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USAID/GUINEA  
AGRICULTURAL MARKETING INVESTMENT PROJECT

Contract 624-0221-C-00-3085-00

Project Number 675-0221

Sheladia Associates, Inc.

**FINAL REPORT**

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## LIST OF ACRONYMS & ABBREVIATIONS

AID	Agency for International Development (U.S.)
AMF	Agricultural Marketing Foundation
AMIP	Agricultural Marketing Investment Project
AMLGF	Agricultural Marketing Loan Guarantee Fund
ATL	AMF Regional Office Technical Agent (Agent Technique de Liaison)
BCRG	Central Bank of the Republic of Guinea (Banque Central de la République de Guinea)
BICIGUI	Banque Internationale de Commerce et de l'Industrie de la Guinée
BOD	Board of Directors
BOT	Board of Trustees
BPMG	Banque Populaire Marocain en Guinée
BTFS	Banking and Trade Finance Specialist
COP	Chief-of-Party
COTR	Contracting Officer's Technical Representative
FBMS	Finance and Business Management Specialist
FICA	Fondation pour l'Investissement et la Commercialisation Agricole
GNF	Guinean Francs
GOG	Government of Guinea
ICB	International Commerce Bank
ICO	International Coffee Organization
MRIS	Market Research and Information Specialist
OIC	Opportunities Industrialization Center
PACD	Project Activity Completion Date
PIL	Project Implementation Letter
ProAg	AMIP Project Grant Agreement
RCO	Regional Contracting Officer (of USAID)
RDO	Rural Development Officer (of USAID)
REDSO	Regional Economic Services Development Office of AID
RFP	Request for Proposal
SGBG	Société Générale des Banques en Guinée
TA	Technical Assistance
UIBG	Union Internationale de Banques en Guinée
USAID	United States Agency for International Development

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## FINAL REPORT

### 1.0 BACKGROUND

The Agricultural Marketing Investment Project (AMIP) has the same purpose as USAID/Guinea's 1992-1997 Strategic Objective One--i.e., growth and increased efficiency of agricultural markets. This objective is pursued through the Project's support of agricultural marketing, agribusiness development activities and improved financial intermediation for agricultural marketing enterprises, training for private sector, policy studies, technical assistance and commodities.

The mechanism by which USAID and the TA Contractor would effect these improvements was through the creation and building of two institutions:

1. The Agricultural Marketing Foundation (AMF, or FICA in French); and
2. The Agricultural Marketing Loan Guarantee Fund (AMLGF, or FGPCA).

Each of these institutions is to have received US\$ 6,000,000 by PACD. In the case of the AMF, this would be an Endowment Fund consisting of PL480 funds deposited in local blocked accounts whose interest would provide this NGO its operating budget. For the AMLGF, this sum would be on deposit as a Trust Fund denominated in USD in New York and would be drawn upon only as needed to pay claims.

The institutional contractor, Sheladia Associates, was awarded the Technical Assistance Contract on July 16, 1993 for a total estimated cost plus fee of \$5,999,815. The project would run for about four years with a total level of effort of 345 person-months.

The frame of reference for Sheladia's activities and achievements is the contract. Three background documents were used by Sheladia TA Team to organize and undertake AMIP project activities:

- ◆ The **Project Paper** which provided substantial background and whose terms of reference are generally consistent with Sheladia's contract with USAID.
- ◆ The **Sheladia/USAID Contract Number 624-0221-C-00-385-00** which took effect July 16, 1993 and is to end on September 30, 1997.
- ◆ **Consecutive Workplans** which were developed with the collaboration of all the project Partners including the AMF professional staff, the AMF Board of Directors, the AMLGF Staff, Sheladia Technical Assistance, and USAID and the Government of Guinea as the donors.

The contract and the workplans which elaborated it address the purpose and goal of the Project which can be stated as follows:

**PURPOSE:** To create and strengthen the AMF and the AMLGF, the project-target institutions.

**GOAL:** To give discrete technical assistance to the AMF and AMLGF to support the achievement of their missions. The AMF mandate is to provide members with training, marketing information and access to markets. The mission of the AMLGF is to facilitate the expansion of lending for agricultural exports and investment.

## 2.0 EXPECTED RESULTS

Specific results expected at the end of the contract are outlined as contractor outputs supporting the overall results that agricultural marketers and exporters will have an increased capacity to participate in domestic, regional and overseas markets.

### 2.1 Establishment of a Functioning AMF

This involves the drafting of the charter and bylaws, the staffing, development of policies, procedures and systems, on-the-job and special staff training, definition of the organization's mission and member services, and technical assistance in all operational aspects of this yet-unborn organization (technical, financial and administrative).

### 2.2 AMF Training/Workshops

Approximately two training sessions/workshops per year were to be conducted on topics relevant to the membership of AMF.

### 2.3 Market Exploratory and Observation Tours

Approximately 30 entrepreneurs/exporters were to be exposed to overseas markets through participation in such tours.

### 2.4 Bank Staff Training

Approximately 10 commercial banking staff were to be trained in financing for agribusiness development and agricultural exports.

### 2.5 Market Information System

A system was to be established that would provide at regular intervals information regarding:

- ◆ demand for Guinean agricultural products in domestic, regional and overseas markets;
- ◆ prices;

- ◆ quality requirements; and
- ◆ importing country regulations.

Procedures were to be developed for identifying demand for information among local entrepreneurs; for collection and processing of information; and for communicating the information to entrepreneurs.

#### 2.6 Feasibility Studies

Completion of approximately four demand-driven feasibility studies per year was foreseen regarding agribusiness, marketing or export ventures.

#### 2.7 Establishment of a Functioning AMLGF

All instruments, forms, processes, systems, staffing, training and institutional structures were to be in place for this yet-unborn organization. The trust fund would be in place and the AMLGF would be in the business of granting guarantees for agricultural sector loans.

#### 2.8 Loans Guaranteed

At least 10 loans for agricultural marketing, agribusiness and export operations were to be facilitated in the range of \$25,000 to \$300,000.

#### 2.9 AMF's Business Services Center

A Business Services Center was foreseen in the Project Paper and made part of the contractor outputs. The AMF was to offer phone, photocopying and secretarial services for its members.

#### 2.10 Policy and Regulatory Constraints

Policy and regulatory constraints adversely affecting the development and growth of agribusiness and marketing and export activities in Guinea were to be identified and analysed. Potential solutions would be communicated to the GOG and donors by the AMF.

#### 2.11 Public-Private Dialogue

Public-private sector interaction and dialogue was to be promoted on matters relating to the growth of the agricultural sector, especially enterprises relating to commercial production, input supply, processing, and transformation for domestic, regional and overseas exports.

#### 2.12 Project Impact Assessment System

A system was to be established for the assessment of Project impact on increased agribusiness, agro-industrial and agricultural marketing activities in Guinea.

### 3.0 ACCOMPLISHMENTS

#### 3.1 Overview

The status of Sheladia's progress against contract-specified outputs is presented in the table below.

#### PROGRESS ON CONTRACT ACTIVITIES AND OUTPUTS

Contractor Outputs from Page 11 of the Contract	Accomplished
Approximately 2 training sessions/workshops per year on topics relevant to AMF members (total of 8).	3 in Coffee 2 in Coffee & Cocoa 4 in Pineapples 4 in Potatoes 6 in Mangoes 1 in Avocados 1 in Bananas 4 in ECOWAS requirements 4 in Coops & Pool Accounting 3 in Truck Crops & Production Costs 5 in Business Skills 2 in Credit Access
Approximately 30 entrepreneurs/exporters exposed to foreign markets through participation in market exploratory and observation tours.	24 persons exposed to foreign markets via: 1 Togo visit, November 1993 10 Dakar fair, May 1994 2 Bamako fair, May 1994 4 Dakar fair, November 1994 1 Banjul, June 1994 1 Banjul, September 1994 1 Rungis, France, June 1994 1 ICO visit, London/NY, September 1994 1 Ghana visit, February 1995 2 Dakar fair, May 1995
Approximately 10 commercial banking staff trained in financing for agribusiness development and agricultural exports.	8 commercial bank staff, Agricultural Finance I, November 1995 (Ms. Jane Seifert) <ul style="list-style-type: none"> <li>• 2 from BIAG</li> <li>• 2 from BPMG</li> <li>• 1 from SGBG</li> <li>• 2 from UIBG</li> <li>• plus 10 other participants including 8 from 5 local consulting firms, 1 from the Central Bank, 1 from the Ministry of Agriculture.</li> </ul>

Contractor Outputs from Page 11 of the Contract	Accomplished (continued)
	<p>7 members of AMLGF BOT, Investment Fund Planning, 1996 (Mr. James MacDade)</p> <p>6 commercial bank staff, Agricultural Finance II, April 1997 (Mr. Joel Antal)</p> <ul style="list-style-type: none"> <li>• 1 from BICIGUI</li> <li>• 1 from BPMG</li> <li>• 2 from ICB</li> <li>• 1 from SGBG</li> <li>• 1 from UIBG</li> <li>• plus 12 other participants including 4 from local consulting firms, 5 AMF staff, 3 staff from PRIDE (another USAID project)</li> </ul>
<p>Establishment of a system to provide at regular intervals information re:</p> <ul style="list-style-type: none"> <li>• prices;</li> <li>• quality requirements;</li> <li>• importing country regulations.</li> </ul>	<p>Periodically, though not regularly, information is disseminated to the AMF membership on prices, quality requirements and importing country regulations. An information clearinghouse for goods in demand and goods on offer was set up, and has generated some users.</p>
<p>Completion of approximately 4 demand-driven feasibility studies per year re: agribusiness, marketing or export ventures.</p>	<p>Cold Storage Installation for Fruit Business Center for Fruit Process (a.k.a CACEF)  Kankan Juice Plant  Rehabilitation of Sequinna Quinine Plant  Potato Storage House  plus  Numerous individual dossiers applying to LGF</p>
<p>Establishment of a functioning AMLGF</p>	<p>All instruments, forms, processes, staffing, training and institutional structures are in place. The Trust Fund has been established. The AMLGF is in the business of guaranteeing agricultural loans.</p>
<p>At least 10 loans facilitated by the AMLGF.</p>	<p>Five loans have been facilitated by the AMLGF, with 2 more in the pipeline.</p>



Contractor Outputs from Page 11 of the Contract	Accomplished
<p>Establishment of AMF's Business Services Center, including system for member access and user charges. The contract elaborates these services to be long distance telephone, fax, computer use, typing and photocopying.</p>	<p>No Business Services Center exists at AMF headquarters in Conakry because of the availability of numerous competitive private sector services in the city.</p> <p>The existence of four AMF regional offices in the interior of Guinea offered an opportunity to make such business services available at these locations. Fax machines and computers have been procured and are being sent to the regions to outfit the AMF offices as service centers. Cost sharing and user policies have been drafted in collaboration with AMF staff.</p>
<p>Identification of policy and regulatory constraints</p>	<p>Issues and possible solutions have been discussed since project inception with AMF members, donors and government officials. An issues paper was developed covering the most serious policy/regulatory constraints and shared with USAID.</p>
<p>Promotion of public-private sector interaction and dialogue on agribusiness sector development</p>	<p>Joint sponsorship of activities and information with other donors and other projects; facilitation of Guinea's reactivated membership in the International Coffee Agreement; organization of fruit quality seminars in conjunction with GOG research centers; design of the various boards and committees governing the AMF and AMLGF such that both private and public sector representatives are represented on each.</p>
<p>Establishment of a system and implementation of a plan for project impact assessment</p>	<p>A project impact assessment system was designed and indicators vetted with USAID.</p>

### 3.2 Project Mobilization

Sheladia was informed of having been selected to implement AMIP on July 9, 1993 and the contract was signed on July 16. Sheladia fielded its start-up team on 2 August 1993, just 17 days after contract signing. All four expatriate staff who were proposed were in fact fielded.

### 3.3 Creating the AMF and Making It Operational

#### 3.3.1 Legal Institutionalization

AMF was legally constituted and held its first Board elections by a General Assembly in November 1994.

#### 3.3.2 Making AMF Operational – Organization

By May 1996, AMF was endowed with the full range of functional components inherent in a free-standing institution: a corporate and management structure; policies and procedures; basic human resources; administrative systems; adequate office quarters; and material resources.

#### 3.3.3 Out-Reach

Seminars were organized and delivered early in the project to begin the campaign of informing members and potential members of the purpose and objectives of the Foundation. The sensibilisation done prior to the arrival of the TA Team by a local firm under direct contract to USAID had given the incorrect impression that the AMF would provide grants and credit. The first series of seminars under this contract was performed as follows:

- |                           |  |
|---------------------------|--|
| ■ November 15 to 18, 1993 | Seminar in Middle Guinea – <b>LABE</b>           |
| ■ December 7 to 12, 1993  | Seminar in Maritime Guinea – <b>KINDIA</b>       |
| ■ January 10 to 13, 1994  | Seminar in the Forest Region - <b>N'ZEREKORE</b> |
| ■ January 15 to 19, 1994  | Seminar in Upper Guinea – <b>KANKAN</b>          |
| ■ March 15 to 18, 1994    | Seminar in Maritime Guinea - <b>CONAKRY</b>      |

A detailed and circumstantial report on each of these seminars and the multiple sets of subsequent seminars is available at the Foundation.

By September 1995, adequate AMF representation was in place, in the form of technical liaison offices in each of the four main regions of Guinea.

#### 3.3.4 Financial Resources

The full GNF 6,000,000,000 in financial resources (PL 480 funds) was in place in the Endowment Fund, by March 1997. This sum is sufficient to make AMF financially autonomous if the organization is managed prudently. The Endowment Fund is in blocked accounts and only the interest (about \$500,000 per year) can be accessed for operating expenses.

#### 3.3.5 Staffing

During the life of the project, for a variety of reasons, AMF rarely had its full complement of management staff. The most difficult position to fill was that of Marketing Director because there were very few Guineans with an acceptable level of free-market

experience in Guinea in 1993 and USAID was unwilling to have us hire someone who would have to be trained in order to attain the minimum qualifications for the job. This catch-22 lasted until November 1995 (month 26 of the project) when, after three separate well-publicized recruitment drives, one qualified candidate finally emerged. This candidate was hired, but resigned in November 1996 after being passed over for the post of Executive Director which had become vacant in May 1996. Another search ensued and a new Marketing Director has again been identified and hired as of May 1997. Consequently, the MRIS served as interim AMF Marketing Director, and thus without a direct counterpart, for nearly three of his four years on the project.

The vacancy for the post of Executive Director lasted several months (June to October) during which time the COP acted as interim ED. The new Executive Director took up his post in October 1996.

An organizational chart follows which shows the current structure and staffing of the AMF.

### **3.3.6 Staff Development**

Individually-tailored short-term U.S. training was implemented for the then Executive Director. Third-country training was arranged for the first AMF Marketing Director and executed under the direct supervision of the MRIS. It centered around the collection of practical market information for key Guinean products.

Appropriate and cost-effective training for the support staff, was provided (filing and computer skills, locally sourced). Training for the new Executive Director had to be repeatedly postponed, due to the press of priorities that involved his senior-level involvement (e.g., hiring of the Member Services and Marketing Directors, organization of the General Assembly, annual budget submission, etc., and finally the launching of a highly successful pilot test of the member-services oriented farmer-to-farmer program).

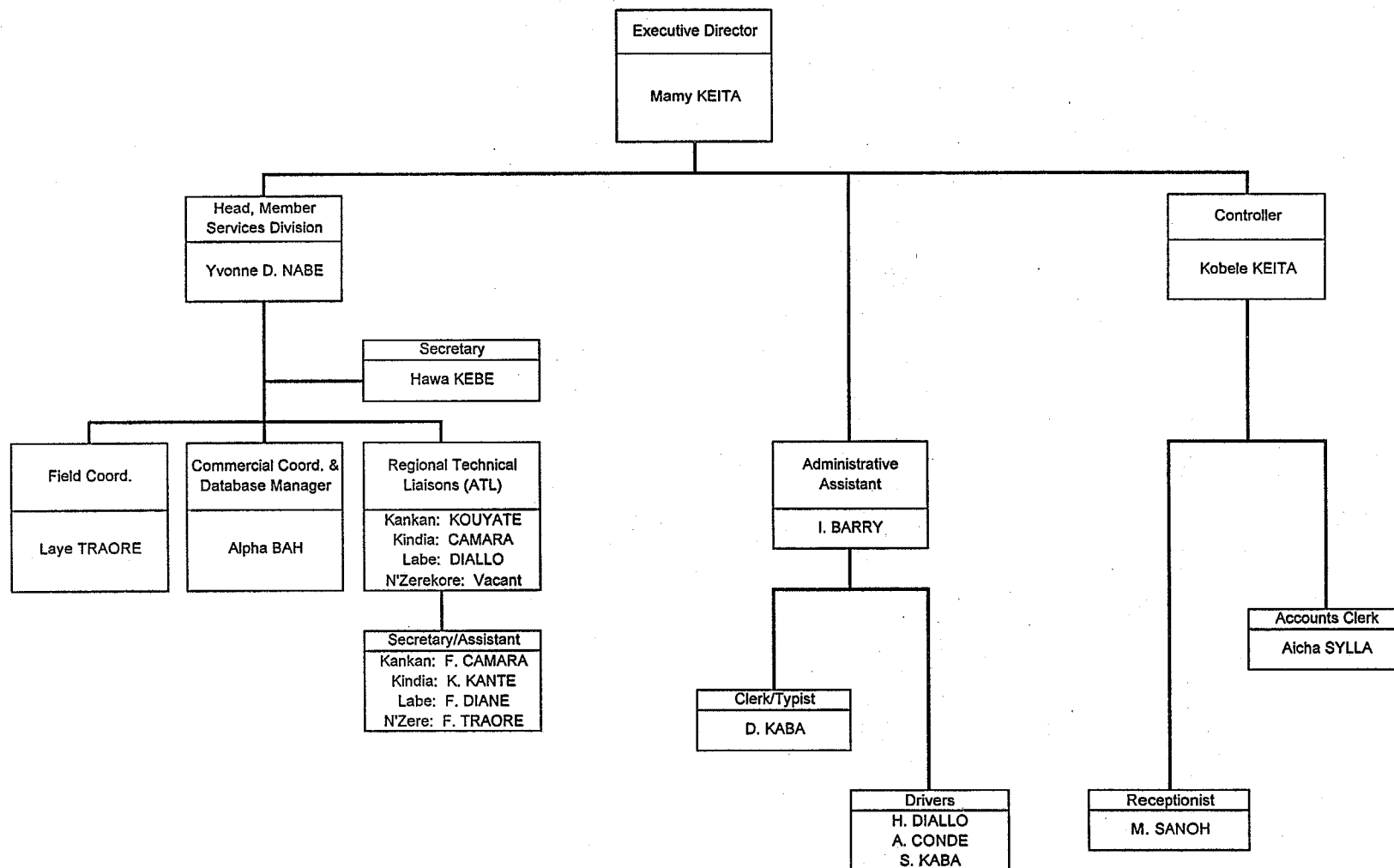
The training of the first Executive Director in the US coincided with his termination by the Board of Directors and thus the AMF organization was unable to benefit from the agribusiness and management training he received. His skills are still being applied, however, to agribusiness development in Guinea as he became the head of the World Bank's Project for the Coordination and Promotion of Agricultural Exports (PCPEA) shortly after leaving the AMF.

## **3.4 Providing Technical Assistance To AMF**

### **3.4.1 Member Training**

The 1995 needs analysis (see "Master Plan--Training" on file), approved by USAID, drew the conclusion that, based on field experience and lessons learned in the first two years of the Project, to be successful, member training must follow one or both of two paths:

# AMF Organization Chart



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- General Training (Of Value To All Members)

A primer-level course in basic business skills. Such a course, comprising a series of five regional workshops, was designed and facilitated, together with training of trainers (the ATL's). This program, which is now operational within AMF, projects semi-annual repeat offerings and joint sponsorships with other projects/NGO's.

- Product-Specific Training (Limited To A Given Product Or Product Family)

Profiling of marketing, harvesting and post-harvest handling techniques, production diagnostics, choice of variety, diversification, costing and target markets presented to interested members via seminars.

### **3.4.2 Market Profiling**

In September 1995, Sheladia and the AMF designed an ambitious program for profiling markets of countries in the sub-region. USAID found this program to be very attractive and urged the Technical Assistant to implement it without delay.

This comprehensive program of market profiling (in select West African countries) was approved and undertaken beginning in January 1996. About a dozen countries were targeted and, from these, four country visits were implemented—Guinea-Bissau, Cape Verde, The Gambia and Senegal. However, in May 1996, the program was suspended by USAID because of the conviction that domestic markets should be the exclusive targets, in the short-term.

During these field trips, an analysis was conducted concerning which Guinean agricultural products could be marketed in the respective countries, institutions were visited, economic operators were interviewed and a permanent contact was established with an individual who would serve as a kind of FICA representative. Whenever an importer from one of these countries might need products of Guinean origin, the relevant contact person was to notify the AMF which then would contact its members.

Following each field trip in the sub-region, a detailed market profile report was prepared and dispatched to the branch offices so that these would be available to the members. A substantial number of members have consulted these reports at AMF's regional offices.

### **3.4.3 Product Seminars**

While market profiling was discontinued, work went forward on other fronts designed to provide members with useful marketing information. One of these was the product seminar series which provided guidance on marketable varieties, harvesting techniques, post-harvest handling, conditioning, transformation, storage, packing and transport. Seminars were held in the appropriate areas of Guinea on the following products:

- ◆ Potatoes (1994, 1996)
- ◆ Pineapples (1994)

- ◆ Mangoes (1994, 1997)
- ◆ Bananas (1997)
- ◆ Avocados (1997)
- ◆ Truck crops (1996, 1997)
- ◆ Coffee (1995, 1996, 1997)
- ◆ Cocoa (1997)

An example of these seminars is that presented by the Farmer-to-Farmer Volunteer Expert in mangoes. He convinced producers the harvest their mangoes at an earlier stage of ripeness in order to extend the life of the fruit as it headed for the consumer. The result was improved sales and higher margins. Another mango training program was designed and implemented, in concert with the Minister for Womens' Affairs and with the collaboration of a local firm, APEK/Kindia, to teach women in Upper Guinea to dry and package mangoes, on a cottage-industry basis. Fifty-seven women were trained and the program was well received. Dried mangoes and mango preserves are currently evident in a number of interior towns.

#### **3.4.4 Information Collection and Dissemination**

The information made available by the AMF to its members may be classified in several categories, namely:

- ◆ **General Marketing Information**

This covers all the elements that play a role in the marketing of produce—seed, fertilizer and other inputs, product quality, harvest, post-harvest handling, transformation, conditioning, packing, storage, transport, developing and maintaining buyer contacts, etc.

- ◆ **Information About Specific Markets**

This refers to information on Guinean, sub-regional and international markets. This information was collected either through direct visits to target markets or via documentation provided by various agricultural organizations.

One vehicle for gathering and transmitting domestic marketing information was the information clearinghouse. A system was designed and field-tested and has been operational since December 1996. Some deals have been consummated through the clearinghouse; however, utilization has been low. Member awareness may be a constraint, but it is more likely that a lack of experience with such a system, the reluctance to publicly quote an offer or bid price for fear of lost profit (or negotiation advantage), and the lack of real time response due to the communication difficulties are responsible for the disappointing results.

For countries in the sub-region, information was organized and presented in the form of pamphlets following missions in the sub-region referred to as market profiles.

Other sources of sub-regional information included the REAO flash of the inter-African business network and various journals reaching the Foundation.

The information on international markets came from very diverse sources, such as:

- RUNGIS international market for fruits and vegetables in France.
- COLEACP bulletins which supplied AMF with the sales prices for fruits and vegetables in European markets, weekly.
- Newspaper clippings like those from the Wall Street journal provided the price of raw materials on the international markets.
- Periodicals like "Marchés Tropicaux" (Tropical Markets), "Jeune Afrique Economie", "COLEAP" Bulletin, and the Packer.

◆ Technical Information

Technical information provided includes: drafting of a sales contract (sample); computation of production costs; outline for the preparation of banking documents; basic bookkeeping; specific product and packaging quality standards; etc.

◆ Reference Information

Articles, publications and periodicals containing agricultural marketing information were collected and made available to AMF, including to its regional offices on a selective basis. Statistics were provided when available.

AMF members were also furnished with various contact lists containing addresses and phone and fax numbers. The subject matter of these lists included input suppliers, suppliers of phytosanitary products, packing and equipment suppliers, buyers, importers by product, the sub-regional country contact persons, institutional partners and various service providers.

◆ Generic Feasibility Studies

Each of these studies focused on a particular activity area that was identified as a general constraint to Guinea's agribusiness sector's development (e.g., transport, refrigeration).

◆ AMF Pamphlet

Sheladia's Marketing Advisor developed a pamphlet to serve as support to the economic operators interested in Guinean produce. On this occasion, a "FICA" logo was selected from a design competition organized by the Marketing Management and an official presentation was made to USAID. This pamphlet was available in November 1994. It provides some general information about Guinea (geography), Guinean agricultural produce (main produce exported to Europe and the sub-region), the major needs of the Foundation members, the services the Foundation can provide to foreign

investors, and the facilities from Guinea (banks, air and maritime links, communications, etc.). This pamphlet was found to be very useful, especially during some events such as the fairs and exhibitions organized in the sub-region and in Guinea. A good number of potential investors have contacted us following the reading of this pamphlet.

### **3.4.5 Market Exploration**

Between 1993 and 1997, the following market exploration missions were conducted:

- In Togo, a working seminar was held in 1993 having as its theme "Market Research Techniques and Export Marketing." The purpose of this seminar was to improve the technical knowledge and skills of marketing staff to enable them to carry out more efficiently their activities in market studies and export marketing as well as to be aware of markets offered to ECOWAS market and to promote regional and inter-African exchanges in particular. The AMF Executive Director attended.
- In June 1994, the AMF Executive Director and Sheladia COP attended a conference organized by West African Enterprise Network in Banjul. This offered AMF the opportunity to visit the port of Banjul and its facilities, to tour Hortmark Export Company and West African Cut Flowers. Several business contacts were also established.
- The Ministry of Commerce approached the AMF in August 1994 and extended an invitation to our members to participate in the mission under the Coffee Agreement to be signed in London (subsequently changed to New York). The AMF sent a member, Mr. Diallo Amadou Oury, to participate in the signing of these agreements. Since 1991, Guinea had not been a signatory to the International Coffee Agreement and its return to the international scene restored the trust of coffee importers.
- In September 1994, an AMF member, Mr. Soumah was sent on a mission to Gambia to visit model farms and family plantations. This gave him the opportunity to better understand the marketing systems used as well as the quality of produce for export (report available).
- In February 1995, a mission to Ghana was conducted by the AMF and a Foundation member, Mrs. Sultan, the General Manager of Kankan Juice Fruit Processing Unit. The purpose of this mission was to size up market opportunities for mango pulp, to investigate Guinean potatoes export possibilities to Ghana of to see the performance of refrigeration plants at the port of Tema.
- In February 1995, a field trip was made to Senegal in order to meet and to assess the actions launched between our members and IMS Company representing AMF interests in Senegal. On this occasion, meetings were held with several businessmen, including representatives of the SOCA fruit processing plant. All pertinent information was communicated to the Foundation members.



- In 1996, during the visits and the establishment of market profiles in the sub-region, contacts were also made aiming at researching new markets for Guinean produce (Senegal, Guinea-Bissau, Cape Verde, Ghana).

### **3.4.5 International Trade Fairs**

The 1994 Bamako and Dakar trade fairs, exhibiting solely Guinean produce were the first of its kind and inevitably some organizational errors were observed. The May 1995 Dakar fair exhibited considerable improvement in its planning and execution. About ten members participated in each of these fairs and many contacts were made. Contact files were developed by the Foundation in order to follow up the contacts made and to keep some statistics. Six contracts were signed by AMF members as a result of the May 1995 trade fair.

### **3.4.6 Assistance Developing Post-Harvest Investment**

The manifest needs in infrastructure investment were identified, beginning in PY1 and contacts with over 50 potential investors have occurred since. About 40 of these potential investors have already visited Guinea and have expressed their interest in Guinean produce. All had the opportunity to visit plantations and the AMF has opened a file for each of them.

The particulars of these economic operators have been communicated to all the members either through the Regional Administrator or through the branch offices.

The general feedback from investors has remained unchanged; their lack of follow-through stems from their perception of the economic environment and infrastructure as weak, compounded by the pervasive rent-seeking and the cost of capital in Guinea.

### **3.4.7 Feasibility Studies**

Sheladia/AMF conducted five major studies between 1993 and 1997. They are:

- Kankan Juice Plant

A detailed and prolonged study was undertaken for the rehabilitation of Kankan fruit processing plant (UJFK). Early in November 1993, when the AMF and Sheladia first visited Kankan, the issue of the Plant was raised by Foundation members. Indeed, given the nature of the region as an enclave and the difficulty of evacuating produce, the Plant seemed to offer an ideal solution to the disposition of the vast production of mangoes there.

The restarting of the Plant was the subject of many discussions and substantial efforts, however since 1993, Sheladia and the AMF could not get owner and managers to agree on a single course of action.

- Cold Storage Installation for Fruit

Refrigerated storage infrastructure in Guinea, mainly at the airport, are insufficient and to some extent inappropriate for fruit. The exporter members experience great difficulties in booking storage for their goods at the airport. Flight delays are frequent and, with the produce waiting in the ambient air, the fruit sustains substantial damage and degradation. Several deliveries affected by this problem have been rejected upon arrival in Europe for non-compliance with quality standards.

In July 1994, an expert on cold storage facilities was engaged to conduct an initial study on a cold storage installation at the airport. A representative of the Ghanaian Company, E.P.P. came to Conakry to estimate the cost of such a facility. The estimate was GNF 242.000.000. Without the Loan Guarantee Fund, no bank would support an investor launching such an operation. The project was, therefore, put aside at that time.

- Potatoes Storage House

The potato expert brought to Guinea by Sheladia in 1994 emphasized the need to put in place warehouses for the storage of Irish potatoes and the potato seeds. Every year, the lack of appropriate storage infrastructure results in substantial post-harvest losses which often makes potato production a losing proposition.

HAK & PARTNERS company, specialized in this type of construction (several testimonials in Africa), was contacted and a document on the possibilities for construction of a storage facility was sent to the AMF. Here again, the estimated cost for the construction was about GNF 200.000.000 and no bank agreed to launch into such an operation alone. Without an investor/finance partner, Foundation members could not undertake this construction work.

The potato storage facility package is available at the AMF. This project should be reactivated in 1997/98 now that the Loan Guarantee Facility is open.

- Business Center for Fruit Processing (CACEF)

A detailed study was undertaken for the installation of conditioning and processing units in Guinea. From the inception of the AMIP project, Guinea's need for processing stations was evident. Several institutions concerned with this issue, including REFLEG, PCPEA and CLIFFEL, were consulted and a clear consensus reached with regard to the priority to be given to promoting the development of such facilities.

A consultant specialized in this area (having had substantial experiences of this type in Africa) was brought to Guinea to conduct a generic study on this subject. It became apparent during the course of this study that the construction of processing stations was not enough. In fact, Guinean exporters' problems go beyond the limits of processing and attention must also be given to the supply of packaging, seeds, transport finance, and others.

The concept, thus, took on a much wider dimension and was defined and labelled CACEF (Fruit Processing Business Center). This would be more than just a physical

plant; it would be organization (for profit) that would serve a role as the interface between the producers and the importers (report available).

CACEF, organized as a corporate entity, could have as shareholders the producers, Guinean private investors and foreign private investors. Some foreign investors were approached in 1996 and some encouraging responses have been received. They are interested in the concept.

The AMF had requested that a second more detailed study be conducted in order to prepare for the concrete implementation of this Business Center for Fruit Processing, however, the USAID-directed retrenchment with an exclusive focus on the domestic and regional markets has precluded further work on this concept.

▪ Rehabilitation of Quinine Processing Plant

Quinquina (quinine producing) plantations as well as a quinquina bark processing plant located in Sereidou have been turned over to Mr. Mamadou Oury Bah, former Plant Manager by a presidential decree dated February 10, 1997. The new company's name is SEQUINA.

This entity, like many Guinean companies ceded to private owners under the same terms, has experienced major financial problems and was quickly forced to drastically reduce operations. The SEQUINA plantations continue to produce and the marketing has not been interrupted thanks to a very profitable market. However, the level of production has become rather weak.

Sheladia/AMF recognized the potential of this plant early in the project and have undertaken the following:

- Reviewed balance sheets
- Subjected SEQUINA to an operations and management questionnaire
- Contacted potential partners, especially the company DSM Andeno which had already expressed its interest for SEQUINA products in June 1994 with the first delivery schedule.
- In July 1994, DSM Holland owners came to meet with Sheladia/AMF to discuss the terms and conditions of collaboration. DSM agreed to invest provided it could obtain additional financing from the local commercial banks. The AMF introduced SEQUINA Company management and DSM Andeno investors to UIBG and SOFIG (a local bank and a local investment firm, respectively). These entities were interested but would hold out for the inauguration of the Loan Guarantee Facility.
- Presentation to FICA in December 1994 of a development project and a request for funding.

- In March 1995 DSM management came in Guinea to update the data and have through their report emphasized their impatience for the little progress made since their last visit (report available). Local banks would not move forward without the guarantee facility.
- At the same time Sheladia/AMF continued to look for markets for the quinine and a list of potential buyers was developed and provided to the owner.

#### 3.4.8 Assistance Accessing Credit

In the area of credit, the AMIP Project was designed to assist the agribusiness that marketed the products or that was involved in their transformation (including transport). These were originally thought to be individuals or businesses that would require financing in the \$100,000 to \$300,000 range. With some experience behind us, Sheladia and USAID later amended the lower end of this range to \$25,000 in order to be as inclusive as possible while still retaining the focus of the credit component of the project on agribusinesses.

At AMF's initiative, and USAID's cooperation, the AMF moved into the small credit arena under pressure from many of its members who are small producers. Thus there were two credit programs—(1) the AMLGF facility which was part of AMIP; and (2) the small credit program, which was not.

- The GNF 25,000,000 - GNF 300,000,000 lending range (approximately US\$ 25,000 - US\$ 300,000)

AMLGF has been made operational, albeit over two years beyond the original target date. (Please see section on making the AMLGF operational.) This has had a distinctly negative effect on the timely generation of investor interest.

- The GF 5,000,000 - GF 25,000,000 lending range (approximately US\$ 5,000 - US\$ 25,000)

AMF's independent venture into a "small" credit access program in 1994-95 was a dismal failure, compounded by self-dealing by the BOD (approximately GNF 300,000,000, or roughly \$300,000 was loaned out via 22 loans of which only one has been paid in full). This was unquestionably due to lack of expertise in putting professional credit analysis methods and adequate controls in place. At the time, RCO at REDSO/Abidjan determined that this activity was beyond the AMIP scope of work and Sheladia was enjoined from direct involvement other than to assist in putting in place a tracking system.

#### 3.5 Creating the AMLGF and Making It Operational

The focus of attention during the first nearly three years with respect to the AMLGF was on developing its conceptual framework, and on, for example defining its legal character and identity and toward creation of an entity known as the Loan Guarantee Fund. This was successfully accomplished. What remained then and in a measure still to date was the institutionalization of the AMLGF and the introduction of a system that is

operationally sound and one in which the loan guarantee mechanism and its policies and procedures would be effectively tested during implementation.

While the AMLGF is still in its embryonic stage, the financial instrument that it will come to represent will play an important role in compensating for the many market imperfections that have resulted in the entrepreneurial community in Guinea being deprived of access to institutional finance. But in addition to the AMLGF as a financial instrument which contributes to the redistribution of credit in Guinea, it must also aim toward self-sufficiency and operational independence. This latter will only be achieved after some experience is gained and necessary adjustments made.

The institutional form selected for the AMLGF was the "Endowment" (which took the form of a Trust Fund). Endowments have become increasingly favored by donors as a means of reliable support for non-governmental organizations and 1992 U.S. Congressional legislation encouraged and enabled greater consideration of endowment funding. As such, USAID's support of such mechanisms has increased in recent years.

At Project inception, however, no recognition of this form of institution existed in Guinean law, and a procedure was conceived to obtain legal recognition of the AMLGF "by Decree". Even so, establishment proved difficult and time consuming in practice, perhaps because there was no solid experience from which Guinean authorities could base their examination of the framework of the proposed trust fund. In every step of the process experience suggested, even dictated, that procedural formalities on the organizational form of the Fund remain subject to experimentation and pragmatic adaptation.

Preparing an "entity" such as the AMLGF to be able to implement, manage and monitor this newly created "specialized financial institution" has proven a valuable exercise. The requirements for managing the AMLGF as for any viable and professional organization include requirements of legality, legitimacy, transparency and efficiency.

Special characteristics of the AMLGF as Trustee of USAID's "endowment" fund were a range of conditions precedent exacted by USAID to insure respect for the Mission strategies and foster legitimacy and transparency. Transparency of financial management and organizational structure between beneficiary and donor lend credibility to the institution and thus make the Guarantee Trust Fund entity more viable. In addition, the AMLGF was designed with adequate safeguards (its internal operating procedures) which will govern the stewardship of the Fund and guard against diversion, invasion by government, and dissolution of the Fund.

Special assurances of the protection of the Trust Fund corpus from risks of decapitalization through devaluation and excess taxes have also been put in place through the requirement that the Fund be domiciled in the US and that loans granted by commercial banks and covered by the Loan Guarantee Fund will initially (till project completion) be exonerated from bank service taxes.

The local commercial banks' contribution to the development of the agricultural sector must be seen as directly dependent on an upgrading of skills within the commercial banking system which are requisite to effectively administering an agricultural

investment and export/trade finance portfolio. This may be accomplished through an extensive training effort within the local banking system. As such, an important aspect of the AMLGF's intervention was in institution building. This involved an expansion in the scale and effectiveness of financing operations of the local commercial banks and a strengthening of their capacity to increase their intermediation in agricultural sector financing.

One of the objectives of the Agricultural Marketing Loan Guarantee Fund was the development of a cadre of local commercial bank staff incorporating appropriate concepts of agricultural project and trade finance to their technique of project appraisal. In the medium and long-term the major factor influencing the accomplishment of the above-stated objective will be the institutionalization of the practices and concepts made available to bank staff. In addition, this institutionalization effort included the participation of other private entities who were positioned to provide complementary services to the Agricultural Marketing Foundation members, and other operators of agricultural enterprises i.e., through assistance in the preparation of project feasibility studies for subsequent presentation to commercial banks.

#### 4.0 RESULTS

Results expressed in terms of increased quantity marketed were difficult to come by—Guinea simply is not prepared to let loose a stream of quality produce upon solution of a single, or even several, constraints. The Guinean agribusiness sector is trapped by a large number of constraints that are binding or nearly binding. Nonetheless, Sheladia's efforts to fulfill the contract purpose (per page 11 of the contract) were a measured success — a brand new non-governmental organization was created and is functioning (albeit with certain human-resource limitations). A brand new and functioning loan guarantee facility (the AMLGF) was also created as defined in the contract.

Selected results include the following:

- There is a reference library at the headquarters and each of the four regional offices.
- The information component for members is well into place. A database has been created and the distribution of information to members is facilitated to a large extent by the existence of the branch offices.
- The former AMF Executive Director and the Director General of the AMLGF received short-term US training and have brought improved skills to bear in Guinea.
- Policies and procedures are in place at the AMF which are, in the main, being followed providing improved financial accountability and administrative efficiency.
- The AMF institution is based on democratic principles, with each member having one vote in electing its Board of Directors. In practice, the culture of deference to the traditionally powerful means that the status quo is rarely challenged. This is not unlike early democratic politics (and even current-day politics in some places) in the US. The first few steps have been taken.

- Numerous seminars have been delivered to the membership on product harvest, handling, storage, packaging, conditioning and transport. This raising of awareness has changed the behavior and attitudes of some producers and marketers of potatoes, mangoes, bananas and other products. Some have changed varieties grown, some have changed crops altogether, some have employed improved harvesting and handling techniques to improve sales and profit margins.
- Trade fairs in Dakar have resulted in the establishment of new trading relationships. Six contracts were signed in the May 1995 fair alone.
- AMF membership soared early in the project to 555 members based on a sensibilisation campaign undertaken by a local firm prior to Sheladia's being contracted for this Project. The campaign mischaracterized the AMF as having its own credit and grant resources. During the course of this project, Sheladia and USAID have struggled to make clear the true purpose of the AMF. Many members have not renewed as a result of this clarification and, at the low point in 1996, there were only about 80 paid up members. A vigorous program of customer services in 1997 that was consistent with AMF's mission has seen a substantial improvement of the AMF's image. The current membership stands at about 130 and is growing.
- Numerous lessons have been learned about the multiple and overlapping constraints to export marketing. The result is that the AMF is focusing its efforts on domestic and regional trade first.
- Five agricultural loans have been guaranteed for a total of about \$290,000—all in the final year of the Sheladia contract (actually its final eight months). Some have missed payment dates by several days or have made incomplete payments (the latter occurred just now during the final month of Sheladia's presence). As of this writing, two loans are in arrears in the 0-30 days range and the rest are current. The first retiring of an AMLGF loan is expected on 1 October 1997.
- Four Guinean banks have joined the AMLGF program for guaranteeing agricultural loans—UIBG, SGBG, ICB, and BICIGUI. A fifth bank, BPMG, has expressed interest and has been assessed by the TA; it will be invited to join the program as well in the very near future. Because of the recent adherence of ICB and BICIGUI, these banks do not yet have AMLGF-guaranteed loans in their portfolios, however all of these banks (including BPMG) have participated in our September seminar in Labe designed to allow AMF members and bank representatives to meet and discuss the banks' information requirements for credit decisions.
- The World Bank has expressed interest in using the AMLGF as well to support its own efforts in agribusiness lending in Guinea. A protocol between these two institutions was signed which agrees to explore the possibilities.
- Policy dialogue has been promoted through the policy issues paper, several AMF letters targeted on a specific policy issue (e.g., exonerating local producers' of packaging material from tariffs on their raw materials, permitting direct fruit exports by air from Kankan), and through efforts sponsored jointly with PCPEA (the World Bank project) and others. Direct export by air from Kankan is reportedly now being allowed.

- Linkages have been established with other projects in Guinea and with locally-operating organizations. Some examples follow:

- O.I.C. (Opportunities Industrialization Center/USAID)

This organization won the TA-designed RFP to fashion the syllabus and content of the Business Skills Series and to facilitate the five opening seminars (108 participants, well received). Following each seminar they trained the local ATL in delivering the series. The series was a solid success, with 118 participants attending.

First discussions have also been held with O.I.C. to design an "intermediate" level seminar -- in terms of the sophistication of the participants -- tentatively aimed at coordinating the above series, with the PRIDE workshop.

- PRIDE (Vita/USAID)

- 50% cost-sharing was established for AMF participants in the PRIDE "Spirit of Entrepreneurship" Seminars.
    - On-going discussions were held on harmonizing the AMF "Basic Business Skills" workshops, with the above PRIDE offering, emphasizing the need for training in member financial management, as a prerequisite to a viable loan access program
    - AMF contracted with PRIDE to prepare and facilitate a "Credit" seminar, to be offered in May. FBMS was part of the training team.

- PCPEA (World Bank)

The TA Team brokered numerous collaborative efforts with this project for the promotion of agricultural exports. Several trade fairs were jointly sponsored with shared costs, policy issues were discussed and some policy agenda items held in common were jointly attacked, and reciprocal participation in seminars and workshops were effected.

- ♦ AMF promotional pamphlet prepared.
    - ♦ The awareness campaign carried out by the AMF has served to make producers better understand the importance of product quality.

## 5.0 LESSONS LEARNED

A large number of lessons have been learned during the implementation of AMIP. These have been shared with USAID, the AMF and the AMLGF on an ongoing basis and have already been used, in many cases, to revise implementation plans and strategies. Some of the key lessons follow.

- The shift of AMF's target from the mid- to large-size agribusiness level to a broad-based organization was inevitable given the make-up of the membership that eventuated. Either the membership criteria should have been more restrictive in the first instance, or the impact of a broad-based membership should have been



recognized explicitly and taken into account in the implementation strategy. This unanticipated populism impacted upon the size of the membership (and thus the AMF resources needed), the nature of services demanded by members, the thrust of member training, the appropriate range of credit to be accessed, cost-sharing, etc.

- The promotion of a new organization or program must be carefully designed and controlled. The AMF may never fully work its way out of the membership's accusations of misrepresentation, concerning AMF's mandate. Prior to the Contractor's arrival in Guinea, a local firm was hired by USAID to undertake a program of "sensibilisation" throughout the country. While we were not witness to what might have been said, there was a popular misconception in Guinea from project inception that the AMF would provide credit and even grants.
- Similarly, the awareness campaign cum membership drive for the AMF preceded the creation and staffing of the organization. This was premature. It would have been better to shape the nascent organization, assess staff capabilities, etc. before committing publicly to a program. This would have tempered the early optimism and eliminated the misinformation which eroded the Foundation's credibility.
- Initially, AMF and Sheladia vigorously pursued an export promotion strategy which required dealing with a multitude of constraints simultaneously. While this was consistent with the project design, the lack of readiness on the part of the Guinean marketers and producers, the lack of infrastructure, and the cost structure meant that many efforts eventually came to a fruitless close. More recently, the emphasis has been shifted to domestic and regional marketing on the grounds that substantial market potential exists, standards are less exacting, costs are lower (thus lowering risk), and some constraints facing exporters are absent altogether in these markets. Thus, we learned that the marketing effort should tackle the less demanding markets first and, only after a period of learning, we might shift focus to international exports. At the same time, since preparing for export is more complicated, it will require a long period to prepare adequately. Simultaneous effort on both tracks is therefore recommended, but with a focus on domestic and regional trade.
- Communication problems in Guinea, particularly between Guinea and countries in the sub-region, discouraged a good number of investors who considered these to be serious impediments to proper marketing.
- AMF cannot work on both production and marketing given human and financial resource limitations. However, successful marketing depends on the quality of production as much as it does on post-harvest handling, packaging, etc. The AMF must develop linkages with other organizations that can assist in production aspects (e.g., extension services, research stations, other projects, etc.).
- The TA Contractor's ability to guide the activities and even development of the AMF was compromised by the election of a Board of Directors in the very first year of the Project. These individuals were legitimized through a democratic election by a general assembly of the membership and were impossible to ignore. Ideally, there would have been complete coincidence of larger objectives between the BOD and

the donor, even if there might be disagreement as to approach. However, the disagreements were often fundamental, often sizable and sometimes rancorous. If USAID and the Contractor are to maintain control over the development of an organization, they should be the *de facto* Directors until such time as the institution is ready for its first steps toward self-governance. Only then should a BOD be elected and they should receive training and technical assistance for an appropriate period.

- The capacity of the AMF Marketing Division to monitor, analyze and report on marketing information is still weak. This Project was, above all, an agricultural produce marketing project and the number of qualified staff assigned to the Marketing Division was inadequate. As stated earlier, this was due to the unavailability of appropriately qualified candidates in Guinea. Rather than leaving positions vacant for extended periods, it would have been preferable to hire junior personnel and train them to take on progressively more responsibility.
- The members of the AMF, despite an intensive program of information, have not grasped sufficiently well that the AMF cannot resolve all of their problems. No one organization or project can overcome all of the constraints associated with agricultural marketing in Guinea and the AMF must stick to its defined mission and repeat it precisely and frequently to the members.
- The local commercial banks must be offered a genuinely viable profit-oriented program. While giving every indication of being open to participating in AMIP's Loan Guarantee Fund, they are presently undeniably caught in a squeeze of high risk, low margins, weak collateralization and a structural lack of in-house expertise. The extent to which this is offset by even sizeable medium-term deposits, must be constantly weighed. Training and technical assistance support to the banks is probably more important than the deposits, and loan performance, of course, will ultimately determine the success of the AMLGF as a catalyst for agricultural credit expansion.
- The delay in establishment of the Guarantee Fund was responsible for many problems (e.g., lack of investment interest and thus a limited number of demand-driven feasibility studies) and many negative reactions from the members.
- In spite of everything, the foreign investors we receive regularly at the Foundation are impressed and encouraged by the organization that has been put in place. They are generally willing to consider Guinea among other candidate countries, but the existence of an organization such as the AMF, a facility such as the AMLGF, and potentially high quality produce are, of course, weighed against factors that favor other countries.

## 6.0 RECOMMENDATIONS

### 6.1 Recommendations--AMF

Focus on core products. The marketing-assistance activity is the core element of the AMF component of the project. Given the chain of constraints and the large number (more than 30) of marketable products, a choice must be made concerning the focus of AMF resources and efforts. The judicious choice of a manageable number of core products is recommended and, following that, the Guinean producers/marketers of multi-variety products must be informed as to which variety(ies) will be strong market performers.

Provide intensive support to Loan Guarantee Fund applicants and borrowers and only referral services for all other seekers of credit. Given the unquestionably low ratio of return-to-administrative load for small credit and the lack of small credit expertise, it is not recommended that the AMF engage itself directly in the promotion of small credit. It should certainly publicize the existence of all agricultural credit facilities and provide a modicum of general-level support to its members (business skills training, list of names and phone numbers to contact at banks and other lending institutions, a digest of requirements of the various programs, etc.), but it should not commit its resources to preparing specific feasibility studies or transmitting loan dossiers for small loans. Such serious support should be reserved for the Loan Guarantee Facility loans.

Press the Ministry of Agriculture, Livestock and Forests (MAEF) to provide improve extension services to members. If AMF wishes to help the broad base of Guinean agriculture, the low education level of the majority of members strongly favors extension service-type guidance, over classroom delivery. Further, AMF should be able to rely on MAEF to provide producer-members with appropriate production advice.

USAID should begin to reduce its involvement in the AMF. It is recognized that USAID, of necessity, will progressively withdraw from direct involvement in AMF's management and operations. A gradual withdrawal, without undue delay, is recommended so that the Executive Director is able to consolidate his authority and the organization's sustainability can be tested while USAID direct support is still available if truly needed.

Upgrade the self-discipline of AMF management. Policies & Procedures are not always followed with due diligence, in spite of training and monitoring. There are a number of cases where expediency is placed above respect for the institution's regulations. The concurrent audit which USAID has proposed should be implemented to reinforce good practices and discourage any bad habits.

Continue to improve professionalism among AMF staff. Both the previous and the current Executive Director have attempted to overcome -- with modest success -- tardiness, unauthorized absences, personal visits, lack of initiative and follow-through, indifference to deadlines, lack of orderliness at the workplace, inadequate quality of report presentation, etc. AMF management has begun implementing the performance evaluation mechanism and has even exercised non-renewal of contracts, where shown to be necessary. To his credit, the current Executive Director has increased the delegation of responsibility to lower staff levels; further progress must be encouraged.

Increase the use of Guinean diplomatic missions in the countries of the region to facilitate customs-clearances, transit, obtaining various authorizations, execution of agreements in ECOWAS, etc.

Deliver training on trade fair promotion. It is very often observed that the exhibitor members confuse completely promotion of produce with sale of produce. Trade fairs are spaces designed to make contacts and to ensure the promotion of one's produce. The participant must not be overwhelmed by the desire to make sales on the spot. It is better to fill an order book with orders that will be honored thereafter, after the event and sign sale contracts than to liquidate immediately in the stand.

Publicize the availability of the CACEF Feasibility Study. This project would put in place the minimum infrastructure needed for systematic conditioning and marketing of Guinean produce. It may be of interest to potential investors and now that the Loan Guarantee Fund is operating the existence of this study must be made known.

Encourage the AMF members to form marketing groups. Only sufficient volume can lower transport cost and attract major buyers.

Prior to the granting of any loan, the borrowers should undergo appropriate training on record keeping, the use and the management of loan proceeds, and the borrower's obligations.

## 6.2 Recommendations—AMLGF

Local commercial banks have had limited experience in agricultural lending and there is a perceived need for their staff to receive basic training in credit management concepts, including the links required between credit services, extension services, and technology for effective expansion of lending in support of value-added activities in agriculture.

Local banks participating in the AMLGF scheme are being prepared for a phase of "enhancement" of the credit process, through the development of clear, standardized policies and procedures, and the integration of these into their bank operations. Achievement of this will require a continuation of training workshops which will be supportive of the mechanics that are presently being introduced under the AMLGF scheme.

Training of the type already undertaken will both enhance the quality of the local commercial bank's lending over time as well as assist the Banks in diversifying the types of loans given as local bank staff begin to understand the opportunities and risks inherent in different types of agricultural project and trade finance.

While it is recognized that USAID acted with deliberate hesitation in order to protect US Government assets, it must be recorded here that the delayed release of the first tranche of the Loan Guarantee Fund was a major factor in the delay of AMLGF's operational implementation. Amendment No. 2 of USAID's bi-lateral agreement with the GOG set forth conditions precedent to the disbursement of AMLGF funding. Nearly eighteen months elapsed subsequent to compliance with these conditions precedent

before USAID agreed to release the first tranche of \$US 2.0 million. The principal reason for this delay was USAID insistence on a "re-alignment" of the AMF before the release of AMLGF funds. This delay was costly to the AMLGF in terms of lost opportunity for revenue generation through placement of these funds in interest bearing accounts and guarantee fees. Just as prejudicial to the AMLGF was the arrest of its learning curve; because of this delay the AMLGF's policies and procedures were subjected to only a very brief period of testing prior to contract completion.

The problems to be addressed as the AMLGF progresses from the first loan guarantee issued through the investment-output-repayment (or default and subsequent claim) process will require design changes in a whole range of policies and procedures including fine-tuning of the guarantee analysis and approval mechanism.

There are also questions, issues and problems that will arise as the AMLGF moves further into the implementation phase. An example of the issues that will have to be addressed include: the design and implementation of the Successor Trust Fund, the modality of the transition of the AMLGF to a private sector enterprise including an implementation plan for its eventual sale, the development of an AMLGF marketing and business plan, etc.

It is going to take several cycles of investment-output-repayment and claim-recovery before the AMLGF's suitability to the Guinean context will be tested and modifications to the program made. For example, when the first claims inevitably arise there will be a tendency for the AMLGF to pressure the banks over an extended period of time to recover funds from the borrower prior to payout, despite the AMLGF's clearly stated policy to expeditiously settle claims.

The AMLGF must find a balance between protecting its capital assets while at the same time assuring its credibility as a guarantee facility. It will take time for this balance to be struck in practice.

### **Coverage of Principal**

The percent of principal covered by the guarantee will need to be reviewed over the next year. Participating banks may be reluctant to make additional loans unless the coverage is increased. It was clear from the earliest stages of discussions with the banks during conception of the AMLGF, and it remains clear today, that guarantee coverage at 50% of principal is barely sufficient to induce the commercial banks in Guinea to start a new lending activity given the high risks associated with this type of activity. The rationale that the banks put forward is that they must be almost as cautious in their lending if they take 50% of the risk as if they take 100%.

Guarantee programs worldwide offering higher percentages of coverage have been most successful in obtaining commercial banks' participation and cooperation. Within a range of 70% - 85% coverage, it has been shown that there is no perceptible difference in claims experience and program "profitability". So long as participating banks have at least 10% - 15% of their capital at risk they have been shown to act responsibly in line with guidelines issued by the guarantee institution.

## Coverage of Interest

Interest on loans to AMLGF program beneficiaries should be under guarantee coverage to at least the date of default.

Most export credit guarantees worldwide cover interest to the date of default, for the same percentage that they cover principal. Indeed, many of them cover interest beyond the date of default, to the actual date of claim payment. All U.S. Government agencies that guarantee banks for credits extended to exporters cover interest as well as principal. This is true for U.S. Eximbank, the Small Business Administration and the Department of Agriculture. Only the Office of Investment of USAID does not cover interest. For this reason, and the fact that it only provides 50% of principal coverage, a small percentage of all the Small Business guarantees authorized by the Office of Investment have actually been utilized to cover actual transactions.

Millions of dollars of guarantee limits have been approved for participating banks overseas, but these have rarely been used to facilitate real loans, for the reasons already mentioned. This appears to have been a major factor in the decision to suspend funding for this program, starting in FY 1994.

## Priority Access

For export-trade and agricultural investment finance to work, it cannot be rationed. This is presently the case involving the AMLGF under which access is restricted to members of the Agricultural marketing Foundation. Eligibility and lists setting out what kinds of enterprises and activities are eligible for financing - and which are not - almost always ends up skewing what's available toward those individuals and enterprises needing assistance less.

What should be encouraged under the AMLGF program is that any individual or enterprise with a confirmed export order should have access to export financing and guarantee coverage. Virtually none of the successful export guarantee agencies worldwide has established transaction priorities for the use of their guarantee programs. They operate on a first-come, first-served basis for all eligible transactions and do not attempt to "ration" their guarantees to a specific group, particularly during their early years of operation.

The challenge to the AMLGF during its start-up years will be to secure enough business to cover operating costs, set aside adequate reserves, build a balanced book of risk exposure, etc., and very few guarantors can afford to turn away or delay legitimate business because it is perceived to be lower rather than higher priority.

## Establishment of Loan Limits

No bank limits should be established by the AMLGF and applications should be accepted and considered on a case-by-case basis from all banks that meet acceptable standards of competency.

None of the successful export-related guarantee programs in the world establish a pre-set limit on the amounts of guarantees which may be received by individual participating banks. Indeed, the concept of bank limits is usually related to lending programs where the risk of non-repayment by the bank is of concern, rather than to guarantee programs where the risk of non-payment by the exporter is the point in question. The establishment of bank limits should not be germane to guarantee programs like the AMLGF and will severely hamper the flexibility of operations.

### **Leveraging of Capital**

The AMLGF be given authority to have outstanding guarantees equal to 2-3 times its capital and reserves — a ratio even more conservative than any used in the world. *Note:* In the early stages of operations the AMLGF may be wise to actually limit its outstandings to 1.5 or 2 times capital and reserves, but it should have the flexibility to go higher as experience develops and confidence in its operations grows.

All guarantee agencies worldwide are authorized to have outstanding guarantees equal to a multiple of their capital and reserves. This multiple varies from 4:1 to 15:1. Even lending operations, with rare exceptions, are permitted and even encouraged to have loans outstanding at a multiple of capital and reserves. The AMLGF is unique in the requirement that it that it maintain a level of guarantees outstanding (contingent liabilities) which are less than its capital and reserves. This implies that all the guaranteed loans will go bad and sends all the wrong signals to the banks and the loan beneficiaries. We are in effect affirming to the banks their concern about the riskiness of lending under our program.

### **Marketing**

AMLGF intervention in marketing is seen as necessary to induce agricultural producers to apply for loans and commercial banks to apply for the guarantees which will make the loans possible.

If the AMLGF program is to achieve full utilization of its guarantee program resources on a national scale, then a thorough and widespread understanding of AMLGF and its benefits is essential. This will require a coherent marketing plan.

Such a commercial bank product and services marketing development program was proposed in 1996 for delivery to local commercial bank management, but was not approved for implementation as of this writing. Within an AMLGF product context the proposed marketing program had several performance objectives in mind:

- explain the "Bank Marketing and Servicing Concept" and why marketing is critical to the future of the local commercial banks as they move to expand and improve their banking services in a competitive banking environment;

- an understanding of the marketing concepts of product, price, promotion and place and be able to analyze these basic marketing factors within each Bank's specific market;
- an understanding of the developmental purpose, features and benefits to the customers of each of the local commercial bank's existing credit and deposit products and be able to target potential customers based on indicators of product need;
- an understanding of the importance of marketing research and marketing planning as the starting point for all of the local bank's marketing activities;
- banks capable to prepare marketing promotion plans for each local commercial Bank's respective geographic area of coverage for each of their existing (and potential) credit and deposit products and services.
- an understanding of the banker's role in selling financial products and services and be able to apply selling techniques to effectively promote their credit and deposit products and services.

The development of a marketing plan not specific to but including the AMLGF "product" should be addressed. It should be emphasized that such a marketing plan is essential as it forces an evaluation of the bank's current market position vis-a-vis its competitor commercial banks. The marketing plan should inspire banks to look at new opportunities and make it aware of its responsibilities. It will also help to develop its resources and use them more efficiently.

The marketing development program should emphasize that the successful development of each local commercial bank will take place when it learns to segment the market in which it operates and establishes "market niches" based on comparative advantages over its competitors, and when it is able to tailor its products and services to accommodate changes in market conditions. The recommended marketing plan will be two-directional, involving a deposit acquisition plan and a loan acquisition plan which must be interrelated so that the volume of new business and the pricing of both loan and deposit services ensure the each bank's continued growth and achievement of its development objectives. Under the marketing development program bank visits will be undertaken to begin the development of each bank's product and services profiles. An exercise will be conducted with a view to enhancing current products and/or developing new products and services to meet perceived customer requirements for financial (loans, deposits) services from the banks.

### 6.3 Recommended Program for AMIP for 1997-1998

Sheladia Associates, Inc. devoted several weeks recently in collaborating with USAID/Guinea, the AMF Executive Director, and the AMLGF Director General to develop a work plan for AMIP for the coming year. This plan incorporates many of the lessons learned during the past four years and it has served as the basis for USAID's



approval of a one-year extension of the Project. It is presented as a table on the pages that follow Section 7.0.

## **7.0 ITEMS PENDING**

### **Arrange Training for the AMF Executive Director**

The current Executive Director has been in his position since November 1996 and USAID has agreed in principle on the need to provide him training on agribusiness and management. An aggressive program of member services over the last six months has precluded the ED's participation in training. Follow-through on training for the Executive Director will have many benefits for the AMF.

### **Arrange Training for the AMF Marketing Director**

In May 1997, Mr. Rojas Delamy, was recruited as the Head of the Marketing Division. A training program has been developed and made available to the Foundation Executive Director who must assure its monitoring and implementation. It is important to mention again the training of the Director of the Marketing Department for this is a key position. FICA personnel practically do not have skills in agricultural marketing. The RDM should undergo advanced training in such a way that investors passing through Guinea will find him informed and capable. A complete training program has been submitted to the Executive Director and it can be used as a basis for planning Mr. Delamy's program.

### **Eliminate the PIL Requirement**

Follow up on the elimination of the requirement of a PIL from USAID for issuance of Loan Guarantees.

### **Amend the Trust Fund Agreement to Cover AMLGF Operating Expenses**

Presently the AMLGF is operating without a budget in the sense that all of its operating expenses, including salaries and rents, are being covered by the Sheladia technical assistance budget. The AMLGF maintains an imprest account that is replenished regularly and periodically by Sheladia, but the final replenishment covers only September 1997, the contract completion date. This poses the problem of how the AMLGF will cover its operating expenses after the contractor departs. We refer USAID to our May, August and September correspondence on this matter.

### **Explore the Post-Project Status of the AMLGF**

Speculating at this time on the terms and conditions of any eventual privatization of the AMLGF is somewhat premature as the AMLGF will need at least two or three years of loan guarantee operation in order to establish a track record and qualify for a reasoned assessment. However, while the Project Paper foresaw the sale of the AMLGF and the Trust Fund Agreement states that any sale will be in accordance with procedures established "at that time" (at the time of sale), eventual sale of AMLGF is not seen as likely.

This institution could only be profitable if it charged a guarantee fee sufficient in size to cover all defaults, but in present-day Guinea this would require at least a 30% charge. (The current charge, in fact, is only 2%.) This would be in addition to interest which ranges from 15-20%. Charging the requisite combined rate (about 50%) would squelch all demand and defeat the purpose of the AMLGF. This realization has come gradually and eluded the original designers of the Project.

What is more likely to evolve, is that the AMLGF will function as an NGO with its Trust Fund monies and other grants meant to be consumed in the process of priming the pump for medium and longer-term investment lending in the agricultural sector in Guinea. Thus, in theory, the AMLGF will share risks (and losses) with the commercial banks until the banks gain sufficient experience with agricultural lending to make a much higher proportion of well-performing loans in the sector.

## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		AMLGF Staff	ST Cons/ FTF	Other	
Improve Access to Available Credit Programs	Collect & Disseminate Information	x			Banks, local consulting firms and potential borrowers aware of existing agricultural credit programs
	Provide at least 1 Training per year in each region in Loan Applic'n Prep'n for Targeted Programs (LGF and Credit Facility)	x	0-1 IESC*/STTA	Banks; FICA	Shorter processing time by commercial banks
	Provide Training for 50 persons per year in Basic Business Skills and/or Credit	x	0-1 IESC*/STTA	Local Consultants; FICA	Improved management of some agribusinesses thereby improving creditworthiness of some applicants.
Improved Bank Participation in the LGF Program	Maintain Monitoring & Feedback with Designated Contacts at Banks	x		Banks; FICA	Problems identified early and resolved
	At Least Two Outreach and Promotion Activities Organized	x		Banks	Participating banks meet potential agricultural borrowers in rural areas. Each participating bank is represented in the LGF portfolio.

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## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		AMLGF Staff	ST Cons/ FTF	Other	
Protect the Value of the Trust Fund	Visit 100% of beneficiaries at least twice each year to ensure sound underwriting and loan monitoring	x	0-1 FTF/STTA	Banks; FICA	Claim losses minimized
Improved Use of the Guarantee Program	Open Eligibility Beyond FICA	x		GOG Support	AMLGF decree and bylaws amended by GOG. All agribusiness persons are eligible for the LGF program.
	Promote Geographic Diversity	x		FICA	8 new loans and all natural regions in the program.
	Promote Diversification of Portfolio into Capital Investment	x		FICA; Banks	One capital investment application submitted or in development.
	Monitor & Report on Status of Applications and Loans	x		FICA	Donors informed of status regularly
Develop AMLGF Institutionalization Strategy	AMLGF To Comply with Policies & Procedures for Management Controls and Internationally Accepted Accounting Principles.	x		Local Accounting Services	AMLGF in compliance with Policies & Procedures; routine financial reporting done on a timely basis.
	Evaluate Program Relevance & Efficiency	x	STTA* (incl. Legal)	GOG/USAID Support; Local Legal Advisor	AMLGF Program Efficiency & Relevance Improved

## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		AMLGF Staff	ST Cons/ FTF	Other	
	Reassess structure, LGF program parameters and procedures; Develop proposed refinements as appropriate				
	Vet changes with USAID (including RLA) and GOG				
	Develop Transition Plan by March 1998	x	STTA* (incl. Legal)	USAID/GOG Support	AMLGF will transition smoothly to post-project phase.
	Prepare Report with Options and Outline of Steps for Each.				
<p><i>* Indicates outside funding required for these inputs. Specifically, IESC Volunteer (about \$25,000); STTA of 2 persons for 2 months each (about \$80,000); PSC advisor (about \$30,000). Estimated total required \$135,000.</i></p>					

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## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
Improved Marketing Opportunities	Establish Wholesale Marketing	x	1-2 FTF*	Local Consultants	Transactions Costs Reduced & Marketed Volume Increased
	Study Collection & Distribution System				GOG and other donors use study to inform their policies/ programs.
	Develop & Implement Action Plan Based on Opportunities Identified				FICA Regional Offices coordinate with members to supply bulk produce.
	Undertake detailed study of Green Market (terminal market) near Conakry				Study disseminated to national and local Government officials.
	Develop and Strengthen Marketing Networks (ad hoc, coops, or Nucleus Producers)				At least 1 bulk supply operation is organized, one for vegetables from SO-1 watersheds is explored.
	Introduce Standards and Classification (time, size, variety, appearance,...)	x	2-4 FTF*/STTA	GOG/USAID Support	Reduce marketing costs by eliminating substandard product. Improve profitability through price discrimination.
	Research Market Preferences According to Subcategories of Each Product				for 2 of the 4 core products (mangoes, bananas, potatoes, onions)
	Develop Standards and Classification				for at least 1 product
Provide Training				80 members trained	

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## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
	Pilot Marketing Using Classification				for at least 1 product
	Assist in Organizing Bulk Transport	x	1 (legal advisor)	Local Legal Advisor	
	Identify Reliable Transport Providers				
	Link Wholesalers with Producers				Producers have increased transporter options.
	Develop Model Transport Contracts				Model contract developed and distributed to FICA branches.
	Provide Truck Owners and Producers Training in the Terms of the Contract				5 truck owners trained; 10 producers trained. Less damage to produce (as measured by reduction in mixed cargo) and more timely delivery.
	FICA Branches Assist in Organizing 2-way Cargo				1 backhaul opportunity on ongoing routes is identified and linkages made through FICA branches.
	Improve Fruit Quality	x	6-8 FTF*; 1 STTA	GOG/USAID Support	

## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
	10 seminars provided concerning various steps of the entire marketing chain (timing of production, variety selection, harvesting, post-harvest handling, conditioning, packing/packaging, transportation, etc.)				An average of at least 50 persons trained per FTF Volunteer; profitability increased, quantities increased of core products marketed
	Develop and Disseminate 12 Product Profiles containing Marketing Information				Producers and Buyers have improved marketing information that they include in their planning.
	<b>Facilitate Sales Contracts</b>	x	1 (legal advisor)	Local Legal Advisor	<b>Reduce transaction costs; improve reliability</b>
	Develop Model Sales Contracts for Core Products				basic model developed with optional clauses; model is tested.
	Train Members in Model Sales Contract				10 higher-volume producers trained
	Bring Buyers and Sellers Together				4 buyer/seller linkages developed.
	<b>Improve Market Access</b>	x	1-2 FTF*	Local Consultants	
	Train Members in Trade Fair Participation				At least 1 training and follow-up workshop; 20 members trained.
	Arrange Logistics for Trade Fairs				2 fairs per year arranged.

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## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
	Identify Potential Domestic & Regional Markets				2 domestic marketing studies conducted; 1 regional studies conducted; 1 pilot market tests completed.
	Organize Market Exploration Tours for Members				10 members exposed to potential markets in the region.
	Support Regional Trade Fair Participation				12 members who have not previously exhibited at a FICA-organized stand are supported.
	Collect & Disseminate Market Information	x	0-1 FTF*/STTA		More than 50% of FICA members acknowledge using FICA-generated marketing information. (see FICA Customer Survey, Nov 96)
	Estimate Volume and Calendar of Products Coming to Market				Tables are produced each year on the 4 core products and disseminated to producers and potential buyers.
	Serve as Referral Service for Buyers and Sellers (FICA HQ staff serve drop-in buyers; branch staff arrange logistical support for field visits by buyers.				Branch & HQ records log shows 15 visitors assisted.
Development of the AMF Institution	Staff Development	x		Local Consultants	

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## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
	Perform Staff Evaluations for All Staff, Annually				Staff skills are assessed; staff are motivated.
	Assess Training Needs Annually				
	Design/Arrange and Deliver Appropriate Training as Needed				Improved skills in targeted areas.
	<b>Systems Maintenance and Improvement</b>	<b>x</b>		<b>Local Consultants</b>	
	Expand and Maintain Membership Database				Marketing data of members readily available; membership services improved.
	Improve Marketing Information Services				Improved dissemination of market information to membership
	Maintain and Improve Accounting System				Quarterly reports issued that are up-to-date; low incidence of procedural deviations.
	<b>BOD Meetings &amp; General Assembly</b>	<b>x</b>		<b>GOG Support</b>	
	Organize and Conduct 4 BOD Meetings				FICA Institution conforms with Rules and Procedures
	Develop Draft Resolutions for GA				GA is more efficiently conducted
	Organize and Conduct GA Meeting -1998				Reinforced participation of members in democratic process.
	<b>BOD Training</b>	<b>x</b>	<b>STTA</b>		

## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
	One Training in Conducting Meetings				FICA BOD conforms with Rules and Procedures
	Annual Orientation for New Members, including development of BOD Handbook				FICA BOD conforms with Rules and Procedures; Improved Understanding of Roles and Responsibilities
	One Training in Understanding Budgets and Financial Statements				FICA BOD conforms with Rules and Procedures; Improved Accountability
	<b>Audits and Evaluations</b>	<b>x</b>		<b>Audit Firm</b>	
	Cooperate with Concurrent Audit, if Conducted				Compliance with procedures ensured.
	Customer Survey Design Developed for Following Year				
Promote Enabling Environment for Agribusiness through Policy Dialogue	Develop at Least Two Briefs on Policy Topics	<b>x</b>	<b>all FTF*</b>	<b>GOG/USAID Support; Partners</b>	
	Discuss Policy Issues with Government of Guinea	<b>x</b>		<b>GOG/USAID Support; Partners</b>	GOG considering steps on at least 1 major policy issue.

## AMIP Program for October 1997-September 1998

Objectives	Major Task Group & Tasks	Human Resources Required			Results
		FICA Staff	ST Cons/ FTF	Other	
<p><i>* Indicates outside funding required for these inputs. Specifically, 12 FTF Volunteers (about \$125,000 needing USAID financing with all in-country costs paid by FICA)</i></p>					

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## ANNEX I -- Reports

Quarterly Project Progress Report (October - December 1993)	January-94
Semi-Annual Performance Report (October 1993 - March 1994)	April-94
Quarterly Project Progress Report (April - June 1994)	August-94
Annual Performance Report (October 1993 - September 1994)	October-94
Quarterly Project Progress Report (October - December 1994)	March-95
Semi-Annual Performance Report (October 1994 - March 1995)	April-95
Quarterly Project Progress Report (April - June 1995)	July-95
Annual Performance Report (October 1994 - September 1995)	October-95
Quarterly Project Progress Report (October - December 1995)	February-96
Semi-Annual Performance Report (October 1995 - March 1996)	June-96
Quarterly Project Progress Report (April - June 1996)	August-96
Annual Performance Report (October 1995 - September 1996)	October-96
Quarterly Project Progress Report (October - December 1996)	February-97
Semi-Annual Performance Report (October 1996 - March 1997)	May-97
Quarterly Project Progress Report (April - June 1997)	July-97
Final Report	September-97
Phase I Workplan (final draft)	June-94
Phase I Workplan	September-94
Phase II Workplan	June-95
Phase II Workplan (update)	June-96
Phase II Workplan (update)	November-96
Market Study for Mangoes (SODETEG)	May-94
AMF Operations Manual (draft)	June-94
Mangoes: Norms and Export Requirements (Dayachari and Hussain)	July-94
Project Impact Assessment System (Farcy)	August-94
Financial Management Review Checklist for AMF	May-95
AMF Endowment Fund Analysis (MacDade)	June-95
Report on the CEDEAO Fair in Dakar	June-95
Employee Evaluation System (draft)	July-95
Draft Training Plan for AMF Members	September-95
AMLGF Text of Procedures	December-95
Master Plan for Capacity Building through Training and Information	February-96
Coffee in Guinea (Harper)	April-96
Text of Procedures (AMLGF)	April-96
AMF Policies and Procedures	June-96
Credit Access Policies and Procedures (French)	July-96
Surveys and Seminars on the Marketing of Horticultural Products in the Maritime and Middle Regions of Guinea (Schroeder)	January-97
Surveys and Seminars on the Marketing of Horticultural Products in Upper Guinea (Schroe)	April-97
Trip Report on Bananas in Guinea (Stephens)	June-97
Trip Report on Mango and Avocado Quality in Guinea	July-97
Surveys and Seminars on the Marketing of Horticultural Products in the Forest Region of Guinea (Schroeder)	July-97
Coffee and Cocoa Marketing (Harper)	September-97
AMF Organizational Development (Bentzinger)	September-97
Guidelines for Agro-Industrial Project Appraisal (AMLGF)	undated
A Lender's Guide to the AMLGF	undated
Guarantee Evaluation Process	undated
Claims and Recovery Manual	undated
AMLGF Documentation Flow	undated
AMLGF Documentation Control	undated
A Borrower's Guide to the AMLGF	undated
Brochure for AMLGF End-Users	undated
AMLGF Internal Procedures	undated
A FICA Direct Credit Access Program Manual	undated
A Manual for Project Elaboration	undated