

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Guinea-Bissau

PD BAT 280

3. PROJECT NUMBER

657-0011

4. BUREAU/OFFICE

AFR/CWA

5. PROJECT TITLE (maximum 40 characters)

Technical Skills Training
 (Trilateral Cooperation)

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 09 30 88

7. ESTIMATED DATE OF OBLIGATION

(Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 84

B. Quarter 4

C. Final FY 85

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

A. FUNDING SOURCE	FIRST FY 84			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1000	-	1000	1500	-	1500
(Grant)	(1000)	(-)	(1000)	(1500)	(-)	(1500)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S.						
1. Host Country	-	100	100	-	300	300
2. Other Donor(s) Gov't of Portugal	100	-	100	300	-	300
TOTALS	1100	100	1200	1800	300	2100

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EHR	660	700		-	-	1000	-	1500	-
(2)									
(3)									
(4)									
TOTALS				-	-	1000	-	1500	-

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

840 810

11. SECONDARY PURPOSE CODE

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

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To assist Guinea-Bissau, through training, studies and business advisory services to prepare and to attract resources for private agroindustrial investments and trade and to increase capacity of the National Bank of Guinea-Bissau and of private entrepreneurs to appraise and manage agroindustrial investments.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
 03 86 04 87

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) 935

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

17. APPROVED BY

Signature

Jay P. Johnson

Title

DAA/AFR/CA-WA

Date Signed

MM DD YY
 09 18 84

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

MM DD YY
 07 28 84

GUINEA-BISSAU
TECHNICAL SKILLS TRAINING
(TRILATERAL COOPERATION)
657-0011

September 1984

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I. PROJECT SUMMARY AND RECOMMENDATIONS

1.1 PROJECT PARTIES

The grantee will be the Government of Guinea-Bissau (GOGB). Grants will be provided by the Government of Portugal and AID.

1.2 PROJECT BUDGET SUMMARY

a. Project Budget

Training	0.85 million
Technical Services	0.65
Commodities	0.17
Experimental Credit	0.20
Evaluation	0.03
Miscellaneous and Contingencies	0.20
TOTAL	<u>\$2.10 million</u>

b. Source of Funds

A.I.D.	\$1.50 million
Portugal	0.30
Guinea-Bissau	0.30
TOTAL	<u>\$2.10 million</u>

1.3 PROJECT GOAL AND PURPOSE

GOAL: To prepare through training and studies, a process for attracting resources from the donor community to be applied for private trade and investment in agribusiness and agroindustry.

PURPOSE: To assist Guinea-Bissau, through training, studies and business advisory services, to prepare and to attract resources for private agroindustrial investments and trade and to increase capacity of the National Bank of Guinea-Bissau and of private entrepreneurs to appraise and manage agroindustrial investments.

1.4 PROJECT INPUTS

Project inputs will be: training--within the Central Bank in project appraisal (Development Department and by the Bank for staff of other Ministries), banking operations (Commercial Department) and private entrepreneurs (business management, marketing and accounting); within the Technical Institute for Professional Training (ITFP) in business operations and accounting, office support and secretarial skills and subsequently into other areas; studies, comprising surveys (agroindustrial opportunities; areas of comparative advantage in agribusiness systems for export; human resource development needs for private enterprises; and approaches to reformation of

selected private enterprises) and feasibility studies; and business appraisal and advisory services to the Central Bank and to prospective creditor-entrepreneurs. These will be complemented by commodities for office supplies, pedagogic materials and one project vehicle and by a small experimental credit facility to permit a few pilot investments to begin.

1.5 PROJECT OUTPUTS

- trained individual and strengthened institutional capacity:
 - for the Central bank, to prepare and administer the Fund;
 - for ITFP, to train in skills needed to expand private enterprise;
 - for private entrepreneurs, to exercise management skills needed by agroindustrial enterprises;
- institution of a process for preparing and administering agroindustrial investments, including provision of technical services to enterprises; and
- completion of preparations for the Fund, and testing the concept through pilot lending.

1.6 WAIVERS, CONDITIONS AND COVENANTS

Waivers are required: (1) of source/origin requirements to allow procurement from AID Geographic Code 935 for commodities; (2) of nationality requirements to allow AID Geographic Code 935 procurement of technical services; (3) of Section 636(i) of the FAA to permit the purchase of one project vehicle not manufactured in the U.S.; (4) to permit AID financing of transportation costs on AID Geographic Code 899 flag vessels; and (5) of Section 110(a) of the FAA to allow for a GOGB contribution of less than 25% of project costs. Conditions and covenants are set forth in Section I.G.

1.7 FINDINGS

The project meets all applicable statutory criteria (Annex 9) and the Section 611(a) certification is included in Annex 3. As shown in Chapter IV, the project is technically sound and socially, economically and financially feasible.

1.8 RECOMMENDATIONS

That you authorize a grant to the Government of Guinea-Bissau in an amount not to exceed \$1.5 million to be obligated through a grant agreement between the U.S. and the GOGB and that you approve obligation in FY 84 of \$1.0 million.

II. PROJECT DESCRIPTION

A. Background

Guinea-Bissau gained its independence in 1974 after a long and bitter civil war. Its relations with Portugal thereafter remained intact, independence having been negotiated with a newly installed Portuguese Government. Politically, however, Guinea-Bissau initially had strong ties with Communist bloc countries. More recently, relations with Portugal have improved substantially, although there is reluctance to develop too strong an economic dependence. Individual relations between Portuguese and Bissauans are cordial.

Guinea-Bissau is the sixth poorest nation in the World (RLDC). The economy has suffered from the suppression of commerce which accompanied economic stagnation and from the socialist orientation of a new Government with limited management capacity. The economy is characterized by low per capita income, extreme foreign exchange deficit, high debt burden, Government operating expenses greatly in excess of revenues and disruption of trade between the rural areas and the metropole. At 1979 constant prices, GDP showed an annual average decline of 3.1% between 1977 and 1980 and the declining trend continues. Capital formation has remained practically stagnant since 1980.

Population is 700,000 - 800,000 and is growing at about 3% per year. 88% of the active population are in agriculture; industry accounts for 2.5%; the remainder are in the tertiary sector, of which Government is the largest employer.

Imports represent 32% of GDP (\$177.5 in 1982) while exports total only 8%. The trade deficit, financed through external loans and grants, is comprised essentially of food and petroleum imports. The current account deficit totals approximately \$32 million and external debt is about \$182 million or 104% of GDP.

Guinea-Bissau has recently agreed to take important measures to change the direction of the economy. An accord has been reached with the IMF on short-term measures of assistance and reform. The World Bank is to provide a structural adjustment loan of \$12

million and a technical assistance loan of \$6 million to help improve government performance and is participating with other donors to bridge the present external resource gap.

Guinea-Bissau has made a major effort to build relationships with Western donors. Two successive donor roundtables were held, the last in Lisbon in May 1984, succeeded in confirming present aid levels and support, in principle, for the new directions set by the Government. It will now be essential to capitalize on the momentum gained by making better use of resource transfers as the economy begins to expand and commercial exchange within the country is encouraged.

With progress on macro-economic issues, the U.S. has been encouraging the GOGB to take steps to expand the role of the private sector and has offered to help. A recent visit by Deputy Assistant Secretary of State for Africa, Princeton Lyman, the highest level U.S. visit to Guinea-Bissau since independence, permitted discussions with the President and the Prime Minister in which (1) the GOGB's determination to move toward liberalization of trade and investment was affirmed; and (2) support was affirmed for the concept and objectives of trilateral cooperation.

Portugal is facing economic difficulties, as evidenced by the need for an IMF standby agreement in 1984. The Government continues to provide economic assistance to its former colonies, although at a modest scale because of its own austerity measures and high unemployment. Portugal recognizes that its economic interests are closely tied to its former colonies and that it can offer considerable technical skills, business, marketing and social services. Portugal or Portuguese firms frequently provide technical services needed by donors. The Portuguese are expanding this role and seeking to widen their welcome to do so in the former colonies.

The trilateral cooperation effort began with a visit by Donald Finberg, former AID representative in Portugal and Rosado de Sousa of the Portuguese Institute for Economic Cooperation (ICE) to Guinea-Bissau in November 1983. Mr. Finberg's report constitutes the approved PID for this project. A trilateral project design team led by Charles Buchanan, AFR/PRE and Rosado de Sousa, visited Guinea-Bissau in May 1984.

B. Project Rationale and Description

1. Goal and Purpose

The U.S. sees trilateral cooperation as a means to contribute to peace and stability in a segment of Africa in which the U.S. has

relatively little experience. Portuguese involvement is catalytic in two senses: helping Portugal to move from a post-colonial posture of adjustment to one of constructive involvement mutually beneficial to their economy and that of Guinea-Bissau; and as facilitator of effective donor flows into an area posing constraining implementation problems. The U.S. interest in both Portugal's and Lusophone Africa's economic progress is considerable.

The U.S. strategy in Guinea-Bissau emphasizes food production and support to smallholder agriculture. This project, being directed to agroindustrial development is consistent with the strategy, because it targets the stimulation of production and trade in the sector which is the most effective means to benefit smallholders and provide incentive for food production.

The project is consistent with Guinea-Bissau's Plan and the priorities established by the Government for the donor roundtable in that it both fosters the economic change in direction which underlies both exercises and will prepare and encourage financing for specific subcomponents in the Plan and roundtable documents.

Trilateral cooperation in Guinea-Bissau, in the first instance, is recognition by the U.S., Portugal and Guinea-Bissau of mutual interest in three parallel opportunities:

a. For the U.S. to test a new mode of assistance in Africa, which facilitates other donor participation in parallel financing, which lessens management burden on field staff and attendant operating expenses and which reinforces U.S. friendship with and takes advantage of the language skills and familiarity with Guinea-Bissau by the Portuguese.

b. For the Portuguese, to assist in the generation of development opportunities in Guinea-Bissau and to open opportunities for Portuguese commerce and investment; and

c. For the Government of Guinea-Bissau, to begin to open the economy to broader private trade and investment and to reduce the balance of payments deficit..

These opportunities relate to a broader goal recognized by the trilateral partners (see minutes of May 10, 1984 meeting of trilateral design members in Annex 4), viz., to institute a process for attracting and managing resources for economic growth from the donor community, to be applied for private trade and investment in agribusiness and agroindustry.

The purpose of this project is to prepare priority investments in agroindustrial development, to improve the public administrative and private enterprise capacity to carry them out and to organize the technical and support services to supervise credit for their accomplishment.

2. Project Description

Trilateral cooperation will take the form of two parallel projects. The first, the subject of this paper, will put in place the process for preparing and managing the agroindustrial investments. The second, the subject of the PID accompanying this project paper, is the creation in FY 85 of the Fund. The Fund is the vehicle by which the U.S., Portugal and eventually other donors may channel resources to private trade and development ventures. The Fund will finance private agroindustrial agribusiness enterprises in areas opened to the private sector as the result of economic reform and policy change.

Training and Studies within the Central Bank

The Central Bank is the monetary arm of the Government and is also the only commercial bank and development bank in Guinea-Bissau. Trilateral cooperation activities will be centered in its Development Department. The Department has a small number of professionals. Technical assistance will be needed; in time, the staff will be enlarged.

Training will occur primarily in Bissau and will be accomplished both through course instruction and on-the-job. Two resident advisors (provided either through the Portuguese Banco de Fomento or a private firm) will be placed within the Development Department for one year with continuing short-term follow-up thereafter. They will train and provide technical services, one in project appraisal and the other in banking operations. They will help set up systems within the Department as well as to train staff and work with them on application of the systems. Training courses will be given in banking operations for Bank staff from both the Commercial and Development Departments with the addition of selected personnel of other ministries in project appraisal. For a small number of employees of both departments there will also be opportunity for complementary training with an appropriate banking institution in Portugal.

An important aspect of the Central Bank staff development will be participation with consultants in studies. A combination of

technical assistance and planned staff expansion will allow reduction of work demand on Development Department staff so they may actively contribute to some studies.

Training in Skills Needed in Forming Private Enterprises

Training organized by the Central Bank using technical assistance, will be offered to entrepreneurs and middle management employees of enterprises and will be of two types: (1) financial management and accounting; (2) business management and marketing. ITFP will offer more basic training in office administration and secretarial skills and in business administration and accounting. Training in commerce and marketing may be added at a later date. Other priority training topics include: agroindustrial craft skills, transport and agricultural equipment maintenance and operation of agribusiness enterprises. These themes will be introduced as and when experience in the project permits (see discussion in Section II.D.1.).

Studies

These may be divided into three types:

1. surveys;
2. pre-feasibility and feasibility studies; and
3. other short-term technical services (e.g., marketing services external to Bissau, specialized services related to policy, laws, organization, etc.)

Design of the Fund

The design will clarify types of activities eligible for financing by the Fund, criteria for sub-project approval, how the Fund will be administered, supervision of Fund creditors, how the Fund will be regenerated including access to foreign exchange, etc. (See discussion in the PID for the Fund.)

Experimental Credit

It is proposed to include a small amount (\$200,000) in this project so that the Central Bank staff working with the Portuguese banking advisors may experiment with financing sub-projects which are now in advanced stages of preparation and gain practical operating experience before the Fund is formalized.

The pilot credit is seen as a form of operational research to enable the GOGB to test credit terms and criteria for the Fund. The \$200,000 level will only provide enough foreign exchange for a few sub-loans; its importance is in placing before the Government problems related to liberalization of the economy. Before the experimental credit is actually committed, AID will review the groundrules for its use and a list of sub-projects which might be included.

3. Project Inputs and Outputs

The project will:

- provide training primarily to the Development Department of the Central Bank, in project appraisal and to that Department and the Commercial Department in banking operations; by the Central Bank to Government Ministries in project appraisal and financial management and to private entrepreneurs in business management, finance and marketing;
- provide training to private entrepreneurs and employees of private enterprises, principally through the GOGB Technical Institute for Professional Training, (ITFP), in business operations and accounting, office support services and secretarial skills; subsequently in craft trades, marketing and operation of agribusiness enterprises;
- conduct surveys and feasibility studies of Guinea-Bissau's industrial opportunities, of products in which Guinea-Bissau may have comparative advantage in export agriculture, of ways to improve performance of agribusiness systems and in preparations for an Agroindustrial Fund (the Fund) proposed to begin operation in the latter part of FY 85 as a complement to this project;
- provide some commodities and pedagogic materials, including one project vehicle; and introduce a small experimental credit facility for financing a few investments as a form of operational research.

The technical services will be composed of two resident advisors, each for one year (financial management and project appraisal), 108 person months of short-term consulting and 18 person months of participant training.

The project inputs are the means needed to put into place a "process" for activating private agroindustrial investments. The term "process," so used, encompasses both the mechanism for preparing the investments and the capacitation of individuals and organizations to play their part in each happening. The project outputs are measurable in terms of quality products, i.e., the working of the process, the contribution of the participating organizations and the realization of specific investments.

Project outputs are:

- improved capacity of the Central Bank Development Department to conduct project appraisal and to administer the Fund;
- a tested process for identification, preparation, appraisal and supervision of private sector investments financed by the Fund.
- completion of studies of agroindustrial opportunities; of agricultural export products for which there is comparative advantage; and of how to improve performance of agribusiness systems, plus approximately six feasibility studies for agroindustrial investments;
- improved training programs in business operations and accounting; office support and secretarial skills at ITPP, plus new areas of training, to the extent practicable, in commerce and marketing, operation of agribusiness enterprises, vehicle and agricultural equipment maintenance and industrial craft skills;
- a training program by the Central Bank for private entrepreneurs coupled with some technical support to entrepreneurs during supervision of credit (through the Fund);
- improved understanding within the Ministry of Economic Coordination, Plan and International Cooperation, the Ministry of Finance and technical Ministries of agroindustrial priorities and of appraisal of agroindustrial projects as the result of preparatory studies and training conducted by the Central Bank;
- improved preparedness of entrepreneurs and employees of private enterprises to undertake agroindustrial investments; and

- an evolving strategy, based on dialogue between Government and private organizations, to widen the number of modern producers and private enterprises engaged in agribusiness trade and investment.

4. Economic Policy Reform and Coordination of Donor Support

The project is preparatory to opening the economy of Guinea-Bissau to private trade and investment. It anticipates that there will be, but the project is not conditioned upon, economic policy reforms complemented by augmented donor support. The project agreements will include a covenant that the reforms described in the preparations for the donor roundtable be pursued with diligence.

Donor assistance will help bridge the severe foreign exchange shortfall which the economy presently faces, improve public services and provide a portion of the investment financing and technical services for private initiative. Economic policy reforms include continued progress on devaluation, an interim arrangement with the IMF, a structural adjustment credit from IBRD, now in preparation, to assist Government reform, liberalization of internal and external trade including reform of two state trading enterprises and opportunity for private traders to market/distribute in some areas and to compete with the state enterprises in others, as well as reforms more specific to development of export agroindustries and food production.

AID has an interest in seeing progress on reforms. AID pursues that interest in three ways: (1) in the trilateral discussions provided for within this project, in which the Minister of Economic Coordination, Plan, and International Cooperation is the GOGB leader; (2) through pre-conditions to moving forward with the Fund; and (3) through covenants and conditions within that project. The Technical Skills Training project is a good faith beginning, presented with minimum strings, understood purpose and with its components justified by their essentiality if there is to be opening of the economy.

5. Summary Financial Plan

	a. <u>Project Costs</u>			<u>Total</u>
	<u>U.S.</u>	<u>Portugal</u>	<u>GOGB</u>	
Training	550	100	200	850
Technical Services	350	200	100	650
Commodities	170	--	--	170
Experimental Credit	200	--	--	200
Evaluation	30	--	--	30
Contingency and Inflation	<u>200</u>	<u>--</u>	<u>--</u>	<u>200</u>
TOTAL	1,500	300	300	2,100

C. Organizational Relationships

1. Among the Trilateral Partners

Trilateral coordination will take place in Guinea-Bissau, principally, where the U.S. will be represented by its bilateral mission and Portugal through a development attache provided by ICE. The AID Mission will participate fully in AID policy decisions and play an active role in project implementation. It will draw upon USAID/Dakar for comptroller services. The Portuguese, through ICE, will play a key role in project implementation; the ICE development attache in Bissau will review vouchers, report arrival of commodities, etc. The GOGB will be represented by the Ministry of Economic Coordination, Plan, and International Cooperation and the Central Bank. The GOGB will exchange views on policy issues and investment priorities.

2. Within the Government of Guinea-Bissau

Policy dialogue within the GOGB and setting investment priorities within its planning framework are responsibilities of the Ministry of Economic Coordination, Plan and International Cooperation, and therefore, will approve periodic work plans. The locus of responsibility within the GOGB for appraisal and implementation of investments and for administration of technical services will be in the Development Department of the Central Bank. ITFP and the Central Bank will work together on the delivery of training services. Both the Ministry of Economic Coordination, Plan and International Cooperation and the Central Bank will contribute to evaluation of the project.

3. Outreach to the Private Sector

The project will seek to reach private businesses and farm entrepreneurs. Organizational structures to facilitate access (associations of entrepreneurs and artisans) are dormant or non-existent. It is not yet timely to consider what structure might be forthcoming, but this topic will be explored during the project.

During project design, interviews were held with several trading, processing and construction enterprises and with modern farmers. They reveal that there is a facility for collaboration among these groups and a desire to do so, if the trade and investment climate in the country will permit.

4. Contribution by the Trilateral Partners

The other trilateral partners were extremely forthcoming in preparing this project. A realistic assessment has been made of their capacity to contribute to its cost. For the GOGB, there is desire to participate, but to hold its contribution to that which is consistent with the demand for funds related to the IMF arrangement and the current austerity program. A level of \$300,000, to be obtained from PL 480 counterpart funds, was agreed upon and this is reflected in the present PL 480 agreement.

There was considerable exploration with the Government of Portugal of contribution to this project. ICE, the normal source of grant funding, contributes about \$1.0 million per year to Guinea-Bissau. ICE's budget for FY 1984 (same as calendar year) in Guinea Bissau is nearly fully subscribed. ICE felt it could not provide more than \$300,000 for this unscheduled activity. Discussion with the Secretary of State for Treasury touched upon constraints under the IMF Standby Agreement. It is proposed that the \$300,000 contribution of ICE be accepted.

D. Technical Assistance and Training

1. Training Needs, Recommendations

Guinea-Bissau has a literacy rate of 15%, one of the world's lowest. Educational expenses are 3% of GDP, 11.8% of the national budget. Language is a special problem since most of the population speaks "creole"; there is general need to upgrade literacy skills in the Portuguese language.

Public education is eleven years, the last five of which are two levels of secondary school. Only 30% of students complete the fourth grade. Thereafter, education is not free and most schools are in Bissau. Only 25% of the secondary students graduate.

Professional training in-country is geared to agriculture and construction trades. The Bachile Training Center (SIDA financed) provides agricultural training in two nine-month cycles (March-November). Entry level is completion of grade six; candidates are placed in pilot villages as smallholder farmers. A second center, Fa-Mandinga (financed by France and the European Community), trains in seed multiplication and planting for groundnuts, cotton and rice. There are also small sections for blacksmithing and animal traction. Entry level is completion of grade four. Training is short term (two cycles of 2-3 weeks in a year). Candidates are placed in pilot villages as smallholder farmers.

For industrial and artisanal skills, ITFP is the principal training institution. ITFP has been in existence since 1975, has highly respected leadership, has received continuing donor support from the U.N. (ILO and UNIDO), the Dutch, the Swedes, a Canadian PVO, etc., and has capacity to train. There is also a vehicle maintenance center run by the State enterprise which distributes and maintains Volvo cars and Volvo and Berliet trucks. It has capacity for 20 trainees.

Training priorities in this project fall into four general categories: (a) project appraisal and financial skills especially for the Development Department of the Central Bank; (b) basic skills for private enterprises--business operations and accounting; office support and secretarial; (c) industrial and artisanal skills (vehicle and equipment repair, woodworking, construction trades, etc.); and (d) commerce and marketing.

The ability to respond to these categories differ. Training related to commerce will be of two types: for entrepreneurs and senior level personnel--organized through the Central Bank (modest number of trainees); and an effort aimed at a broader base of enterprise staff and more generalizable skills, if and when appropriate. The training will be directed to two types of enterprises: those engaging directly in import-export and those serving as distribution and collection intermediaries for State enterprises engaged in wholesale trade and import-export (Armazens de Povo and SOCOMIN, respectively).

Training in industrial and artisanal skills will be provided through ITFP in areas which will be clarified through the industrial survey and other early project preparations.

Training programs in business operations and accounting, office support and secretarial skills and in project appraisal and banking operations have been defined and are summarized in Annex 5.

An indication of the scale of training will be gained from an approximate estimate of the number of trainees in each category: within the Development Department of BNGB--6 trainees in project appraisal and credit supervision; approximately 25 personnel from other Ministries will be trained in project appraisal; 20 employees will be trained in banking operations (15 from the Commercial Department of BNGB); about 20 entrepreneurs will be trained initially; twenty to twenty-five employees of enterprises will be trained in each of the classes in business operations and office support (since these are roughly three year programs, at least two cycles are contemplated within the project). Training in the remaining areas (craft skills, trading enterprises and agribusiness) remain to be defined during the project, initially through the manpower needs study.

With regard to training for private entrepreneurs and employees of private enterprises, the question arises whether they should be fee paying. It is anticipated that all costs will be nonrecoverable, but the parties will explore this subject during implementation. Since it will take time to establish a proposed position, decisions for the initial courses will be made on an ad hoc basis.

2. Studies and Technical Support Services

The studies will be of two natures: (1) surveys--to generate investment ideas, refine strategies, sort out priorities among preparations to date, improve understanding of where there is comparative advantage and of the sequence and relation of events to take advantage of it; and (2) feasibility studies--for projects which may be financed through the Fund or which complement Fund activities and for which external financing must be sought.

Surveys will be initiated in three priority areas (the scopes of work will be refined during the project to draw upon existing preparations and to delimit the task to manageable proportions):

- new growth prospects in the Guinea-Bissau agroindustrial sector (to include future manpower needs);
- opportunities for private enterprise in agribusiness and trade with emphasis on areas of comparative advantage and on new possibilities resulting from liberalization of the economy and reorganization of public enterprises. (This activity will need to be coordinated closely with the World Bank Technical Assistance Project); and
- training needs and how to deliver training to encourage improvement of performance in agribusiness systems (upgrading product quality; increasing efficiency and value added).

Emphasis will be on export products. The surveys will need to weigh trade-offs between exports and import substitution and provide information so that priorities may be set in planning for the use of the Fund.

In preparing sub-projects for the Fund, technical support to potential borrowers will be needed: advice on how to organize a new industry, how to appraise market potential, cost estimating, accounting procedures, questions in specific technical areas, etc.

E. Project Risks

Because the project is novel, there are risks related to the nature of the trilateral relationship and to the GOGB desire to begin opening the economy to private entrepreneurship.

First is the effectiveness of the trilateral relationship itself. Will the parties remain in step on their views and will this also be reflected in quality of collaboration and performance? Obviously, there is a premium on keeping the activities simple and responsibilities clear.

Second, the private agribusiness orientation of the project makes it dependent upon progress in liberalization of trade and other key Government policy decisions. While the project anticipates changes it is not conditioned upon specific change actions; redirection of the economy will involve political risk; demonstration of substantial change has yet to be made. This is appropriate since the preparations which this project brings are part of what makes change possible; the question of what an initial package of policy reforms should include will be addressed in design of the Fund.

Another concern is to not train persons in skills for which employment opportunities have not been identified: to select the trainees to meet the needs of private enterprises and to target training outputs to the pace and nature of employment demand.

A final risk is AID's effectiveness in managing this novel undertaking. How AID will structure its involvement, in Bissau, Lisbon and Washington has yet to be decided.

F. Issues

How will the parties define their relationships as regards procurement and supervision for goods and services?

A response has emerged from the trilateral negotiations and is outlined in Section III.A.

How will AID manage its participation in the Trilateral Cooperation Projects?

AID is relying upon the Portuguese to provide procurement and supervisory services for the project. Supervision by AID is a concern, one that is complicated by the necessity for its exercise in Guinea-Bissau, Lisbon and AID/W. In Guinea-Bissau, the mission will be called upon for continuing participation; the role should be to complement the Portuguese development attache, monitor progress, make policy recommendations and participate in the trilateral dialogue. In Lisbon, AID's Representative is heavily committed; competent local personnel exist for effective monitoring. In AID/W, there is need to access persons with specialized skills and management and to have a focal point for attention to project implementation details and policy issues.

G. Waivers; Conditions and Covenants

1. Waivers

a. waivers of the source/origin requirements to allow application of AID country code 935 requirements for procurement of specified pedagogic materials, equipment and supplies for the BNGB and ITPF and for imported equipment and supplies for the experimental credit facility;

b. a waiver of the source/origin requirements for transportation of commodities to allow application of AID country code 899;

c. a waiver of the source/origin and nationality requirements to allow application of AID country code 935 for procurement of services;

d. a waiver of Section 636(i) of the FAA to permit purchase of one project vehicle not manufactured in the U.S.; and

e. a waiver of Section 110(a) of the FAA to allow for a GOGB contribution of less than 25% of project costs.

2. Conditions and Covenants

General Conditions Precedent include:

- an agreement between Portugal and the GOGB which (a) confirms Portugal's contribution to the project; and (b) describes the services which ICE, the GOGB and other organizations will provide, outlining the scope and delimiting the responsibilities of the parties (this could complement an agreement between AID and Portugal on provision of services);
- arrival of the Portuguese (ICE) development attache in Bissau;
- other standard conditions precedent related to signatories and authorities.

Specific Conditions Precedent include:

- prior to disbursement for other than early items (the two initial resident advisors, essential procurement, assessment of the human resource needs for the private sector, short term planning services, etc.), a plan of work (surveys, studies, a list of commodities to be procured, training) for an initial twelve month period (to be updated semi-annually); also included are procedures to be followed for procurement of goods and services and to also include a projected budget for ITFP and evidence that non-AID financial resources for ITFP would be available; and
- prior to introduction of the experimental credit facility, criteria for selection, appraisal and provision of credit to agroindustrial investments, a list of the sub-project from which the investments would be selected, and procedures to be followed in approving sub-projects and administering the facility (these conditions parallel provisions which are anticipated, in an expanded form, for the AIF).

Covenants

Covenants include:

- agreement to pursue with diligence the program of reforms outlined in the preparations for the donors roundtable;
- provision for presentation of claims and effectuation of disallowances;
- provision for continuing informal dialogue among the trilateral partners and for periodic exchange within the trilateral advisory group provided for in the trilateral memorandum of understanding.

III. PROJECT IMPLEMENTATION

A. Relation among the Parties for provision of services

AID procedures outline two approaches to contracting for technical and procurement services: host country contracting, where the grantee contracts for the services; and direct contracting where AID contracts for the services on grantee's behalf. The trilateral partners decided to adopt a host country approach with ICE providing procurement and contract supervisory services to the GOGB and the GOGB contracting with Portuguese firms, Government Agencies and individuals for the provision of project services.

B. Provision of Technical Services

Portuguese firms are anticipated to play the major role in the provision of technical services. Bissau nationals will also participate where individuals with requisite skills are identified (e.g., agricultural production). The participation of U.S. firms will include:

- joint venture for the surveys;
- a sub-contract with a Portuguese firm(s) who will provide training and advisory services to the Central Bank, ITFP and entrepreneurs. The sub-contract would make provision for continuing involvement of a U.S. consultant, who would visit Guinea-Bissau quarterly or more frequently, staying up to a month. He would also

provide linkage with AID officials in the field and AID/W and maintain contact with technical experts and the business community in the U.S.; and

- short term consultancies of persons with specialized skills, e.g., in specific agribusiness systems, export marketing of selected products, management, venture promotion.

Portuguese participation will be mostly through private firms, although involvement of public institutions (National Development Bank (BNF), IAPMEI; see Section IV.C.) is anticipated for training in Portugal and Guinea-Bissau. The Portuguese will select the firm(s) by open competition under Portuguese procurement regulations, the selection process and the U.S. firms will be approved by AID.

C. Procurement

Waivers are being sought to allow for Code 935 (Free World including Portugal and Guinea-Bissau) procurement of commodities, a Code 899 waiver for ocean freight and a nationality waiver for services.

The possibility of procuring in Portugal is considered essential to the trilateral cooperation project because the Portuguese are responding to trade and investment opportunities which must be real and because there is need for ease in contract administration. Procurement will be in accordance with Portuguese procurement procedures approved by AID.

Care has been taken to afford opportunity for U.S. firms to offer goods and services. Advance notice of the procurements will be published in the Commerce Business Daily so that interested firms may respond and receive consideration. For service procurement, provision has been made for U.S. participation (see above). The real opportunity for U.S. firms is in relation to trade and investment and arrangements are being made to encourage this direction.

D. Approvals, Disbursement Procedure, Financial Controls

AID will ensure* that the GOGB and ICE have the capacity to exercise the responsibilities assigned to them, will approve work plans, procurement procedures, criteria for the experimental credit facility, scopes of work for selected studies and possibly experimental loans above a certain size

*See Methods of Implementation and Financing, p. 39

(for for projects selected from the list to be provided), but in general will look to the GOGB and ICE for operational decision making, exercising supervision, where permissible through monitoring, voucher approval, audit and evaluation. Since the project deals with new institutional relationships and a new set of tasks for the National Bank of Guinea-Bissau, AID will need to oversee early efforts carefully until a track record is established, but this will be accomplished through close cooperation between the AID mission in Bissau and the ICE development attache in Bissau, rather than through formalization of steps to be taken.

The following steps are contemplated with respect to funds administration (advances, voucher processing, replenishment, financial controls):

1. All parties approve a work plan which outlines the requirement for goods and services; this is complemented by approval, where appropriate, of specifications/scopes of work by the GOGB and/or AID;

2. AID obtains approval from the GOGB and ICE for access to records, audit, evaluation;

3. An advance fund is established in a separate account(s) in Bissau (and Lisbon). Funds may be drawn from the account with approval of the GOGB with prior concurrence of ICE (or the ICE development attache in Bissau);

4. The scope of work/specifications for each procurement is approved by ICE and GOGB. ICE carries out the procurement;

5. Replenishment occurs periodically (including adjusting the level as appropriate for the next 90 days), with the following essential steps:

-- GOGB and ICE officials sign the vouchers and submit them to AAO/Bissau;

-- AAO administratively approves each voucher;

-- vouchers are certified by the appropriate U.S. controllers office; and

6. disallowances are made and claims are presented to the GOGB and ICE as appropriate.

To avoid delays, because of the multiple locations of parties to the financial management process, as much of the approval process as possible will occur in Bissau and be certified through the USAID controller in Dakar.

E. Auditing and Evaluation

Regular receipt of reports and access to records are the starting point for AID exercise of effective supervision. Continuing monitoring, principally by AAO/Bissau and secondarily by staff of USAID/Lisbon will provide a sense of work in progress and identify problems. Through a continuing arrangement with an accounting firm, more intensive surveillance and auditing will be exercised. The balance between direct supervision and more thorough, selective review after the fact will be adjusted as experience is gained.

Evaluation takes on special significance in this project for several reasons:

1. the experimental nature of the initiative, i.e., the preparing to open the economy to agribusiness in anticipation of a change in the environment for private enterprise and the bringing into being of a process to make the change possible;
2. the initiation of the trilateral relationship;
3. the more extensive involvement of the GOGB in contract administration which is likely to occur than heretofore under bilateral projects which use direct AID contracts;
4. the drawing upon the Portuguese (ICE) to play an active role in arrangements for procurement and supervision of services and the defining of the U.S. role in implementation, to the fullest permissible and practical extent, to monitor, make selective intense audits and evaluation rather than to duplicate the individual review actions by the Portuguese; and
5. the evolutionary aspect of the relationship among the trilateral partners and the potential impact upon where the program should go.

Evaluation may serve a variety of purposes: to judge quality of performance, to determine whether an aspect, e.g., training, is effective, is responding to needs, is being reinforced, contributes to project objectives, to determine whether the program should be continued and what changes in direction/modification should be introduced.

There is also the design of the Agro-Industrial Fund which is critically dependent upon preparations in this project. The visit by the AIF design team is itself an occasion to make evaluative judgments.

There needs to be early evaluation of work in progress, but this it is believed may be accommodated, on a trilateral basis, initially, in the context of preparing the AIF project. A separate evaluation of training would be appropriate during the latter part of the first year of operations, since this is the core of the project and, too, since the need for continuing residential advisory assistance is intimately related to this theme. An initial full scale evaluation should be accomplished when the principal surveys are completed, when the preparations have been made to manage and Agroindustrial Fund (and probably, the Fund is in place) and when experience begins to occur on supervisory credit (including under the experimental credit facility). This should occur about fifteen months after inception of the project. A second major evaluation would occur during the third year of the project to determine whether the program should continue, on what basis and to assess donor response, policy environment for pursuing project objectives, etc. It may be that a subsidiary evaluation of performance of technical services may prove to be warranted at an appropriate point between the two principal evaluations.

The funds provided in the project budget for this purpose are to cover the cost of U.S. and Guinea-Bissau participants in the evaluation (other than salaries of direct hire personnel of either Government). It is assumed that much of the evaluative work would be done by AID staff. Should this not be the case, then PD&S funds would need to be provided or the added cost absorbed within contingencies.

F. Management of the Project

a. By the GOGB

The GOGB will look to the Development Department of the Central Bank for operational management: approval of vouchers, supervision of surveys and feasibility studies; approval and administration of experimental credit. The Development Department will work closely with the Ministry of Economic Coordination, Plan and International Cooperation on policy directions and priorities for the project.

b. By the Portuguese

ICE will manage the project for the Portuguese, including overseeing performance of technical services by Portuguese private and public institutions. ICE will designate a project coordinator in Lisbon who will supervise the development attache in Bissau.

c. By AID

See Section II.F.

G. Preparations for the Agroindustrial Fund

Studies conducted in this project as well as experience gained through the experimental credit facility will help prepare for the Fund. This will be complemented by a trilateral design effort which will be organized during the early part of CY 1985.

An important consideration in preparing the Fund is progress made on macro-economic, structural and sectoral policy reforms related to agribusiness and agroindustrial trade and investment. The subject is discussed in the PID for that project and will be a central theme in the design of the AIF project.

H. Implementation Schedule

Trilateral Mission to Guinea-Bissau is completed	May 1984
Portugal and U.S. authorize Project	Sept 1984
Trilateral Partners sign grant agreements and GOGB establishes peso counterpart account	Sept 1984
Trilateral Partners agree on concept of the Fund	Sept 1984
Initial technical service contract(s) is signed	Dec 1984
Development attache arrives in Bissau	Jan 1985
Central Bank resident advisors arrive	Jan 1985
Initial work plan is approved	Feb 1985
Studies begin	Feb 1985
ITFP begins courses in agreed areas	Feb 1985

Central Bank begins approving experimental sub-projects	Third quarter 1985 or later
AID approves the project to create the Fund	Third quarter 1985 or later
The Agroindustrial Fund is created	Aug 1985
First evaluation is made of trilateral cooperation and of this project	Apr 1986
Final evaluation is made of the project and a decision is taken on whether and in what form to continue trilateral cooperation	Aug 1987

IV. PROJECT ANALYSES

A. The Economy of Guinea-Bissau

The primary sector predominates, with agriculture contributing 52.8% of GDP. Production is concentrated in a few crops: rice, peanuts, cashews and oil palm; all reflect low productivity. Most production is self consumed. The "pontas," small farm enterprises, cannot develop because they lack equipment and parts, agricultural inputs, access to markets, etc., and are at risk in making sizeable investments because they usually export illegally to neighboring countries (illegal exports exceed official trade).

Normalization of trade is a centerpiece of the Government's policy reforms, but is a complex step which will be taken with serious attendant risks.

Marine fishing is a potentially productive sector, including for foreign investment. The waters are rich in fish and crustaceans, but some of the resources are probably being excessively exploited, especially by foreign (mostly Russian) fishing fleets. At present, four Bissauan enterprises operate in the sector: Estrela do Mar, a joint venture with the USSR; SEMAPSCA, a joint venture with French private interests; GUIALP, a joint venture with the Algerian Government; and GUIPEIXE, a joint venture with private Portuguese investors. Only Estrela do Mar has a record of sustained performance; GUIPEIXE is just beginning and the other two have been paralyzed for lack of parts and access to foreign exchange/cash flow, etc.

Mineral and petroleum exploitation has not yet begun. There are potential opportunities in phosphates and bauxite.

Prospection for diamonds, to date, has not borne fruit. Exploration is underway for off-shore petroleum under the joint participation of the French Elf-Aquitaine and the GOGB Petrominas.

The industrial sector is in an incipient phase. At independence, the brewery was the only substantial industrial enterprise. A brickmaking plant has been added. A few sizeable, unsuccessful industrial facilities were started following independence in petrochemicals, plastics and automobile assembly. A number of small plants exist using simple processes for rice and peanut hulling, palm oil production, manufacture of alcohol, saw milling, vehicle maintenance, etc. The industrial sector contributes 9.9% to GDP. With careful preparation, there is place for expansion.

The services sector reflects all the weaknesses already noted in the other sectors. Commercial activity faces supply problems related to incapacity of internal production and unavailability of foreign exchange for imports. The most important services are the airport, the port and internal road transport, most of which are in the hands of public enterprises. The sector contributes 37.3% of GDP; this figure highlights the paucity of economic exchange within the productive economy.

The principal state trading companies are Armazens do Povo and SOCOMIN. The Government has indicated its intention to convert the former, an internal wholesaler, and the latter into an export marketing organization. Producers dealing with the first will receive payments in the form of access to imported goods; those exporting through the latter will receive 70% of the value of the exports in foreign exchange. Also, outside of few restricted crops (rice; oil seeds and cashews), producers will have the option to export directly and to retain the foreign exchange earned. These steps are to encourage private sector production of non-traditional export crops and stimulate trade.

Thus, the economy has potential; steps are now being taken to draw it out. Foreign assistance must fill the resource gap produced by a stagnant economy, probably for some time. This makes necessary both growth in aid and a prompt, recognizable result if aid is to keep flowing. The critical objectives are to stimulate trade between rural areas and the city, develop export markets and accelerate the contribution of productive sectors to the economy. There is also need to introduce

orderliness into the reactivation of private enterprise and the sequencing of private investments which may contribute to economic recovery.

B. Social Soundness Analysis

Three important needs related to raising the standard of living in Guinea-Bissau are to get private trade moving, to increase food production and to generate employment through growth of agribusiness investment. The project contributes to each. It trains people and improves the capacity of institutions to perform necessary services and it offers training and credit to individual entrepreneurs and their employees so as to foster private initiative.

The principal social soundness issue is equity, i.e., whether the stimulation of the private economy will reasonably spread the benefits to a substantial number of individuals. Obviously, the launching of private enterprise begins with those entrepreneurs who have the skills and resources to organize and manage investments. Orchestrating the flow of investments so as to foster a widening of the base of participants involves a cost before it provides a return. The project has been prepared with cognizance that there is a need, which it addresses in two ways: through surveys to identify opportunities and describe how to bring a wider group of producers and artisans into their pursuit and through the possible formation and utilization of associations which could draw together and facilitate services to these groups.

The subject of employment generation is also given special attention in this project. Emphasis is upon initiating training in areas where employment needs are well established and on screening carefully for individuals who will find employment with private entrepreneurs (which includes not limiting trainees to secondary school students).

A corollary issue is whether, in preparing for the Fund, the design will take into account possible labor displacement resulting from investments as well as incentives and disincentives for increasing labor productivity which might be produced by the investments. While it is not expected that negative effects will be substantial, the subject will be reviewed in more detail and with regard to the illustrative list of investments in design of the AIF project.

To be addressed during project implementation is how the project will serve entrepreneurs outside of Bissau and how it will reach persons without literary skills who make up a

substantial part of the rural entrepreneurial class and its employees. Such programs will need to be added to the activities presently scheduled by ITPP and the Central Bank. The project provides the financial resources to do so; what must be determined during implementation is the manner and timing in which these needs may be accommodated by the two institutions or by another approach.

Finally, there is need to address the relation of the project to food production objectives for Guinea-Bissau, since this is what ultimately must affect the well being of the rural and urban population. The notion that stimulating the rural export economy will impact upon food production is only true if the return from the exports are felt directly by the producers in terms of both reasonable value for their production and access to goods and services with the proceeds. This brings the focus back to reliance upon macro-economic reforms and on the GOGB's willingness to open the economy. Such dependency does not disavow the stimulative affect the project could have on the rural economy and the potential returns to a large class of beneficiaries than the group of entrepreneurs helped initially.

C. Organizational Analysis

1. Guinea-Bissau Institutions

The Minister for Economic Coordination, Plan and International Cooperation is responsible for preparation of the Plan and monitoring its application, for coordination of donor roundtables and for establishing investment priorities and working with the GOGB apparatus and donor organizations on keeping to them. The Minister is a cabinet member and is the focal point for policy considerations related to trilateral cooperation.

The Guinea-Bissau National Bank (BNGB) performs the central banking function for the country and is also the only bank open to the public. Ultimately, it is planned to spin off the commercial and development banking functions into separate institutions, and, this project may be a precursor to creation of a development bank. The Governor of the Central Bank is respected within the Government. The Development Department has a small staff with limited experience relevant to the project's objectives; leadership is serious and appears competent. The staff of the Commercial Department need training in banking operations. Even though they will be the major beneficiaries of technical assistance provided to the Bank under the World Bank (IDA) Technical Assistance Credit,

training to the Commercial Department is provided under this project, because since effectiveness of its employees will be essential to operation of the Fund.

ITFP is a public agency under the tutelage of the Ministry of National Education. Created in 1980, it began operations in 1981 and now includes two training centers: for industrial training (CENFI) and for administrative training (CENFA). ITFP lacks pedagogic materials, equipment and supplies. Through donor assistance it has received a considerable infrastructure, some equipment and continuing technical assistance. There is also need to increase the number of instructors and intensify their expertise in subjects now being taught and to be added. ITFP is the only organization in Guinea-Bissau susceptible of providing the training services described in the project. ITFP is expected to be increasingly solicited as the economy expands, provision has been made within the project for support to ITFP, both financial and professional, and for gradually testing where and to what extent ITFP may expand its role within the project. Also to be explored are other channels, especially private, through which selected training might be introduced.

Two such potential institutions are worthy of note: A Chamber of Commerce was active prior to independence, but is now moribund; it could be revived or recreated in modified form; there is considerable interest among entrepreneurs in forming an association when the climate permits; an Association of Producers exists informally among a small group of modern farmers; they have talked about expanding the membership and assisting a wider range of producers to become farm entrepreneurs.

2. Portuguese Institutions

The Institute for Economic Cooperation (ICE) is a public agency responsible to both the Ministries of Foreign Affairs and Finance. ICE coordinates economic cooperation activities in developing countries, meaning principally Portugal's former colonies. ICE has two Departments whose activities relate directly with this project: the Economic Assistance Department which coordinates technical assistance to developing countries and the Economic Cooperation Department which supports Portuguese interests in the former colonies and manages the program of "cooperantes" being sent to those countries. Responsibility for trilateral policy issues and for implementation of trilateral projects will be with ICE.

Several Portuguese training institutions operate in Portugal and abroad. There are professional training centers under the tutelage of the Secretary of State for Employment which provide training for skilled workers. These centers receive participants and also have the possibility of providing instructors overseas for short term training services. Several public and private institutions also provide training in enterprise management. The Institute for Small and Medium Industrial Enterprises (IAPMEI), attached to the Ministry of Industry, trains in planning, business organization and management and provides consulting services; through arrangement with other institutions, it schedules courses for small entrepreneur training. IAPMEI already provides short term technical assistance in several foreign countries and has a continuing program in Cape Verde.

The Banco do Fomento Nacional is a Government development bank providing medium and long term credits as well as conducting studies to direct investments to priority sectors. It plays an important role in cooperation with former colonies by training bank employees in Lisbon and in their own countries. It could also be a source for resident advisors to the GOGB Central Bank.

The Institute for State Participations (IPE), linked to the Ministry of Finance, controls the Government's participation in ventures with private enterprises. IPE has a training Center, Centro de Informacao, Formacao e Aperfeicoamento em Gestao (CIFAG) which, too, provides technical assistance in developing countries.

The Portuguese Industrial Association (AIP), a private trade association, through its Industrial Productivity Department (COPRAI) organizes training in management of enterprises. COPRAI has a good reputation and is often engaged by public and private institutions, including for participant trainees from African countries. COPRAI could also provide short term overseas training services.

3. Organizational Capacity for Project Needs

Organizational reliance is foremost on institutions within Guinea-Bissau. The basic network of institutions is in place and their roles are clearly defined. The demands upon the Central Bank and ITFP will be at the limit of their abilities, which is to be anticipated for this type of activity in an emerging economy. The availability of outside institutions to support them, through private consulting firms and public agencies, is very favorable. Three concerns are to be

signaled: (1) the internal growth and adjustment anticipated within the Central Bank; this has been well identified and is being addressed by the IBRD technical assistance credit and this project; (2) the expansion of training themes by ITFP to include students from outside their normal channels of selection and subjects beyond their present scope and even immediate plans; the project makes provision for paced advancement in this direction, for temporary initiation of training in some themes before ITFP acts upon them and perhaps, too, for ways to continue them outside of ITFP; and (3) the possible future development of private associations within Guinea-Bissau; again, a cautious approach is taken with the technical means provided to move forward if conditions permit. This framework is thought to be appropriate.

D. Technical Analysis

1. Private Sector Opportunities

Opportunities are anticipated first in modern farming, assuming that liberalization of internal trade allows movement of agricultural products in response to market forces, then in services (storage, transport) and marketing relating to these products and in trading enterprises. Processing opportunities will be more selective. Finally, there will be growth in complementary industries (carpentry, furniture manufacture, construction).

Many ideas have surfaced for agroindustrial investment projects in Guinea-Bissau. An illustrative list might include:

- processing of waste wood byproducts to make "press board" or wood chip board. Press board as well as cheap lumber is needed by the construction industry which today uses hard woods more suitable for furniture;
- processing of manioc to make pellets for animal feed. This would substitute for cereal feed grains now imported for animal and poultry feed;
- poultry (chicken) production, processing and refrigerating units; also for rabbits;
- curing and treating of hides for export;
- milling of oyster shells to make calcium needed for animal feed;

- mango, cashew, citrus, pineapple, grapefruit juice processing, concentrating, canning or bottling for export;
- fish cleaning, processing (smoking, salting or freezing) and packing for export;
- manufacture of furniture and decorative wood moldings (used in housing construction) for export (to Portugal);
- production of unrefined sugar;
- vegetable (peppers, tomatoes, onions) production, cleaning and packaging for export;
- pineapple production and processing for export as fresh fruit;
- shrimp processing, freezing and packaging for export;
- potable water production and bottling;
- groundnut production and processing;
- palm oil production and bottling for domestic consumption and export;
- processing coconut husk fibers to make fiber cement sheets;
- making cotton thread;
- manufacture of glass mirrors;
- manufacture of glassware (bottles, jars, window panes);
- sisal (and possibly kenafe) production for sacks, cord, in conjunction with livestock production;
- manufacture of paints, varnishes (using local resins);
- integrated pork production for meats, sausage and soap using fish meal and local feed products as inputs.

2. Capacity to Carry Out the Project

The Central Bank has the capacity to initiate the proposed program. (See IV. C., above.) The demands which this project and the Fund will place upon the staff of the Development

Department make a concern how the work will be scheduled so as to maintain quality of performance. This theme has been discussed among the trilateral partners. The activities in the project include urgent studies and training which are incorporated into present work planning and other needs which will be addressed at the pace which experience shows is practicable.

ITFP will enlarge existing training programs and perhaps make modifications to training content tailored to project needs, e.g., increased emphasis on skills related to management, for two main training themes of the project (office support and secretarial; business operations and accounting); it will expand into some other training areas--craft skills, trading enterprises and in operation of agribusinesses--as the surveys and other preparations show the needs to be imminent and commensurate with ITFP's ability to manage the training. ITFP has acted responsibly to date in limiting new undertakings to areas in which it feels comfortable. Some training may need to be initiated, possibly outside ITFP. Again, the pace and scope of enlargement of training will be resolved during implementation.

It is anticipated that Portuguese private firms will provide most of the technical services. There are firms with fine records of performance in comparable tasks both as to quality of work and cost-effectiveness. U.S. firms will contribute selectively in fields of comparative advantage. Training in Portugal and Bissau by Portuguese public institutions is of modest dimension and is for tasks in which the organizations have demonstrated track records.

To be addressed, too, is how more attention may be given to training entrepreneurs in management skills and how to introduce other modifications with the ITFP curricula to respond to needs perceived for and by private firms. Technical services will be made available in the project to address these concerns punctually and to help institutionalize the result, when ITFP feels comfortable in taking next steps. Again to be emphasized is that this project is preparation, through iterative steps and a modest base, of a process for making possible agroindustrial opportunities and for increasing capacity to avail of the opportunities.

3. Training and Technical Service Tasks

The training component, outlined in more detail than in Chapter II, are in Annex 5; a fuller description of the surveys to be included is in Annex 6. Both define a core group of tasks

which will be pursued early, refined and expanded as shown to be necessary, coupled with complementary tasks (post training follow-up and advisory services; feasibility studies) and areas for expansion of the effort when and as capacity permits (training in craft skills, trade and agribusiness operations; survey of improving agribusiness system performance, enlargement of the number and scope of pre-feasibility and feasibility studies). This is a technically sound approach to specifying what the project will seek to accomplish, while having latitude to adjust the reach selectively as experience is gained, needs arise, and progress is more substantial in some areas than others.

The project design draws on the preparations for the donor roundtable and organizes training and study priorities to complement the World Bank Technical Assistance and Structural Adjustment Credits. The initial training actions and studies are spelled out as is the relation among them. Enlargement of the project scope will be by successive iterations. The process for refining next steps so as to maintain quality, address equity concerns adjust to market forces and act upon policy reforms is the core technical concern. A premium is placed upon quality of oversight and effective evaluation.

E. Economic Analysis

The Technical Skills Training Project must be justified as an independent initiative, independent of the Agroindustrial Fund for which it is preparatory as well as of desired policy reforms upon which it is not conditioned. That justification lies in the fact that for substantial progress steps, such as opening the economy to private trade and investment, a number of changes need to occur. One may anticipate Government action to liberalize trade and the environment for investment and the transfer of external resources from public donors and private investors and lenders, but one must make possible a better capacity to take advantage of the opportunities which such measures make possible. There are no fixed rules as to which comes first, and indeed capacitation is the element most likely to facilitate the others. Here, with strong Government pronouncements and exercises in progress or preparation with IBRD and IMF on basic economic and organizational reforms and with a successful, recent donor roundtable affirming willingness to support this direction, the case for early action or capacitation is compelling.

Let us turn then to the significance of opening the economy to the private sector. It lies in recognizing comparative advantage effecting productive linkages and seeking to do so

within boundaries which the Government may find acceptable in terms of resource use, employment, revenue and public policy considerations. What the potential returns of expanding the role of the private sector in Africa generally may be are discussed in Annex 8, excerpted from the project paper for the Private Enterprise Fund.

Looking more specifically at Guinea-Bissau, the advantages fall first in effecting increase in exports, then in the selection of agribusiness and agroindustrial products on the basis of marketing considerations complemented by hard nosed assessment of comparative advantage, thirdly on improving performance of the agribusiness system, especially in terms of value added for better quality and finally in terms of widening the base of investment resources recycled within the economy. The smallness of the country and the absence of infrastructure and limited nature of the local business system means that investments will be mostly small and varied in nature, discontinuous in some areas (financing of a specific import substitution or processing step without necessarily affecting the remainder of the agribusiness chain). However, a quite sizeable classification of opportunities has been prepared by the Central Bank and brought to the negotiation (supplementing that in Section IV.D.).

The choice of possible investments and the degree to which the economy will be stimulated by them is influenced by policy decisions and by the level of external support. Preparation, prioritization and appraisal of potential investments are essentially needed measures under the full range of policy environments from optimistic to minimally acceptable. This judgment is colored by a view of the kinds of policy constraints which are likely to be center stage during the period for implementation of this project and initiation of AIF. An outline of policy decisions taken and anticipated is in Annex 10.

The factors contributing to an environment for policy reform are present: stated intention of the Government to move decisively in the directions indicated, on-going arrangements or preparations with IMF, IBRD and other donors for balance of payments/debt redressment, structural adjustment and attraction of resources to provide interim budgeting of the near term

resources gap. Finally, the process is also being put in place to get a wider part of the private economy to contribute to the direction of change and to facilitate other donor financing of private investments in agribusiness and agroindustry.

Therefore, it is concluded that the principal factors are in place to permit a satisfactory rate of economic return to be realized for this project.

F. Financial Analysis

1. Project Budget

The budget presented below provides a line item estimate for each project subcomponent. Since the content and sequencing of activities will be refined with experience, some items may be delayed or deferred, others to be identified and given priority. Therefore, adjustments among line items of up to 25% will be handled routinely, above that level there will be written approval by AID.

The cost of technical assistance has been taken to be \$7,000/p.m. (reflecting a unit cost of \$6,000/p.m. for Portuguese and \$10,000/p.m. for U.S. consultants). Technical assistance personnel will provide both training and advisory services to enterprises; in some cases, the same personnel may participate in surveys or feasibility studies.

The cost of training services is not broken down by training element, even for those described in Annex 5. This is because the costs to ITFP and the Central Bank are intimately linked with their on-going activities; formulae will need to be made specific in the work plans. For the areas to be added: commerce, craft skills, operation of agribusinesses, the estimates are mere projections. Cost will be one of the factors taken into account in organizing the timing and sequence of their inclusion in the program.

A concern is whether funds for studies are sufficient to allow preparation of investments in a manner which will encourage widening the base of farm enterprises and businesses who may gain access to supervised credit once the economy opens. The choice of survey topics and the number of feasibility studies included is appropriate to this initial effort. The level of technical services devoted to the surveys has taken into account the extra reach needed to address equity considerations.

2. Adequacy of Resources and Financial Returns

Operating resources of ITFP is a second area needing attention. ITFP receives its main operating support from ILO, Sweden and the GOGB budget. As stated, estimates of recurrent cost needs for ITFP will be made in preparing the work plans. The project has budgeted a total of \$600,000 for this purpose during three years (AID-\$300,000; Portugal-\$100,000; GOGB-\$200,000); this is separate from expatriate technical services for training and advisory services. The level is generous, but is less than the amount requested by ITFP during the project design.

Financial considerations to be used in appraising sub-project will be specified in the criteria for the experimental credit facility to be provided. It is intended that sub-loans would use positive, real interest rates; what this means and how it may be accommodated in Guinea-Bissau will be the subject of further preparations. The financial rate of return will also be specified and is expected to require full cost recovery plus a margin which is sufficient to provide reasonable security in investment. Again, there may be some variation between projects (especially as regards projects related to food production for internal consumption versus export crops).

The latter consideration raises squarely the problems related to security (collateral), collection and enforcement. Again, requirements will be spelled out in the lending criteria and early in the project this will be the subject of relatively intense monitoring and discussions among the trilateral partners. Here, the question is raised whether the experimental credit facility will provide a sufficient length of experience before the Fund comes into being to be useful. The response is that it will force consideration in practical terms of security issues, but is not intended to test out recovery problems (which may not show up for some time).

Finally to be considered is whether and when to introduce user fees and charges for training and technical services and at what level. The question cannot be addressed now. A covenant will be included in the project to analyze the take action to introduce fees and charges (and will be a subject of review during the initial project evaluation).

G. Environmental Analysis

This project constitutes/incorporates classes of actions not subject to environmental procedures such as education, technical assistance and training programs; analyses and

studies; except for the experimental credit facility. The project does not include construction of facilities and other infrastructure directly affecting the environment. This activity meets the criteria for Categorical Exclusion in accordance with Section 216.2(c)(2)(x) and is excluded from future environmental analyses. The Africa Bureau Environmental Officer concurs in this determination. With respect to the experimental credit facility, a list of possible sub-projects will be submitted to AID as a condition precedent to disbursement and an I.E.E. will be prepared by AAO/Bissau at that time.

	1984			1985			1986			TOTAL			All			
	US	Port	GB	Total	US	Port	GB	Total	US	Port	GB	Total		US	Port	GB
Technical Assistance																
- Resident Advisors	30	30	10	70	30	30	10	70					60	60	20	140
- Industry Survey	20	20	10	50	20	20	10	50					40	40	20	100
- Comparative Advantage Survey	20	20	10	50	20	20	10	50					40	40	20	100
- Training Needs for Agribusiness	50			50	50			50					100			100
- Feasibility Studies	20	10		30	40	10	10	60	30	20	10	60	90	40	20	150
- Specialized TA	10	10		20	10		10	20		10	10	20	20	20	20	60
Sub-Total	150	90	30	270	170	80	50	300	30	30	20	80	350	200	100	650
Training																
- TA Contract	100			100	100			100	100			100	300			300
- ITFP	50		50	100	100		100	200	100		50	150	250		200	450
- Participant Training						50		50		50		50		100		100
Sub-Total	150		50	200	200	50	100	350	200	50	50	300	550	100	200	850
Commodities																
- Equipment, Supplies	40			40	20			20	10			10	70			70
- Pedagogic Materials	25			25	40			40	10			10	75			75
- All Terrain Vehicle	25			25									25			25
Sub-Total	90			90	60			60	20			20	170			170
Experimental Credit Evaluation																
				200				200					200			200
				10				10	20			20	30			30
Inflation and Contingencies																
				100				100	100			100	200			200
TOTAL	390	90	80	560	740	130	150	1020	370	80	70	520	1500	300	300	2100

METHODS OF IMPLEMENTATION AND FINANCING

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount (\$000)</u>	
Training	} Host Country Contracting*	\$850	
Technical Services		Host Country Reimbursement	650
Commodities			370
Evaluation		30	
--Indefinite Quantity Contract	Direct Payment		
--Personal Services Contract	Direct Payment		
Miscellaneous and Contingencies		<u>200</u>	
	TOTAL	\$2,100	

*The assessment required by the "Payment Verification Policy Implementation Guidance," dated December 30, 1983 will be undertaken prior to the start of the project. The assessment will set forth a realistic appraisal of the GOGB's ability to: (a) advertise, award and negotiate contracts, (b) monitor contract implementation, (c) examine invoices and (d) audit contractor records and reports.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Annex 1

Life of Project:
From FY 84 to FY 88
Total U.S. Funding:
\$1.5 million

<p>Goal: To institute a process for preparing agroindustrial investments, developing skills needed to carry them out and attracting external resources for economic growth to be applied to private trade and investment in agribusiness and agro-industry.</p>	<p>Measures: a) Bilateral and multi-lateral donors commit funds for agro-industrial investments, either through a Fund to be initiated or in consequence of preparations made in this project;</p> <p>b) A range of investments are identified, prepared and appraised; some are financed and perform reasonably in conformance with projections.</p>	<p>a) Review lists of donor activities prepared by IBRD, UNDP advisors to GOGB Ministry of Economic Coordination, Plan and International Cooperation.</p> <p>b) BNGB dossiers received, appraisal reports, actions taken, supervision reports, reports by ICE staff; AID sub-project audits, project evaluations.</p>	<p>That policies will be adopted by the GOGB, including exchange rates, retention and repatriation of foreign exchange, opening opportunity for private distribution and export (trade and marketing) in most commodities and encouraging private competition in agroindustrial and agribusiness exports.</p>
<p>Outputs: a) Development and Commercial Department staffs (BNGB) are trained in project appraisal and banking operations and are able to manage the preparation and supervision of agroindustrial investments.</p> <p>b) Effective training for private entrepreneurs and their employees is introduced through collaboration between the BNGB Development Department (entrepreneurship training and business advisory services) and ITFP (employee training in administrative, office support and possibly marketing skills).</p> <p>c) A variety of agro-industrial priority investments are identified, prepared, appraised and the</p>	<p>a) Existence of a core staff at BNGB who will operate as an effective unit(s) and who will have received training in Portugal, Bissau and on-the-job;</p> <p>b) Existence of a core group of entrepreneurs who will have received training in skills critical to enterprise management and who will have prepared or be preparing agroindustrial investments in areas considered priority;</p> <p>c) Investment dossiers will come forward for appraisal; entrepreneurs will be assisted to perfect dossiers and to organize to carry out the projects; a reasonable number of dossiers will be approved for financing (subject to availability of funds);</p> <p>d) Further surveys, prefeasibility and feasibility studies will be scheduled, once strategy or equivalent will have evolved from experience regarding where and how to invest; and</p> <p>e) The quality of the process will be</p>	<p>a) List of participant trainees, trainees attending in-country training programs; estimates of work time allotted by individual staff members to studies and to on-the-job training;</p> <p>b) Attendance in training programs at BNGB and ITFP; dossiers submitted and in preparation;</p> <p>c) Dossiers submitted; dossiers revised; technical assistance to entrepreneurs in completing and preparing to carry out projects; dossiers approved; loan supervision reports;</p> <p>d) Six-month work plan updates; list of surveys and feasibility studies scheduled; review of handling of dossiers submitted to see if there is improvement in quality of dossier and approval rate; and</p> <p>e) Resource transfer to the Agro-industrial Fund or through other channels financing investments prepared through this project.</p>	<p>Adequate numbers of qualified persons will be hired and trained by BNGB and given status and incentives;</p> <p>ITFP will establish training programs shown to be needed and/or new channels will be explored for complementary training;</p> <p>Increased use will be made of Guinea-Bissau nationals in preparing agro-industrial investment dossiers;</p> <p>GOGB will commit increasing resources to the process to complement donor support attracted;</p> <p>GOGB roundtables or other donor initiatives will encourage support for preparations, investments and complementary actions;</p> <p>Reforms and policy actions which should precede the Agroindustrial Fund will be made; arrangements with IMF and an IBRD structural adjustment loan will be in place;</p>

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investors who will conduct the enterprises are assisted to develop the capacity to manage them;

d) The preparations and/or a strategy for continuing further agroindustrial investment promotion is developed; and

e) A process for preparation, skills development and management for resource transfer to private agribusiness development is demonstrated and attracts resource transfers.

- resident and short-term technical services for training, studies and business advisory services;
- commodities: library and pedagogic materials; supplies and equipment; one project vehicle.
- participant training in development banking operations;
- recurrent cost support for IIFP;
- an experimental credit facility to gain operating experience through preparations for financing of a few priority investments;
- provision for auditing and evaluation services;
- employment by Portugal of a development attache in Bissau to serve as facilitator in trilateral interface.

recognized by the GOGB, the entrepreneurs and donors and will be attracting external resources through the Fund or otherwise.

U.S. Port GOGB Total

Training	.55	.1	.2	.85
Tech. Svcs.	.35	.2	.1	.55
Commodities	.17			.17
Exp. Cr. Fac.	.20			.20
Evaluation	.03			.03
Contingency & Inflation	.20			.20
TOTAL	1.5	0.3	0.3	2.1

U.S. contribution - to be obligated in FY 84 and FY 85;

Portuguese - \$300,000 total in FY 84, 85 and 86, but not more than \$100,000 in FY 84;

GOGB - \$100,000 annually in FY 85, 86 and 87 available from PL 480 generations.

The Agroindustrial Fund will come into being.



Ministério da Coordenação Económica, Plano e Cooperação Internacional

Mr. MARK L. EDELMAN

Acting Assistant Administrator for Africa
Agency for International Development
Washington D.C. 20523

1609/1.0/3P/12/84

Bissau, 7th September 1984

Dear Mr. EDELMAN

The Ministry of Economic Coordination, Plan and International Cooperation presents its respects and has the honor to request, via this letter, the financing of:

The technical skills training project (657-0011) in the amount of dols 2.1 million. This project will be executed over four years with funding by the Government of Guinea-Bissau and the Government of Portugal to consist of three hundred thousand dollars each or the equivalent to be paid over three years beginning in calendar year 1984. Therefore the amount being requested of aid is dols 1,5 million.

The Government of Guinea-Bissau intends to enter into separate agreements with the Government of Portugal and the Government of the United States regarding the provision of technical services and the procurement of commodities.

I should like to take this opportunity to reaffirm our sincere regards.

Yours Faithfully

Bartolomeu SANTOS PEREIRA

Minister of Economic Coordination Plan
and International Cooperation

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE FOREIGN
ASSISTANCE ACT OF 1961, AS AMENDED

I hereby certify to the Administrator of the Agency for International Development that the Government of Guinea-Bissau (GOGB) possesses both the financial and human resources to effectively maintain and utilize the Technical Skills Training Project (657-0011) to be undertaken pursuant to the terms of the A.I.D. grant between the Government of Guinea-Bissau and the United States of America for the purpose of assisting the GOGB to develop its agro-industry and to improve public administration and private sector capacity to carry out such development. In so certifying I have taken into account the maintenance and utilization of projects in Guinea-Bissau previously financed and assisted by the United States of America, and I have more particularly taken into account the demonstrated capability of the GOGB to effectively utilize development projects of this nature.

Date:

Sept 17, 1981

Gussie L. Daniels, III
Gussie L. Daniels, III
A.I.D. Affairs Officer
USAID/Guinea-Bissau

1058K

2 - Action to be taken by the participating parties

Efforts will be made to take advantage harmonically of Portuguese know-how and technical information, resulting from the historical contacts with Africa, especially with Guinea-Bissau, in utilizing the financial and technical assistance made available by the USA.

The Republic of Guinea-Bissau will supply the means necessary to meet the needs locally to support the structure of mechanisms of the Trilateral Cooperation Project.

3 - Project Scheme

To proceed it will be necessary to create a series of instruments and support mechanisms as well as technical assistance and training actions necessary for the support and functioning of this trilateral assistance.

So, it seems useful for the project implemented in two phases:

- a) Phase one will involve a substantial reinforcement of the capacity of Project Study and Analysis Department of the National Bank of Guinea-Bissau and for whose development it will be necessary to establish a training program of the technical staff, namely in the area of bank accounting, medium and long term credit management and project analysis.

Also in this phase, and taking into consideration the investment projects to be submitted to Banco Nacional da Guiné-Bissau,

training of businessmen would also be considered, especially in management.

Also in the training plan, there will be a series of facilities to train a skilled labor force necessary for the development of various industrial projects in the Republic of Guinea-Bissau, using the resources from the Trilateral Cooperation Agreement.

Efforts will be made to use the existing training structures. There also may be studies of the medium term manpower needs resulting from the development process.

In the first phase, there also may be technical assistance actions to support private enterprise activity (technical advice, enterprise organization, etc.).

Also in this phase, we will consider performing a study of the existing potential in the agro-industrial field and of their comparative advantages.

Finally, we will consider the possibility of carrying out on the job training for the Project Study and Analysis Department, using experimental projects being studied within the BNG.

- b) On phase two there will be established, within the credit divisions of BNGB, a fund for agro-industrial development, to support private enterprise projects approved by the project analysis division, according to the BNGB Projects Manual and to the regulations of this fund.

This proposal to establish the development fund should contribute to the reinforcement of the investment credit system, already being prepared within BNGB.

4 - Instruments

The three parties agree to prepare together as soon as possible, the studies needed to create a framework for the trilateral cooperation project, using each governments' institutions, especially those related to the financial area.

The participants express their pleasure about the open dialog that the conversations were carried out and they reaffirm their intention to mobilize, with due diligence, all the means necessary to produce a final Agreement within the shortest possible time.

Done in Bissau, May 11, 1984

For Guiné Bissau

For Portugal

For the United States

Bartolomeu Ferreira

Rosado de Sousa

Charles Buchanan

OUTLINE OF TRAINING ACTIVITIES

A. Residential Advisors to the Central Bank - (Two advisors--one year each--project appraisal and banking operations)

1. Project Appraisal

- training for staff of the BNGB Development Department (3 months)
- training for Ministry personnel (3 months)
- on-the-job training related to conduct of surveys, prefeasibility and feasibility studies and in selecting projects for the experimental credit facility; and
- on-the-job training for entrepreneurs through business advisory service to prospective creditors.

2. Banking Operations

- training for staff of the Development and Commercial Departments in banking operations (3 months) (possibly two cycles);
- training for staff of the Development and Commercial Departments in criteria and operations for the experimental credit facility;
- on-the-job training in operation of the experimental credit facility;
- training for entrepreneurs in business accounting and financial management

Note: the training by the Central Bank for entrepreneurs below will draw upon these advisors complemented by short term services.

B. Other Central Bank Training (using short term TA)

- Entrepreneur training in administrative and financial management and business management and marketing--2 sections--45 days each
- on-the-job training for Central Bank staff through participation with consultants in surveys, prefeasibility and feasibility studies;
- training for entrepreneurs through business advisory services associated with preparing and approving sub-projects.

C. Participant Training in Portugal

Six 3-month training programs for Central Bank staff within the Banco Nacional do Fomento.

D. Training Programs Offered by ITFP

Two 3-1/2 year training programs directed to prospective employees of enterprises:

- business operations and accounting;
- office support and secretarial.

These correspond to courses now being offered by ITFP, but would be tailored to needs anticipated for enterprises. The students being chosen for work in or provided from enterprises, the course hours would be adjusted so as to permit a substantial portion of the classes to occur outside of office hours.

E. Other courses which might be conducted by ITFP or otherwise introduced

- craft skills--construction trades, blacksmithing, wood pressing, equipment maintenance, vehicle maintenance, inventorying and warehousing; management of enterprises in these craft trades;
- trading enterprises (marketing, distribution, transport and handling, management of trading enterprises); and
- improving performance of agribusiness systems (quantity differentiation, standardization/quality control, handling and storage, organization of operations, management of resources, interdependent systems, business operations, etc.

The areas reflect anticipated needs. They will only be introduced as and to the extent that the need is materializing, there is capacity and a channel for conducting and continuing the training.

OUTLINE OF TECHNICAL SERVICE ACTIVITIES

A. Surveys

Agroindustry Survey - This survey will draw heavily on work already accomplished. It will not attempt to study all possibilities, but will identify a range of opportunities and select a few for more intensive review. There are two parallel objectives: a sorting out or directing of efforts to areas which offer more promise in terms of potential return and early prospect for development and selection and preparation of ideas in areas with immediate prospect for investment.

Comparative Advantage in Agribusiness - Many export crops may be considered, but relatively few may meet the conditions, especially marketing, to attract entrepreneurial investors. This survey will seek to identify which crops offer the best prospects and what preparations may facilitate interest in investment and market linkages.

Assessment of Human Resource Needs for Private Enterprise. This survey would be conducted by a single consultant and would be the essential planning exercise for ITFP and the Central Bank in organizing the training content directed to private enterprises.

Approaches to Reform of Selected Private Enterprises. The entrepreneurs receiving training will need also to benefit from assistance in reforming their enterprises to be effective in the opening economy. This survey will look at many of the enterprises affected and recommend approaches. Thus, the entrepreneurs will benefit from training, a survey of changes to be made in the operating enterprises, and will then benefit from direct business advisory services through the Central Bank.

B. Prefeasibility and Feasibility Studies

Again, considerable work has already been performed, and will be drawn upon, revised, updated. There will be a mix of less intensive, "pre-appraisal" preparations with more thorough feasibility studies, with the number of activities being determined from the mix which will be shown to be appropriate. About 10 feasibility studies are anticipated, but the number may be increased at the expense of other project services, if experience shows this to be necessary.

C. Other Technical Services

Other technical services will include specialized inputs in market identification, policy concerns, intensification of study of specific problems, etc. Short term services are provided for this purpose.

Also, business advisory services are provided as an aspect of all project technical and training services. Additional support in this area can be provided through short term services.

COMMODITY PROCUREMENT

A. Project Vehicle. A single four-wheel drive overland vehicle is included for the Development Department of the Central Bank.

B. Library and Pedagogic Materials. ITFP has a suitable infrastructure for the proposed training but is hampered by absence of reference, subject matter, periodical and diverse library materials and is in need of training materials. The project budget for commodities is limited; to the fullest practical extent it should be destined for purchase of pedagogic materials.

C. Office Equipment and Supplies. The project envisions financing of modest office equipment for ITFP and the Central Bank. Items might include audio-visual equipment, a photocopy or reproduction machine, a tape recorder, a programmable calculator, equipment for preparation of pedagogic materials, etc. Priority in allocation of the scarce resources available should be given to necessary recurrent supplies.

EXCERPT FROM PRIVATE ENTERPRISE FUND PROJECT PAPEREconomic Analysis

African government have been relying on the public sector to undertake activities which can more effectively be carried out by the private sector. Often, due to size, managerial inability, political constraints, featherbedding, and lack of competition and alternatives, public sector investment turns out to be less productive. Decreasing the labor force in the public sector often will not decrease the level of goods and services produced. Increasing employment in the public sector will often not increase output of the public sector. In economic terms this is to say that the marginal productivity of labor in the public sector is low.

This situation is not generally relevant in the private sector, except where the consequences stem from constraints imposed by the government. Allocating resources to the private sector will increase overall output, income and productivity. Directing further investment into the public sector will often increase inflation with little discernable increase in real national output, and little long-run productive employment. To get African countries to achieve economic efficiency and growth, as well as to dampen the rate of inflation, we must encourage a greater reliance on the private sector, less reliance on the public sector and more effective use of natural and human resources.

The private sector in Africa has not been able to grow and thrive as it might under better circumstances. Government involvement in parastatal enterprises has been less efficient than private sector activity and has hindered growth. Government over-regulation has hindered the growth of indigenous private sector enterprises. Foreign exchange regulation and trade barriers have encouraged the importation of foreign produced capital equipment and other goods and services, while discouraging the exportation of those products (mostly agricultural) in which these countries have a natural comparative advantage. Overvalued currencies have hurt the balance of trade situations of most African countries and these countries are now mired in debt.

Other constraints on private enterprise include the lack of managerial skills and entrepreneurship. All societies which hope to advance in manufacturing, marketing, agricultural production, etc., must be able to organize both capital and labor as well as other inputs in such a way as to create viable, profitable enterprises. This requires not just technical know-how but also the capacity to manage all the different factors and the entrepreneurship to take the necessary risks inherent with any new venture.

The lack of capital available to small enterprises constrains growth of the very enterprises which are most likely to create the greatest amount of productive employment. Job generation is a crucial factor in most of the African countries where unemployment in the non-farm sector is acute. The proliferation of small enterprises would do much to employ the abundant labor available to these countries, as well as to improve income distribution and speed overall economic growth.

In many African countries governments regulate local markets and production so as to discourage small businesses from entering. These regulations are often imposed to help the government maintain control and because the government wishes to direct how the country's scarce resources will be used. However, typically, these regulations hinder competition, decrease opportunities for upward economic and social mobility, and cause inefficient use of resources. Selectively loosening these regulations should help create a more favorable environment for investment and entrepreneurship.

For a project such as this, where specific activities have yet to be determined, it is not possible to derive an internal economic rate of return. Past efforts which involve similarities to this project, however, have afforded some results that can illustrate some of the benefits that can be anticipated in this project.

A comparison between the effectiveness of the private vs. the public sector is illustrated by comparing the bus system in Abidjan, Ivory Coast and Nairobi, Kenya. In Abidjan, the city leaders decided that the city should only be served by city owned buses and outlawed competition by private sector buses. As a result, the number of city owned buses tripled and the bus system is running huge deficits. In Nairobi, the city managers decided that independent bus services would be allowed to compete with the city bus lines. It turned out that these private bus companies were able to serve the city quite well using small vans and the city bus company remained small and is

still profitable. This is one example where reliance on the private sector has saved government revenues and served the public's need.

Foreign aid is not sufficient to ensure the growth and development of developing countries. Most of the resources for growth and development must come from the local economy. By fostering a better business climate, improving government policies and regulations, as well as correcting other price-incentive distortions, local resources can be mobilized to help in a country's development. In Bangladesh, partly as a result of AID policy dialogue, the interest rates in the formal sector were changed to parallel interest rates in the informal sector and the banking industry was considerably deregulated. (AID efforts are currently assisting Bangladesh in the denationalization of commercial banks, which will open up the banking sector to private investors and increase the private sector's share of available credit.) The results have included: increased activity in the financial sector, greater mobilization of local resources, and overall economic stimulation and growth.

An AID project in Paraguay called the Paraguay Productive Credit Guaranty Program (PCGP) was designed to establish a self-sustaining guaranty fund that would neutralize the risks involved in lending to smaller-scale entrepreneurs. The criterion chosen to determine project success was the growth in the size of the fund. On this criterion alone the project was declared a success, with the fund growing 20 times larger by 1980 than had originally been envisioned in the PP. In addition, it was calculated that the PCGP generated over 600 subprojects and created 3,900 new jobs. Unfortunately, the project crashed when the government of Paraguay withdrew its support and no longer would guaranty loans.

The Ivory Coast has a tax system that does not seriously distort incentives. The country has had an outward looking policy of "liberalism and openness toward foreign investors." Interest rates move up and down reflecting market forces.

With the general policy of export orientation comes the recognition of an important feature of the Ivorian economy. The bulk of employment and output are in the agricultural sector, which is where the country's comparative advantage lies.

The Ivory Coast has had a relatively non-protectionist foreign trade policy, except for some promotion of modest import-substitution light industry. A stable monetary system,

free convertibility at a guaranteed exchange rate, open borders, and a minimum of internal regulation have allowed market forces to dictate the scope and structure of development. Despite the difficulties experienced during the current recession, reliance on this regime and free market system has led to higher growth than has been experienced in most African countries and also lower income inequalities.

The evidence shows that the private sector can be tapped as an instrument of development and that it can generate higher growth in incomes, output and employment at higher rates than can the public sector. Thus, activities to be undertaken by this project can lead to high rates of return, although estimation now of the rates of return would be premature.

Activities that tap local resources and cause these resources to be used more efficiently will require less investment on our part and afford very high returns in the form of national income growth and productive employment creation. Activities that help towards relieving constraints on small business created by government regulation can at low costs go far to increase economic activity and efficiency. Activities that lead to long term policy and structural change will have payoffs that will continue long after LOP. Activities that train managers and enhance human capital will have high payoffs if linked to applications in productive undertakings and will be replicated by the private sector once the payoffs become apparent.

The conclusion is that this project has ample opportunities to earn high economic rates of return and should lead to greater net social gains in welfare than would continued excessive reliance on the public sector to undertake development activities.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

- | | | |
|----|---|----|
| 1. | <p><u>FAA Sec. 481.</u> Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?</p> | No |
| 2. | <p><u>FAA Sec. 620(c).</u> If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted</p> | No |

available legal remedies and (b) the debt is not denied or contested by such government?

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No
4. FAA Sec. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No
5. ISDAC of 1981 Secs. 724, 727 and 730. For Specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981. Not Applicable

6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? No
7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? No. An agreement is under active consideration by the GOGB.
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? No
- (b) If so, has any deduction required by the Fishermen's Protective Act been made? Not Applicable
9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal or any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds? No
10. FAA Sec. 620(s). If contemplated assistance is development loan or Not Applicable

from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo. The GOGB is not in default on any U.N. payments.

13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? No
14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No

16. ISDCA of 1981 Sec. 720.

Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981; and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

No

17. ISDCA of 1981 Sec. 721.
See special requirements for assistance to Haiti.

Not applicable

B. FUNDING COURSE CRITERIA FOR
COUNTRY ELIGIBILITY

1. Development Assistance
Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No

2. Economic Support Fund
Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

Not Applicable

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

Not Applicable

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

Not Applicable

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3 applies to projects funded from ESF.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) CN was submitted to Congress on June 14, 1984, cleared on June 29, 1984. Supplementary CN to change funding source and to include \$200,000 experimental fund was submitted to Congress on Sept. 5, 1984 and cleared Sept. 20, 1984.

(b) Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
(a) No physical construction exceeding \$100,000 is planned. Financial and administrative plans have been developed. (b) Reasonably firm cost estimates have been developed for technical assistance and training activities.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
No additional legislation required to implement this project.
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)
Not Applicable
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
Not Applicable

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Project will increase Guinea-Bissau's exports, develop the entrepreneurial capacity of the private sector and improve the technical efficiency of agroindustry. Project will reduce scope of Government monopolies and encourage competition from the private sector. Free labor unions do not presently operate in Guinea-Bissau.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). U.S. contractors will be eligible to bid for both technical assistance and procurement activities. Experimental Agro-Industrial Fund may also result in private U.S. investment and trade.

9. FAA Sec. 612(b), 636(h);
FY 1982 Appropriation
Act Sec. 507. Describe
steps taken to assure
that, to the maximum
extent possible, the
country is contributing
local currencies to meet
the cost of contractual
and other services, and
foreign currencies owned
by the U.S. are utilized
in lieu of dollars.
- Contribution of GOGB will
be principally in local
currency generated under
PL 480 programs; the
level of contribution is
appropriate given resource
limitations of the
country. Government of
Portugal will also
contribute escudos.
It is anticipated that
dollars will be used for
FX requirements, except
for recurrent cost
support for the Govern-
ment training institution
over and above the GOGB
contributions.
10. FAA Sec. 612(d). Does
the U.S. own excess
foreign currency of the
country and, if so, what
arrangements have been
made for its release?
- The USG does not own any
excess Guinea-Bissau
pesos.
11. FAA Sec. 601(e). Will
the project utilize
competitive selection
procedures for the
awarding of contracts,
except where applicable
procurement rules allow
otherwise?
- Yes
12. FY 1982 Appropriation Act
Sec. 521. If assistance
is for the production of
any commodity for export,
is the commodity likely
to be in surplus on world
markets at the time the
resulting productive
capacity becomes
operative, and is such
assistance likely to
cause substantial injury
- This project, per se, is
not aimed at production of
commodities. Only the
\$200,000 provided under an
experimental credit
facility might be used for
productive including
processing (value added)
investments; the outputs
of these projects are not
expected to be in surplus
categories. GOGB additive

to U.S. producers of the same, similar or competing commodity?

production of any export is expected to be so small as not to cause substantial injury to any U.S. producers.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?

Yes

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

Not Applicable

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria

(a) This project is primarily a training and technical assistance activity aimed at improving the skills of entrepreneurs and bank officials. The experimental fund will finance projects in rural areas which will stimulate the economy and provide employment and other benefits.

(b) The project is not aimed at development of cooperatives.

(c) The project will improve the capacity of Guinea-Bissau to carry out self-help activities.

(d) Women will be participants and beneficiaries in the project.

Yes, by providing training to improve the capacity of both the public and

for the type of funds
(functional account)
being used?

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed?" (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less

private sectors.

Yes, this is one reason why procurement of small-scale, inexpensive Portuguese equipment has been included.

The GOGB is providing 14% of project costs; the GOP is providing the equivalent of 14% in parallel financing. The cost-sharing requirement is being waived for a "relatively least developed country."

Not Applicable

than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The project focuses on the urgent need for Guinea-Bissau to earn foreign exchange by developing its natural resources. It will do so by training and providing advice to private entrepreneurs and by establishing an efficient lending window in the Bank of Guinea-Bissau. It will encourage reactivation of the country's leading private entrepreneurs, including widening the number of persons capable of becoming entrepreneurs.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

Not applicable

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? Not applicable

c. ISDCA of 1981, Sec. 724 (c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)? Not Applicable

3. Economic Support Fund
Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? Not Applicable

b. FAA Sec. 531(c). Will assistance under this chapter be use for military, or paramilitary activities? Not Applicable

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that Not Applicable

such use of funds is
indispensable to
nonproliferation
objectives?

- d. FAA Sec. 609. If
commodities are to be
granted so that sale
proceeds will accrue to
the recipient country,
have Special Account
(counterpart)
arrangements been made?

Not Applicable

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Waivers are being requested to provide the procurement from countries in addition to the U.S. (AID Geographic Code 935).

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Not applicable

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or Not Applicable

product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Not Applicable
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per cent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at far and reasonable rates? No
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the Yes

fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Do not anticipate use of Federal agencies.

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

U.S. will not be a party to a contract for procurement.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used?

Not Applicable

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive

Yes

basis to maximum extent practicable?

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

Yes

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

Not Applicable

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by a international organization, does Comptroller General have audit rights?

Not Applicable

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Yes

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act

Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

(1) Yes

(2) Yes

(3) Yes

(4) Yes

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

Yes

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

Yes

d. FAA Sec. 662. For CIA activities?

Yes

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

A waiver is being obtained to allow purchase of one project vehicle from a source outside the U.S.

f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues? Yes

h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes

i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes

j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? No

k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes

GUINEA-BISSAU - POLICY REFORM

In 1982, the current Government of Guinea-Bissau issued an Economic Stabilization Plan which called for a number of significant policy reform measures in 1983-1984. These include:

I. Macro-Economic Reforms

- Continued dialogue with IMF on changes being undertaken in the context of an economic and financial stabilization program.
- Cooperation with the World Bank on the formulation of a structural adjustment loan focusing on fiscal management, agriculture and marketing.
- Restrictions on current expenditures, including freeze on civil service hirings.
- Increased selective taxes to raise Government revenues.
- Modification of import and export taxes to promote import substitution and export promotion.
- Devaluation of the Guinea Peso by 50% vis-a-vis the SDR.
- Encouragement of the private sector to export of non-traditional agricultural products such as fruits.

II. Sectoral Reforms

- Increased producer prices to food crops to provide incentives to farmers.

May 1984