writing, furnish the following to A.I.D., in form and substance satisfactory to A.I.D.

1. Specimen Signatures: A statement of the names and titles of the persons who act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement.
2. Legal Opinion: An opinion of legal counsel that the Grant Agreement has been duly authorized and signed by the Grantee, and that the Grant Agreement constitutes a legal commitment of the Government of Guinea (GOG) to its terms and conditions in accordance with the laws and regulations in effect in the Republic of Guinea.
3. Notification: When A.I.D. has determined that the conditions specified in paragraphs A.1 and A.2 above have been met, it will promptly notify the Grantee.
4. Terminal Dates for Conditions Precedent: A.I.D., at its option, may terminate the Agreement by written notice to the Grantee if the conditions specified in paragraphs A.1 and A.2 above have not been met within 60 days of the date of this Agreement.

The Parties may agree jointly in writing to revise the terminal date specified above without formal amendment of the Agreement.

B. COVENANTS

1. Governmental Development Intern (GDI) Program: The Grantee agrees to take all necessary measures to launch the pilot Governmental Development Intern (GDI) Program to recruit new professionals into the civil service, including initiating and receiving concurrence of the IMF, in order that GDI position ceilings do not alter GOG commitment to overall civil service personnel reduction, identifying positions and collaborating with the project's technical assistance personnel to execute the program.
2. Counterpart Personnel: The Grantee covenants that it will provide counterpart personnel for the technical assistance personnel provided under this Grant.

3. Taxation: The Grantee shall exempt the Agreement and the Grant from any taxation, duties or fees imposed under laws in effect in the Republic of Guinea

4. Necessary Goods and Services: The Grantee agrees that it will provide the goods and services needed to support the technical assistance provided under the Grant.