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DEPARTMENT
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GUINEA-BISSAU

SMALL PROGRAM STATEMENT

AN A.I.D. STRATEGY FOR THE YEARS 1980/81 TO 1985

JANUARY 1979

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National liberation, the struggle against colonialism, the construction of peace and progress -- all these are empty things which have no meaning for the people if they are not translated into real improvement in living conditions.

- Amilcar Cabral

INTRODUCTION

What follows is an analysis of the development situation in Guinea-Bissau and a background summary for this analysis. Also contained herein is a basic framework within which the AID program should be developed and implemented, as well as the rational for AID development assistance.

The critical needs of Guinea-Bissau are those of a poor, new independent country. They range from the entire spectrum of very simple needs such as potable water, basic primary education, staple foods, basic health services, etc., to the need for establishing a sound base on which to attain longer range socio-economic goals. Many bilateral and multilateral donors are trying to assist, yet the task is very difficult because of the extremely limited development status of Guinea-Bissau. Briefly, the principal conditions are:

-- There is a serious shortage of trained and skilled workers and professionals.

-- The administrative system is not yet solidly established.

-- Physical infrastructure is grossly inadequate.

-- The capacity to absorb foreign aid is relatively low.

-- There is not yet a formal development plan, although the GOGB's actions do indicate that the highest priority is development of the agriculture sector followed by education.

The following discussions set the stage for the current and proposed AID program and presents a tentative strategy which will be confirmed, modified, and/or expanded, as appropriate and when sector assessments are completed.

I. U.S. INTEREST

Guinea-Bissau, one of the poorest nations of the world, became independent from Portugal on September 10, 1974, after a long and economically debilitating struggle. Shortly thereafter, the United States established diplomatic relations with Guinea-Bissau, and expressed the desire to help the country in meeting some of its critical post-independence socio-economic needs.

The initiation of modest food and developmental AID programs shortly following independence served to demonstrate U.S. concern for the country in dealing with its problem of extreme poverty and overall reconstruction of the economy. U.S. interest over the long term is to enable the GOGB to develop the country's human and physical resources and make the nation more economically self-sufficient.

Guinea-Bissau's leaders have repeatedly stressed their intention to strengthen bilateral relations with the U.S. and the country's Ambassador to the United States was the first sent abroad by the newly independent nation.

II. GEOGRAPHY AND THE PEOPLE

The Republic of Guinea-Bissau is situated on the west coast of Africa wedged between Senegal to the north and the Republic of Guinea, formerly French Guinea, to the east and south. It covers an area of approximately 14,000 square miles (twice the size of New Jersey), much of which is low coastal plain that rises gradually toward a savannah in the east.

The main physical characteristics of Guinea-Bissau are its meandering rivers and wide estuaries, where it is difficult to distinguish mud, mangrove and water from solid land. More than half of the country resembles an archipelago, that place about 85 per cent of the population with at least 20 kilometers of navigable water. Much of the country's soil is alluvial and fertile. A negative consequence of the numerous waterways is, however, the tremendous problem of transport and communications.

The country's climate is tropical. Maritime and Sahelian influences are felt. Extreme variations in the country's climate, especially between the north and south, influence the agricultural production base. Rainfall is abundant (2,000-2,500 m/m per year) along the low coastal plains where there is an abundance of palms, mangrove thickets and rice fields. To the north and inland, however, the average rainfall drops to 1,300 m/m and the land is covered with tree-dotted grasslands. There are two seasons, a wet season, usually from June to November, and a dry season lasting from December through May. Periodic shortages of rainfall affect the country, especially the northeast. Most recently, the 1977 wet season ended with a drought in the north and northeast sections of the country, aggravating the food shortage problems of the last several years.

No reliable figures for the present total population are available but estimates for 1977 are set at between 920,000 and 930,000, with a density of about 50 inhabitants per square mile. The population is ethnically diverse. Before independence, the main ethnic divisions were as follows: the non-African community of mainly Portuguese civil servants and Syrian and Lebanese traders, a colony of Cape Verdeans (mesticos) and the Africans (indigenous) whose main tribal groups are Balanta 30 per cent, Fulani 20 per cent, Manjaca 14 per cent, Mandinga 13 per cent, Papel 7 per cent, Biyagoc 4 per cent, Felupe 4 per cent and Nalus 3 per cent. (In all, 21 ethnic groups exist in Guinea-Bissau.) Following independence the number of whites has declined to less than a few hundred.

Approximately 65 per cent of the population is animist, 32 per cent Muslim and 3 per cent Christian. Although Portuguese is the official language, a Guinean crioulo is the lingua franca and numerous African languages prevail.

Even though the average family size approaches 6, the annual growth rate of the population remains below two per cent, due largely to the level of poverty which exists throughout the country. Although the population density is relatively high by African standards, Guinea-Bissau cannot currently be considered overpopulated.

Considering the prevailing climatic conditions, fertile soils, and availability of water, the food/people balance is favorable, with potential for considerable improvement. A problem could arise when health improvements reduce infant mortality and increase life expectancy.

III. POLITICAL SITUATION

The African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC), founded in 1956 by Dr. Amilcar Cabral, the national hero, is the sole political party enjoying a legal existence in Guinea-Bissau. It is important to note that the PAIGC is perceived by the nation's citizens as the symbol of freedom won from the Portuguese and as the architect of a new national identity. The democratic process is said to be insured through the operation of the PAIGC itself, which is defined by the Constitution as "the supreme expression of the sovereign will of the people." According to the theory of "democratic centralism," every citizen over the age of 15 can be involved in popular democracy by participation in the election of PAIGC candidates for the National Assembly. The National Assembly, the highest organ of the state, is elected for a period of up to three years and meets at least once a year.

The 15-member Council of State is elected for a three-year term from among the members of the National Assembly. The Council of State elects a President who is Chief of State and Commander of the Armed Forces. Luiz Cabral, brother of Amilcar Cabral who was assassinated in 1973, is President of the Council of State.

The country is divided into eight political subdivisions. Officials elected to Regional Councils are empowered to preserve public order, provide local administration and promote economic and social development in the Regions.

The Government has also fostered the creation of local committees from among the local tabancas to act as organs of grass-roots political, and more recently, socio-economic direction. (A tabanca is a cluster of dwellings having a certain geographical, familial and functional unity. It is the traditional unit of daily life in Guinea-Bissau.)

Guinea-Bissau has proclaimed a policy of non-alignment, balancing close ties with most Communist states and good relations with a number of other nations, notably Cape Verde, Sweden, Holland, France, FRG, Portugal, Brazil, Algeria, Senegal, and the United States. Although its representation abroad is limited, Guinea-Bissau takes an active interest in international relations, especially African and Arab affairs.

Guinea-Bissau was the first Portuguese African territory to achieve independence, and the government is proud of its reputation as a leader in the struggle for African liberation. The common heritage of Portuguese colonialism provides an affinity with Angola and Mozambique.

IV. SOCIO-ECONOMIC PROFILE OF THE RURAL POOR

A. Overview

Statistics, especially reliable economic and financial data, for post-independence Guinea-Bissau are poor at best and serve to emphasize the need for adequate reporting systems. Since it is safe to assume that upward of 90 per cent of the country's inhabitants reside in the rural sector, all below cited national statistics and estimates apply to describe the rural poor majority's situation which is considerably worse than its brethren citizens of Bissau, the nation's capital and only major urban center.

The chaotic state of the Guinea-Bissau economy is largely a consequence of the long war for independence. However, even before it started, the country was not much of an economic proposition. Agriculture is the mainstay of the economy. It has always been an entirely African activity, since there were no European settlers. Colonial rule under Portugal did little to upgrade the large peasant economy of Guinea-Bissau. To the contrary, colonial administration considered any habit of technological change adopted by the population as a potential threat to colonial authority.

Four years of independence and the promotion of a better distribution of essential goods and services to the population at large has barely put a dent in Guinea-Bissau's debilitating level of poverty. The country's very low GNP per capita income (estimated by the United

Nations at approximately $120) is belied by an even lower level of living. According to the Physical Quality of Life Index (PQLI) recently introduced by the Overseas Development Council as a measure of a country's overall human well-being, Guinea-Bissau ranks as one of the poorest countries in the world. (The PQLI is a composite measure of life expectancy, adult literacy, and infant mortality.)

B. Agriculture Sector

The country's huge rural sector is comprised almost exclusively of subsistence farmers (and to a lesser extent, fishermen). As such, the agriculture sector is expected to provide the major source of employment and foreign exchange. The principal crops of Guinea-Bissau are rice, peanuts and palm oil. The agricultural potential of the country must be rated as excellent. Rice production at one time reached export production levels. However, one measure of the damage wrought by the war for independence on Guinea-Bissau's fragile economy was the drastic drop in the production of rice, the food staple for rural populations throughout the country, and the country now has been importing rice for the last several years.

Overall agricultural productivity would have to be categorized as poor and underexploited. The bulk of production is subsistence agriculture which never reaches the market. Consequently, agriculture's real contribution to the GDP is falling far short of its real potential.

To date, little importance has been achieved in the area of livestock and poultry raising. Native cattle are generally mature at about a lean 400 pounds, provide small amounts of meat and insignificant quantities of milk. Virtually all of Guinea-Bissau's dairy needs are met through imports. Another problem created by the small size of the cattle is that very few of these animals are large enough for draft. This, coupled with an almost universal lack of farm machinery, results in no relief to the back-breaking labors of the field.

Fish are abundant in Guinea-Bissau and people like to eat them. However, fishing practices are archaic. Furthermore, an almost total lack of basic supplies and transport services have precluded development of viable fisheries production by small fishermen.

C. Health Sector

Guinea-Bissau's health conditions are extremely poor. The rate of infant mortality - 208 per 1,000 live births (compared to 17 per 1,000 in the U.S.) - is among the five highest in the world and reflects the miserable prevalent health standards in the country. Life expectancy at birth is approximately 35 years. The population at large suffers from a lack of adequate sanitation and nearly half of the inhabitants suffer from tuberculosis, anemia, and intestinal diseases. Trachoma, schistosomiasis, filariasis, several strains of virulent malaria, and other tropical diseases, including leprosy also prevail.

Health services are sorely insufficient. As recently as 1977 there existed in the entire country only three trained social workers and ten native doctors. Presently these are complemented by a core of approximately 44 foreign doctors, mostly Cubans. However, this still leaves one physician for about every 17,000 people. Of the above indicated doctors, 29 are operating in the capital city. Very few doctors serve the rural area populations. There are seven hospitals with a total of 1,161 beds, almost all located in urban centers. Hospitals are understaffed, poorly equipped and critically short of drugs. Medical facilities and supplies are almost unavailable to the bulk of the rural population. No preventative medical services or programs at all exist in the country. The vast majority of the population, especially in the rural areas, resort to local traditional cures.

D. Education Sector

The educational status of the country highlights the neglect of basic needs by the colonists. During five centuries of rule the Portuguese produced a total of fourteen university graduates in all of Guinea-Bissau. Under the Portuguese, education even at the primary level received generally inadequate support. In 1965, for example, there were only 13 colonial government schools with an approximate enrollment of 2,000 students. Furthermore, the curriculum adopted was that used in Portugal with little, if any, relevance to life in the colony.

During the war for independence, the PAIGC, as part of its liberation program, established a national education system which by independence had grown to 156 schools and 15,000 students. The teachers in these schools were PAIGC loyalists who had no formal teacher training. Many of these "professor combatentes", as they are called, are still bearing a large part of the teaching load.

The number of schools has increased considerably (to 540 by 1977) as a result of the explicit GOGB policy of making primary education - kindergarten and first four grades - available on a universal basis. This resulted in approximately 65 per cent of the 1976/77 primary school year population being in either kindergarten and the first grade. Unfortunately, 50 per cent of the first grade children do not pass the first time. This is partially due to the lack of properly trained teachers but, perhaps even more, is due to language difficulties. The medium of instruction is Portuguese, which virtually all Guineans who speak it (about 30 per cent of the population) have learned as a second, or even third language. As a result, upwards of 95 per cent of the total population is illiterate.

E. Other

As one travels throughout the countryside of Guinea-Bissau one suddenly realizes the lack of attention paid by the colonists to basic infrastructure. Endemic malaria and other tropical diseases rendered the country unsuitable for settlement by a colonial plantation class which would have demanded comfortable levels of living and requisite supporting infrastructure. As a result, there exists only 2,200 miles of roads connecting the majority of the country's dispersed rural populace; only 265 miles are paved. Moreover, missing road segments and ferries and bridges resulting from the war, make transportation very difficult and slow, especially during the rainy season and, in particular, towards the rice producing southern portion of the country.

Electrical power is a serious problem. The old, rundown diesel generator plant in Bissau has a total capacity of only 12,000 KWH. The capacity throughout the rest of the country amounts to 1,800 KWH and is virtually non-existent in the rural areas.

Likewise, telephone and telegraphic communications are not accessible to the rural population. There are only about 2,000 telephones in the entire country, almost all in the capital city.

F. Role of Women

The GOGB has a very egalitarian policy toward women who had been given and responded to a full role during the country's liberation struggle. This attitude and role carries over to the part women presently play in the GOGB which includes several women in important positions (although there are no women at the Cabinet level). As education is deemed an important instrument in promoting social change and integration, it is significant to note that women are gaining highly influential, if not dominant, roles in education in Guinea-Bissau. (For example, the Director of National Teacher Training and counterpart head of the USAID Primary Teacher Training Project is a woman.)

Involving women in societal decisions is a value consciously fostered by the PAIGC. The local tabanca committee, for example, must include at least two female representatives. The Party propaganda continually urges males to fight their cultural traditions of treating women as inferiors or of assigning traditional sexual divisions of labor. The Party requires its members to treat their wives with full equality in compliance with the revolutionary spirit.

Despite the GOGB official position and efforts, at the local level women still have, as in similar societies of West Africa, few rights outside the household, and while they take part in production, do not own the fruits of production. The Balanta population (representing approximately 30 per cent of the total population) is, however, an exception. Women have a much higher level of rights in Balanta society. They can own their own means for production and fruits of their efforts as producers. As in other West African countries, women dominate as vendors of agricultural produce in the market place.

V. GOGB DEVELOPMENT STRATEGY

A. Background

Formed in 1956 under the leadership of Amilcar Cabral, the PAIGC is foremost a political organization. The immediate end to which the PAIGC organized itself was the political independence of Cape Verde and Guinea-Bissau. Support for the PAIGC came primarily from the rural majority who participated in the organization of alternative social and economic arrangements to those established under colonial rule.

Local communities were mobilized to manage new institutional arrangements that would ensure the provisions of basic needs during the armed struggle. For over eleven years the makeshift organization of education and medical services resisted the constant threat of attack or bombing. Unlike its neighbors in West Africa, the people of Guinea-Bissau, to achieve their independence, had to fight a long war.

Guinea-Bissau is an economically and socially underdeveloped agricultural country. It is a peasant economy that is organized around the small village communities whose basic producing unit is the family. During the 500 years of colonialism, the Portuguese created a dualistic open economy common in the Third World. Economic gains came from the export of a few agricultural products, primarily peanuts. Nearly all of the exports were destined to Portugal where they were processed and sold, either on the domestic or world market. A colonial heritage in agriculture was therefore established to benefit the ruling colonial elite; peasant farmers planted rice and a few other grains and roots to satisfy their subsistence needs. In addition, the peasant farmer would produce cash crops to pay his taxes and purchase imported consumer goods.

Prior to the war, rice production was sufficient to satisfy domestic needs and provide a small surplus for export. Profits from exports, however, remained in the hands of the Portuguese; in fact, as late as 1970 Portugal benefited entirely from the peanut exports which represented slightly more than $2.5 million and 70 per cent of the country's total export earnings.

During the armed struggle which began in 1963, the PAIGC worked to destroy the colonial economy.

"We must destroy everything the enemy can use for their continued domination of our people."1/ Thus, the country was divided militarily and economically in two. Urban and rural areas occupied by the Portuguese army - about one third of the country - were split from that part of the country liberated by the PAIGC. As a result, agricultural production declined and by 1972, only 30 per cent of area cultivated in 1953 continued to be exploited.

With the dislocation of the population and the bombardment of the earth works, used to protect the lowlands from salt water, fewer peasants farmed the land. This was especially the case in the northern part of the country which was under Portuguese control. Thus as the production of rice decreased it was necessary to import more food. At the close of the war in 1974 exports covered only seven per cent of imports. For the same year, rice imports required nearly 6 times the foreign exchange available from export earnings. Annex 1 shows the deterioriation of agriculture as a result of the war for independence.

Although cash crop production decreased, increased imports were essentially responsible for the country's commercial deficit during the war. Imports in 1974 reached five times their equivalent value in 1951 and three times their equivalent value in 1960. In part, the deficit in the commercial balance was due to increased rice imports. In addition there were heavy imports of goods related directly to the war: fuel; medical supplies; and luxury goods for the Portuguese troops. The situation was further aggravated in 1973 with the dramatic price increases on the world market for fuel and, to a lesser extent, rice.

While the PAIGC worked to destroy the colonial export economy, it also made a systematic effort in the liberated regions of the country to develop and maintain the production of foodstuffs for local consumption. "Everything must be done in order to finish the harvest as soon as possible, to avoid its destruction by the enemy."2/

1/ Palavras de ordem gerais do camarada Amilcar Cabral aos responsaveis do partido, Novembro de 1965, PAIGC 1969.

2/ IBID, page 23

Attempts to develop agriculture in the liberated areas were made by the PAIGC. A limited number of agronomists and agricultural technicians received advanced training abroad, mainly in Eastern Europe, and then returned to work in the liberated regions.

Major differences between economic life under the PAIGC and under the colonial system centered around ways in which agricultural surpluses were used and commercialized. Under the Portuguese, the farmers would often neglect their own food needs and instead produce for cash to pay taxes. To combat the problem and help satisfy the food needs not met by village production, the PAIGC created in 1964 a system of People's Stores (Armazen de Povo). By 1974 there were 17 stores throughout the country.

An equally important function of the Stores was to feed the armed forces; in fact, most of the rice marketed by the Stores was consumed by F.A.R.P. (The People's Revolutionary Armed Forces).

The People's Stores were a fundamental element in the mobilization of the majority peasant farmers. As an alternative institution they provided the population in the liberated zone with basic provisions. During the war they competed with the Portuguese merchants by lowering selling prices, offering more for agricultural products and using a system of direct exchange. (In fact, no money was used until 1976 when the peso replaced the Portuguese escudo.)

Principal commercial and industrial interest of the Portuguese concerned essentially: (1) the Compagnie Union Fabriel (C.U.F.) represented in Guinea-Bissau by the Casa Goveia; and (2) the Ultramarina which was controlled by the Bank of Portugal. Until the onset of the war, these enterprises held a monopoly on all important commercial exchanges throughout the country. However, with their dependence on agricultural production and the introduction of the People's Stores, commercial and industrial operations witnessed dramatic transformations.

In the beginning the People's Stores encountered a number of difficulties: the Portuguese often practiced dumping and offered a wide variety of goods, while the goods in the People's Stores were mostly provided by foreign donors and were not always to the taste of the population. Transport and distribution, however, were the

major obstacles, often done under the most precarious of conditions. In spite of these obstacles, the system of People's Stores proved to be a successful substitute during the war. Today, the system controls about two-thirds of all commercial activity in the country, both for domestic and foreign markets. Annex 2 shows the evolution of the People's Stores by principal purchases.

Commerce's contribution to the country's GDP decreased over the war years. Between 1953 and 1963 commercial activities averaged a 7.3 per cent annual increase; to the contrary, commerce's contribution between 1963 and 1973 to the GDP declined on the average of 2 per cent per year. Annex 3 provides a breakdown of different sector contributions to GDP.

Industrial activities which are confined to the more urban areas focus principally on the semi-transformation of agricultural products. Existing factories consist of three for hulling rice, seven for shelling peanuts, and three for producing oil (peanut and palm).

Less than one year after independence, 70 People's Stores were in operation. The state-run stores regulate which goods may be imported, assign mark-ups on prices for private merchants, and are the principal supplier of goods to both the public and government. The Ministry of Economics and Finance fixes prices, and determines the overall orientation of the market. However, state controlled commerce is confronted by a gamut of managerial and marketing problems. In addition, strict import regulations and a lack of hard currency have resulted in empty shelves. When essential goods are available, long lines form and stocks are quickly depleted. Since independence, import license fees, increased taxes on profits and heavy custom duties have drastically reduced private commerce. Presently the GOGB is seeking a better relationship between private and semi-private commercial enterprises.

Having accomplished the immediate goal of political independence in 1974, the PAIGC is presently working to achieve the more comprehensive objective of equitable social and economic development for both Guinea-Bissau and Cape Verde. Like the People's Stores, a number of alternative institutional arrangements that began in Guinea-Bissau during the war are being fused into the development priorities of the country.

B. Development Philosophy and Priorities

Organizations created during the war by the PAIGC encouraged self-reliance among the people while promoting their participation in the struggle. Once political independence was achieved, these same organizations have served as bridges upon which the new government is dealing with the country's abject poverty. Under the leadership of the PAIGC the GOGB began to trace a course for the country's social and economic development.

Absorbed by the country's deficiencies, the GOGB has yet to elaborate its first development plan. An explicit development strategy does exist, however, and includes objectives and priorities defined for investment and development. This strategy was presented during the PAIGC's Third Congress in November 1977.

A major emphasis of the development strategy is to promote and organize the participation of the country's rural poor majority in the development of the country's available resources. A central characteristic of the PAIGC Party's value system is commitment to open dialogue at all levels, including and especially at the local tabanca level. It is through this mechanism that the GOGB strives to involve the rural population in defining and resolving local development problems. At the same time the PAIGC is able to mobilize political involvement in the GOGB. This philosophy is being supported in three priority areas: agricultural development; formal and non-formal education; and health and nutrition.

Agricultural Development: Development activities in agriculture follow the PAIGC's precedence established during the war to improve the productive capacity of peasant farmers. Preference is for low capital, labor intensive projects that promote increased and diversified agricultural production. Given the country's fertile soil and relatively abundant source of water, agricultural development is the GOGB's development alternative.

A major short term goal is to achieve self-sufficiency in rice production. As a result, foreign exchange presently being used for food imports can be directed to pressing development needs. Moreover, the country has great potential

to export rice, especially to neighboring countries importing rice from as far away as the Philippines.

Both foreign and national assistance in agriculture is primarily concerned with subsistence farming since it provides the livelihood for the majority of the population. This assistance includes distribution of seeds, insecticides and technical support. The GOGB has also initiated a number of monetary incentives (e.g. price for peanuts has been raised 420 per cent and for rice has doubled).

Subsistence farmers also benefit from assistance directed to state farms where both traditional and new crops are being studied for their improvement and adaption to Guinea-Bissau. A state farm is run by technical directors appointed by the government and is staffed by salaried workers recruited locally. The plan is to operate one state farm in each of the country's eight regions.

Formal and Non-Formal Education: Until 1961, when the Portuguese repealed the Indigenous Statutes, 99.7 per cent of Guinea-Bissau's population was denied access to the colonial system of education. To combat the deprived state of instruction among the rural populace, the PAIGC formed a system of village schools which have served since independence as the basis for the introduction of a new education system.

Education and its development absorbs one-fifth of the country's expenditures. Two objectives underline the GOGB's educational policy: (1) the provision of universal primary education; and (2) the introduction of new curriculum and methods of instruction that are better suited to the country's values and development needs. Academic year 1975-1976 was the first for a new decentralized administration. The following academic year the structure of formal education was reorganized. Non-formal education centers primarily on literacy programs. A National Commission for Literacy Coordination was formed to promote literacy and make recommendations for program improvement and expansion.

Health and Nutrition: Public health policy underlines the GOGB's priority to improve and provide basic health services to all citizens. The basic principle defined by the Ministry of Health is to apply a policy of decentralized service. Initial concern goes to the renovation and operation of existing health posts and hospitals. Future efforts are to reinforce a decentralized system of basic health care delivery.

Each region is to have a hospital with a minimum of 100-bed capacity and will be able to ensure essential medical health. In addition, hospitals are to be located in the more populated sectors. Health posts are to be located in both the more populated and less accessible villages. Each region is to be equipped with a health brigade which will use a mobile dispensary unit to support vaccination campaigns, health and nutrition education and services to the least accessible areas of the country.

C. Other Donor Assistance

Total aid to Guinea-Bissau approached $50 million or roughly $45.00 per capita in 1977. Most aid has been in the form of grants. Although all foreign assistance has not been fully documented, preliminary studies, conducted in collaboration with the GOGB's Ministry of Economic Planning by the United Nations Development Program, identify Sweden, the U.N. system, Holland, Portugal and the European Economic Community as major donors.

Apart from military assistance, which is largely received from the USSR, economic development assistance is primarily supplied by western bloc countries. This is due in part to ties previously established by Portugal: capitalist countries continue to dominate Guinea-Bissau's commercial links with the world market. However, because of the government's policy of non-alignment, no single donor dominates any one sector.

The GOGB considers foreign assistance an essential ingredient in its effort to develop the country's resources. However, the precise allocation of development assistance has conflicted over requirements for needed foreign exchange - which tend to promote agro-industrial projects - and investments in basic human support services.

Compromise arises with the GOGB's decision to support a gradual expansion of the market for agricultural production. A gamut of foreign donor activity supports the GOGB's efforts to increase the productivity of peasant farmers and establish a secondary sector dependent on the demand and supply of the domestic market.

France is supporting projects to improve and increase peanut production. FAO, the United States and

China are involved in improving rice production. Holland has built a small fruit-juice/jam factory in Bolama. The World Bank recently approved a $6.3 million loan for a road improvement and maintenance project. Several OPEC countries are financing on a grant-loan basis, an agro-industrial production site to shell peanuts, hull rice and manufacture soap, cooking oil (palm and peanut) and animal feed.

Basic services are being improved through investments in education, health and food assistance. UNESCO, UNICEF, and the United States are supporting projects to expand and upgrade primary education. WHO, Yugoslavia, Sweden and Cuba are providing assistance to public health.

The USAID maintains excellent working relations with the U.N. agencies and most other multilateral and bilateral donors in Guinea-Bissau. Several aspects of the USAID's Rice Production project, including irrigation, drainage and seed production, were designed and are being implemented in close collaboration with on-site FAO technicians. UNICEF worked with Mission staff in developing and designing the AID Primary Teacher Training project. The Dutch have shown good cooperation with respect to the Agricultural Development project. The Swedes, and more recently the EEC, have expressed keen interest in complementing AID efforts in the areaof small fisheries development.

VI. PRIMARY CONSTRAINTS TO DEVELOPMENT

The level of poverty inherited at independence has required the GOGB and foreign donors to concentrate on the provision of basic goods and services to the population at large. Aggregate growth or industrialization are not, at this stage, intelligible or desirable goals. Only more recently has the government and donor countries begun to direct assistance to medium and long term projects. Nevertheless, development projects must be implemented within an enigmatic economic situation which has been exacerbated by war. Above all, major constraints to development are more a result of the overall structure of the country's economy.

Existing industries permit meager transformation of agricultural production. Only 3.2 per cent of the country's active population is employed in the secondary

sector. The tertiary sector employs 20,859 people but 72 per cent are government cadre. 80 per cent of the country's wage earners live in Bissau (See Annex 4). In general, the country's active population is poorly equipped, technically deficient, and unable to attract sufficient investments to promote substantial capital accumulation. The dearth of skilled administrators, managers, and technicians at all levels remains critical. The departure of most of the 3,000 Europeans from the country significantly aggravated Guinea-Bissau's shortage of technical expertise. The lack of trained personnel is a serious problem in Guinea-Bissau which has, to date, hindered the government in carrying out its basic development strategy and delivery of basic services to the population.

Agriculture, the country's most obvious economic base, scarcely provides the rural majority with their subsistence needs. Although approximately 90 per cent of the active population is in agriculture, only 1,667 are wage earners. Though on the upswing, peanut exports may not prove to be an adequate means for the country to meet its heavy foreign exchange needs.

A key constraint to achieving equitable growth in Guinea-Bissau is the economic situation of peasant farmers. Most of the country's active population are subsistence farmers, the majority of whom lie outside the contemporary market. Instead, levels of productivity are such that unless produced for sale (peanuts), agricultural production barely meets subsistence needs. For the same reasons agricultural production is unable to provide an adequate supply to the industrial sector, peasant farmers remain with little purchasing power. Moreover, there is little incentive to produce for cash because of the limited number of goods available on the market. Except for peanuts, produced for export, agricultural production in Guinea-Bissau is characterized by a relative abundance of land and, to a lesser extent, family labor, with almost a non-existant supply of capital, resulting in low productivity.

Food requirements among the urban population aggravate this situation given their meager wealth-producing capacity. In fact, the capital city, Bissau, with about ten per cent of the country's population,

consumes an inordinate amount requiring heavy food imports; yet, outside of public services, Bissau produces little in exchange.

In 1975, the first state budget revealed that the provisional budgets of the different ministries were together close to three times more than state revenue. Part of the problem is due to the unorganized method used to collect taxes. In addition, a national reconstruction tax was lifted for three years from the areas of the country that were under PAIGC control before independence (see discussion on Recurrent Costs and Project Development).

Combined with poor communications and transport, the GOGB and foreign donors must contend with an unqualified, sparsely staffed administration. Consequently the few available counterparts and project participants overdistend donor and government work.

According to the GOGB's own Ministry of Economic Planning, the Ministries operated during the initial years in large measure independently and with no structure that coordinated effectively all development activities and initiatives. In practice, the state apparatus has not yet been sufficiently defined to incorporate effectively all available assistance. Instead, a number of projects remain on paper awaiting a structure with which to implement.

Presently, donor coordination leaves room for improvement. However, there are indications that the GOGB intends to ameliorate the situation with the recent hiring of eight foreign national economists (from various countries, including Brazil) by the Ministry of Economic Planning. After several years in which to refine their programs, foreign donors have also begun to better plan and coordinate their programs. However, despite initial attempts by the former UNDP Representative to conduct periodic donor coordination meetings, the practice has yet to be institutionalized. Part of the problem stems from the fact that many of the donors do not yet maintain permanent representation in Guinea-Bissau.

Projects under implementation face a number of constraints prevalent in West Africa, but exacerbated in Guinea-Bissau. Although most projects require technical assistance, available support services and language requirements have limited adequate recruitment.

From past experience, accessible sources of equipment, commodities and technical services gradually are being identified. However, equipment and commodity components of projects suffer the result of excessive delivery delays and precarious, at best, maintenance and repairs.

VII. AID ASSISTANCE AND STRATEGY

U.S. assistance to Guinea-Bissau started in 1975 when the newly independent country benefited from a $1 million grant to the U.N. Committee on Human Relief (UNHCR). Close to 90,000 refugees returning to Guinea-Bissau at the end of the war with Portugal received assistance under this grant.

Also in 1975, 25 training grants were awarded to students from Guinea-Bissau to study at African technical schools.

Since 1975, a bilateral assistance program using regular development grant funds has expanded to finance projects totalling U.S. $2.4 million in fiscal year 1979. Initial project design was administered by the AID Regional Affairs Office in Washington, D.C. In 1977 a resident AID Country Development Office was established in Bissau to administer U.S. assistance to both Guinea-Bissau and Cape Verde.

U.S. assistance to Guinea-Bissau upholds the GOGB's commitment to: (1) meeting the basic needs of the rural poor; (2) developing the potential for self-reliance among rural farmers; and (3) building constructive institutions and enterprises based on local values and resources. Assistance is therefore invested in projects that assist primarily the peasant farmers who make up a majority of the population. To date, of the three sectoral priorities adopted by the GOGB - agriculture, education, and health - AID program development has concentrated on the first two.

Agriculture: A high proportion of Guinea-Bissau's labor force is engaged, at low levels of productivity, in subsistence agriculture. As a result, both a constraint and a requirement for equitable development is technical and capital assistance available to peasant farmers. AID

is taking steps to help the GOGB improve this situation.

A major emphasis of AID assistance in agriculture is research and diversified production. Assistance is directed at efforts to increase the productive capacity of peasant farmers. In addition, AID encourages peasant farm production and marketing aimed at satisfying local consumption needs. An immediate objective is to reduce the risk of famine and provide better diets. As the productivity of the peasant farmers increases over a longer period, past assistance will result in increased incomes and a surplus of labor and production for secondary economic activities. However, for the next five years, U.S. assistance should improve and expand its present course among the majority of subsistence farmers.

A. Cereals Production

Rice, millet and sorghum constitute in varying proportions per region principal nutriments in Guinea-Bissau. AID assistance has already, in collaboration with FAO and the GOGB's Ministry of Rural Development introduced two season intensive rice cultivation to peasant farmers. From this project further assistance will include additional study and experimentation in intensive rice plus sorghum and millet production. Considered a highly successful project, present efforts are to be introduced elsewhere in the country. But measures should be taken to improve present project activities before any expansion takes place.

B. Agricultural Development: Phase II

Under an existing AID sponsored project, technical and capital assistance are helping the GOGB to establish a national program in seed improvement, grain storage, soils analysis and plant disease identification. Three laboratories are being constructed and equipped: a soils testing laboratory, a plant pathology laboratory, and a seed testing laboratory. In addition, 4,000 hectares of arable land in the southern part of the country will be placed under rice cultivation. Under the initial phase of the project, measures were introduced to control tidal waters.

Once the three laboratories are established and the 4,000 hectares have been prepared, the second phase of the project will introduce on a pilot basis crop diversification. Activities to support crop improvement and diversification will be coordinated and implemented under the direction of the three laboratories.

C. Artisanal Fishing

Fish provides a major nutriment to over half of Guinea-Bissau's population. Fishing is also a major source of income for a number of people who live along the coast and near the more affluent rivers. However, a lack of equipment and maintenance, poor transport and meager facilities impede fishermen from increasing and marketing their surplus catches. AID's involvement in this area will assist the GOGB first on a pilot basis in improving artisanal fishing in the Cacheu River area. Once established, basic facilities, materials and techniques proven in Cacheu will be introduced elsewhere in the country.

D. Vegetable Production and Marketing

Guinea-Bissau's fertile soil, available water sources and tropical climate could support more expansive vegetable production.

Investments in the production and marketing of vegetables contributes to improved diets, higher incomes and better marketing practices. It also supports the active role of women. Vegetables are usually raised by women in or near the family compound. Any surplus produced is also marketed by women.

The GOGB already supports research and experimentation in fruit and vegetable production. At the state farm, Parbis, vegetables, some of which are new to Guinea-Bissau, are successfully grown and marketed. AID's proposed activity beginning in FY 81 will draw upon the experience at Parbis to help improve the quality of vegetables produced by the peasant farmer, introduce new crops and better production and market methods.

Education and Human Resources: Since the colonial precepts for planning educational development in Guinea-Bissau proved to be irrelevant, they have been discarded and, introduced in their stead are guidelines concerned with the social and economic development of the country. Foreign assistance is therefore directed to formal and non-formal instruction which accentuates local involvement and technical and administrative performance. As a result, U.S. assistance in education and training gives priority to instruction in technical and professional skills required to introduce a wide range of programs to rural people.

However, after the colonial period, the country is faced with a tremendous shortage of trained and trainable people. Initial efforts to design and implement economic development projects in every sector must first contend with the need to upgrade and expand available skills. AID assistance includes support for training in all of its projects. Support is not confined, however, to formal, higher education programs. To the contrary, given the scarcity of skilled and semi-skilled personnel, AID favors the provision of more practical, less time-consuming instruction. For example: mechanics are given a three-month intensive course by Caterpillar; seed testing technicians received six weeks of laboratory instruction at a U.S. university after completing five months of in-country training; and an agronomist studied plant crop protection in Brazil over a five-month period.

AID attempts to emphasize short practical courses. Long term, formal education does nevertheless play an important role in AID assistance. In support of the GOGB's plans to advance universal primary education, AID is constructing two primary teacher training centers and will finance training in a variety of educational skills. Once completed, the two centers will train 320 primary school teachers a year.

A number of training requirements related to priority areas and project implementation are not subsumed under specific projects. All of the technical and professional requirements relate to the provision of agricultural and rural services. Therefore, beginning in 1981, AID will direct assistance to the development of those technical skills that suffer from severe shortages under a general training for rural needs project. Course work, provided

by in-country technical teams will include instruction in extension practices, general agriculture, small market management and nutrition. Other required, third country training will also be financed.

Another AID effort to be developed under a vocational training institute project will help the GOGB construct, furnish and put into operation a school for vocational training. Once operating, the institute will provide instruction and seminars in a variety of practical skills, from a program for blacksmiths to basic accounting. A major emphasis of the program will be to develop a national capacity to conduct in-country training.

Health: No country in West Africa suffers as much from indigent conditions of health than Guinea-Bissau. As a result, the GOGB cannot help but place priority on improvements in health, sanitation and nutrition. A major concern is to direct assistance at improving and expanding basic rural health delivery. Among those making contributions to health-related activities are Cuba, China, Sweden, Yugoslavia, and to a lesser extent, the Soviet Union.

The United States has a lot to offer a country like Guinea-Bissau in the area of health/nutrition. An abundance of information and experience in maternal health care exists from U.S. sponsored programs in nearby countries. In Senegal, Mali, the Gambia and Liberia, for instance, hundreds of U.S. Peace Corps volunteers have been compensating for the shortage para-medical manpower while filling transitional requirements for trained personnel. The Peace Corps and AID have developed and amassed a wealth of materials to provide instruction in nutrition, sanitation and general health. Much of these materials are written in the context of the rural poor in West Africa.

In view of Guinea-Bissau's needs in health and considering the significant U.S. experience elsewhere in health-related assistance, AID is contemplating a pilot project in maternal/child health care beginning in FY 83. This pilot project would first assist the GOGB to collect and document appropriate materials. Once the research is completed, a pilot project site would be chosen to introduce and measure the impact of basic instruction in

nutrition and maternal/child health interventions. Future support could be made available for the project's improvement and expansion.

Forestry Management and Soils Conservation: The GOGB has expressed keen interest in U.S. assistance to forestry management and soils conservation. Forests cover an area of 36,000 square kilometers in Guinea-Bissau. Indiscriminate cutting of young trees to meet increasing fuel requirements and to supply sawmills wood for export has promoted soil erosion. Much of the land suffers from fire clearing methods to expand arable land.

The GOGB does not yet have any action programs in forestry management/soils conservation, nor have any other donors shown special interest. USAID is contemplating a positive response to the GOGB's request for assistance and included a request for funds in its FY 1980 Congressional Presentation. The proposed project would focus on introducing at the village level proper cutting and planting techniques. A pilot extension nursery will be tested, then tried on a larger scale.

VIII. PLANNING LEVELS

The following table shows the proposed areas, magnitudes of funding and timing of the USAID's program strategy outlined above. The program levels are considered to be within the ability of the GOGB to absorb in terms of counterpart manpower and financial contributions. However, USAID should remain flexible and initiate the proposed new activities, and/or other presently unidentified projects within GOGB/USAID priority sectors, as opportunities arise and, conditional upon the rate of approved project implementation

U.S. assistance in Guinea-Bissau falls under a well designed program which successfully attempts to fulfill Congressional requirements and the GOGB's priority for rural development. Project implementation remains modest, however, despite Mission and GOGB endeavors to carry out the program. Initial problems were due in part to the small field staff and limited logistic support services. More recent constraints are the result of dilatory commodity processing and deliveries. In addition,

PLANNING LEVELS FOR USAID/GUINEA-BISSAU
(U.S. 000)

Sector Activities	FY - 79	FY - 80	FY - 81	FY - 82	FY - 83	FY - 84	FY - 85		TOTAL FY-81 to 85
Food and Nutrition									
Agricultural Development	500	350							
Fisheries Development	365	135			400	500	500		1,400
Food Crop Protection	250	230							
Rice Production/Cereals Production	475	550	675	300					975
Agricultural Diversification (Vegetable Production)			300	500	500	500			1,800
Seed Multiplication			250	250			300		800
Education & Human Resources									
Primary Teacher Training	850	410							
General Training			200	500	500	500	500		2,200
Vocational Training				400	500	500	500		1,900
Health									
Para-medical Preparation					300	500	500		1,300
Maternal/Child Health Care									
Selected Development									
Forestry Management and Conservation		200	800	600	400				1,800
TOTAL	2,440	1,875	2,225	2,550	2,600	2,500	2,300		12,175

requests for technical services and personnel are delayed by detailed administrative requirements.

AID/W and or REDSO TDY assistance will be sought for project design and development, as well as their continued backstopping for procurement and provision of technical services, commodities and participant training in the foreseeable future. However, the project acceleration in project implementation workload over the next several years will require additional manpower in terms of engineering, accounting, project management, etc. This will require further exploration and discussions as to the relationship between AID/W, REDSO and the Mission.

IX. RECURRENT COSTS OF USAID-FUNDED PROJECTS

Foreign assistance in Guinea-Bissau acts both as a catalyst and a constraint to the country's economic development. Like other donors, U.S. assistance comes primarily in the form of grants and, as a result, permits the GOGB to undertake a number of costly projects without incurring any tremendous debt. Thus, U.S. assistance advances the country's development in priority areas (agriculture, education, and health). On the other hand, U.S. assistance requires that the GOGB adjust certain economic policies and, as quickly as economic performance permits, enlarge its financing capacity.

More specifically, once U.S. assistance to particular projects comes to an end, either the GOGB, project populations, or both, must assure the continuation of project activities. Questions concerning the country's financial absorptive capacity arise when examining the high level of donor supported development activity. Guinea-Bissau receives close to $45 per capita in foreign assistance. Most of this assistance provides support for medium and long term activities that aim to increase economic progress. As the country advances, the capacity of the economy can be expected to increase sufficiently to enable it to support the newly completed projects. Over the short term, however, AID expects that support of adequate recurrent-cost financing will require donor input.

The GOGB has demonstrated its ability to deal with financial difficulties. In 1975 the country's first year of independence, all of the provisional budgets of the different ministries combined totalled three times the country's revenue. In response, the GOGB imposed a number of severe financial measures: a freeze on employment in the public sector; a number of state workers were discharged; a limitation was imposed on the number of newly registered students; and a gradual re-entry of military personnel into civilian life. In addition, tax collection and control over foreign exchange was better organized. More important, the GOGB recognize's that the attainment of specific development goals is a gradual process.

Despite the GOGB's conservative ability to contribute financial resources to AID's program, AID does not anticipate its program constituting a considerable burden on the State Budget. To the contrary, AID support in education is complemented by the relatively large share of budgetary resources available to education (close to 20 per cent). Contributions by AID are in large part in kind - on board teachers and existing infrastructure - or salaried teachers. In agriculture, funds generated from the sales of PL 480 Title II to the extent possible will be directed in the short and medium term to support A.I.D. project activities. Once a number of projects in agriculture and fisheries advance overall production, the country's capacity to finance developmental activities should follow suit.

The Deterioration of Agriculture During the Armed Struggle

	1953	1972	Percentage of Change 1953-1972
Total surface under cultivation(hectares)	410,801	125,000	70%
% in relation to total surface	12%	5%	42%
% of land under:			
Cereals	71%	57%	20%
Cash Crops	22%	22%	-
Number of farms	85,478	50,000	41%
Hectares under rice	106,232	30,000	72%
Hectares under peanuts	89,472	35,000	61%
Tons produced:			
Rice	100,297	29,500	71%
Peanuts	63,975	28,000	56%

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Compared Value of Imports and Exports (millions of pesos)

Year	Exports Value	Exports Index	Imports Value	Imports Index	Deficit	Rate Exports Cover Imports %
1951	168	100	188	100	20	89.0
1958	257	153	287	153	30	89.0
1965	106	62	419	222	313	25.0
1970	90	53	792	421	702	11.0
1971	57	31	879	467	822	6.5
1972	69	41	871	463	802	6.8
1973	78	46	1075	572	998	7.3
1974	74	44	1095	522	1021	6.8

Annex 2

Evolution of Principal Purchases by the People's Stores

PRODUCT	YEAR 1968	1969	1970	1971	1972
Unpolished Rice	162t	73.4	303.7	158	473.4
Polished Rice	280t	89.2	147.8	131.4	233.9
Kola Nuts	29t	106.8	137.9	182.7	124.1
Peanuts	-	56t	96.4	30.3	162.5
Honey	-	8t	38.7	218.7	237.2
Palm Oil	10t	77.1	82.8	182.8	314.2
Crocodile Hides	3.4m	94.1	102.9	165.8	200

1968 = Index of 100
t = Tons
m = Meters

Annex 3

Participation of Different Economic Activities in the GDP

Activity	1963(%)	1970(%)	1977(%)
-Agriculture, Fisheries and Livestock	18.0	8.2	(To be provided)
-Extractive Industries	-	-	
-Secondary Industries	1.3	.5	
-Construction	.9	7.0	
-Electricity, Gas and Water	.7	21.3	
-Transport and Communications	.4	.07	
-Commerce	29.2	14.8	
-Banking and Insurance	-	-	
-Rent	.5	12.4	
-Public Administration	11.1	16.0	
-Services	37.9	19.6	

NUMBER OF FIRMS AND WAGE EARNERS PER SECTOR, PER ACTIVITY, AND PER LOCALITY

	PRIMARY SECTOR		SECONDARY SECTOR		TERTIARY SECTOR		TOTAL	
	FIRMS	WAGE EARNERS	FIRMS	WAGE EARNERS	FIRMS	WAGE EARNERS	FIRMS	WAGE EARNERS
STATE OWNED	9	648	12	549	116	18258**	137	19455
MIXED	3	168	2	305	59	552	64	1025
PRIVATE	69	851	174	979	640	2049	883	3879
(URBAN)*	(63)	(1477)	(71)	(1621)	(459)	(17910)	(593)	(21008)
(RURAL)	(18)	(190)	(117)	(212)	(356)	(2949)	(491)	(3351)
TOTAL	81	1667	188	1833	815	20859**	1084	24359

* Bissau and Bafata comprise urban figures and rural figures include Cacheu, Oio, Gabu, Tombali, Buba and Bolama.

** Of these, 15,051 are civil servants.

Primary Sector consists of agriculture, fisheries, livestock and forestry.
Secondary Sector is made up of industrial activities.
Tertiary sector is composed of commerce, banking and public service.