

**COUNTRY PROGRAM  
STRATEGIC PLAN**

**FY 1991-1995**

**GUINEA-BISSAU**

BEST AVAILABLE

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## EXECUTIVE SUMMARY

### Background

A.I.D.'s program in Guinea-Bissau traditionally has focused on production-oriented activities which have produced only marginal success over the past ten years. Implementation of these activities coincided with periods of fits and starts in the Bissauan economy, which was trying to make the transition from a centrally planned economic order -- marked by inappropriate pricing policies, widespread government intervention, and an inefficient marketing system -- to economic recovery designed to correct the damaging policies of the previous decade.

On January 1st of this year, President Vieira reaffirmed his government's commitment to the renewed structural adjustment program initiated in 1986. While the program has encountered recent difficulties in achieving certain IMF and World Bank targets, trends continue to be positive, and no one can dispute the remarkable economic growth of the past three years, which has ranged between four-six percent a year.

In keeping with the government's renewed commitment to structural adjustment, along with the ending of most of A.I.D.'s earlier projects, OAR/Bissau has designed a new strategy, contained in this Country Program Strategic Plan (CPSP), to help accelerate economic growth.

### Program Goals and Subgoals

The CPSP will guide programming decisions for the period FY 1991-95. It puts forward as its program goal the promotion of economic growth that is broad-based, market-oriented, and sustainable. A key subgoal of the CPSP is to enable the agricultural sector to play the pivotal role in promoting such economic growth.

The resource base of the Guinea-Bissau economy is agricultural. Agriculture accounts for approximately 60 percent of GDP, 75 percent of official exports, and between 80-90 percent of employment. The production, marketing and utilization of rice is at the base of the agriculture sector and fulfills a multitude of functions in Bissauan life and culture.

The constraints which continue to hamper efforts to promote agriculture as the engine of economic growth can be divided into three categories:

-- An inadequate physical infrastructure, including transport, electrification, and water management structures.

-- The need for technology development and diffusion.

-- Major obstacles to enhanced development of the private sector in Guinea-Bissau, including policy and legal impediments; market functioning blockages; and lack of basic technical and management skills.

Of these three categories of constraints OAR/Bissau will focus on those hindering development of the private sector. Various donors are addressing the others.

Expanding the role and efficiency of the private sector is utterly critical to increasing agricultural growth in Guinea-Bissau. The country's budding private sector continues to gather vitality, in part due to liberalized agricultural policies put in place under the IBRD/IMF structural adjustment program. Small farmers, larger commercial farmers (ponteiros), rural producer and marketing associations, agribusiness entrepreneurs, private rice trading organizations -- all are contributing to a growing economy, and all have benefitted from agricultural reforms instituted under structural adjustment, such as lifting of price subsidies on rice for civil servants and reductions in the export tax on cashew.

#### Strategic Objectives

Thus, the strategy's first strategic objective is to reinforce a supportive environment for agriculture-based private sector growth. Under this S.O., OAR/Bissau will initiate activities to reinforce existing government policies and help to develop new policies to promote rational allocation of resources in support of private sector growth. Development and institutionalization of a cereals policy will be a top priority. Simultaneously, the OAR will work with the government to develop a legal framework which will strengthen the private sector. This will entail reforming and creating appropriate laws and regulations, such as business, tax, investment, and commercial codes.

The OAR will launch two new initiatives to accomplish these aims: the Agriculture Sector Assistance II (ASAP) program, which will provide non-project assistance in support of agriculture sector policy reforms; ASAP II is the follow-on to ASAP I, the OAR's current three-year NPA program to support agriculture sector reform. ASAP II will enable OAR/Bissau to carry on critically needed policy dialogue with the GOGB, as it continues to refine policy choices. A companion activity, the Support to Agricultural Policy Development and Implementation (SAPDI) project, will supply technical assistance, training (long- and short-term), and studies to assist the GOGB in formulating and putting into action appropriate policy decisions and legal reforms, including those to be designed under ASAP II.

The second strategic objective is to strengthen rural entrepreneurship. This S.O. and companion targets complement and

reinforce policy and legal reform targets described above. Rural entrepreneurs will be the ultimate beneficiaries of an improved environment for market-oriented production. A recovering private sector will help raise production and income and promote value added through processing and agriculture-related services, while contributing more to the formal economy. This in turn should help the GOGB to perceive the economic benefits of increased productive activity in the rural areas and reinforce its determination to stay the course in policy reform.

A new PVO umbrella project will be the primary vehicle for implementing the second strategic objective. The OAR will identify one or two U.S. private voluntary agencies to carry out rural-based activities to: strengthen producer/marketing organizations; provide appropriate technical packages and information; and improve the skills base of rural producers. These efforts will emphasize collaboration with the Peace Corps and will build upon current activities of Africare.

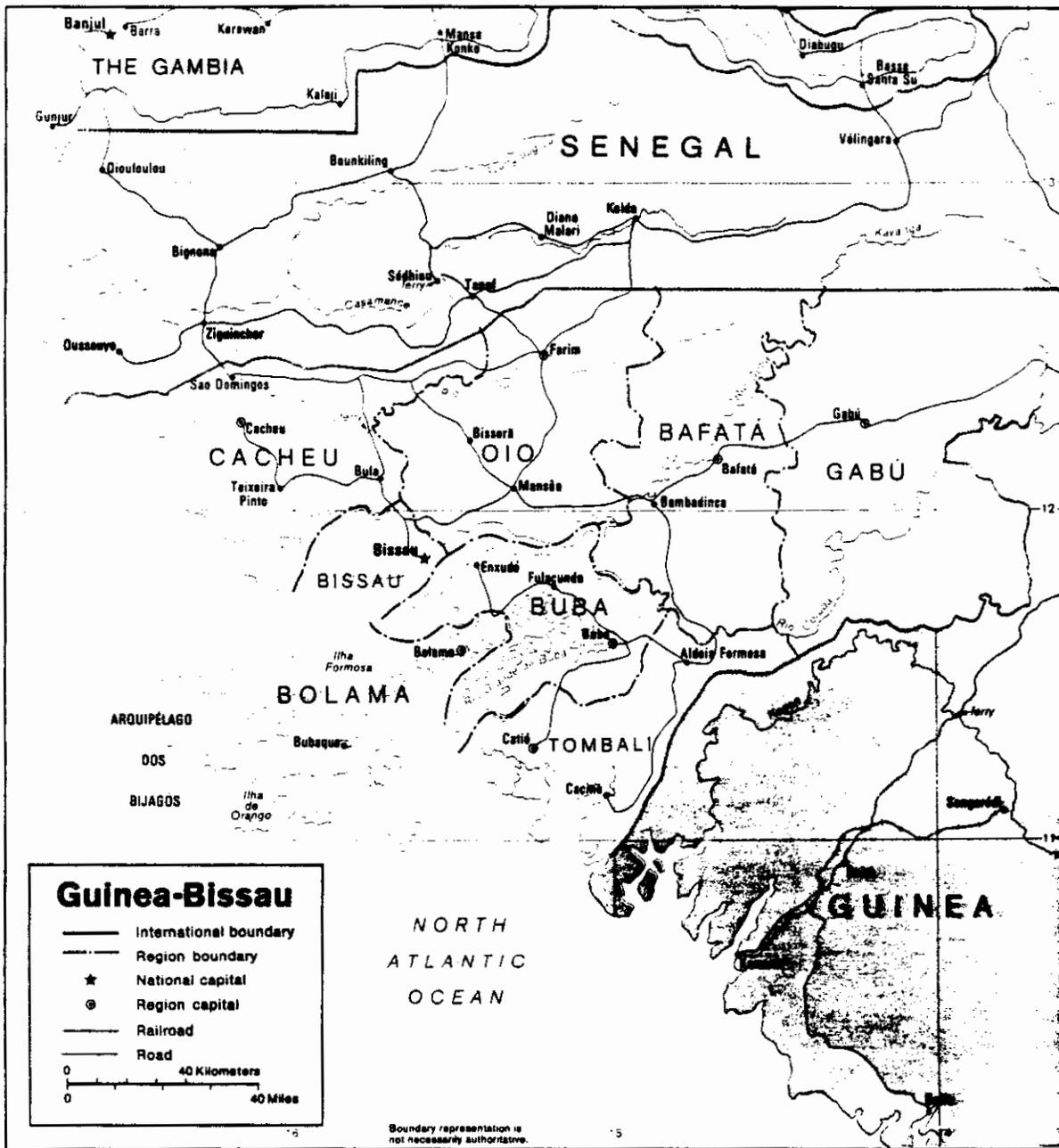
Small and medium-sized enterprises (SME's) will be the chief participants in new PVO activities. Women, who carry out virtually all on-farm duties, as well as important food processing and marketing tasks, are expected to be the principal beneficiaries, both as individual entrepreneurs and as members of rural associations.

#### Implementation of the Strategy

OYB levels for the strategy period will range from \$4 million in FY 1991 to \$7 million from FY 1993-95. OAR/Bissau will implement the strategy primarily through three new initiatives: ASAP II, SAPDI, and the PVO umbrella project. They will be phased in gradually, starting with SAPDI in early FY 1991, ASAP II in early FY 1992, and the PVO umbrella in mid-FY 1992. Certain current projects will continue into the planned strategy period and form a natural part of the strategy. These include ASAP I and its companion Agricultural Sector Assistance Monitoring Project, as well as the two Africare activities underway in the South.

Four USDH positions are approved for Guinea-Bissau: the A.I.D. Representative, a GDO, a PDO/GDO, and an Executive Officer. Only the first two positions are currently encumbered. USDH staff will be backed up by a number of personal services contractors (PSC's). It is planned that the projects will receive logistic support under a maintenance contract to relieve OAR/Bissau of the day-to-day logistics of managing the program.

Three implementation/management issues have surfaced, of which the most important is the need for timely assignment of staff to OAR/Bissau.



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## I. COUNTRY OVERVIEW: ENVIRONMENT FOR DEVELOPMENT

### A. Background

Guinea-Bissau is among the poorest countries in the world. With a population of approximately 925,000, per capita income in 1988 was estimated to be \$160. The adult literacy rate is less than 20 percent. The infant mortality rate within the first year is 134 per 1,000 live births.

The economy is predominantly agrarian, characterized by a large rural sector producing primarily for self-consumption. The agricultural sector, including fisheries and forestry, is by far the most important sector in terms of production, employment, income generation, and foreign exchange earnings, accounting for nearly 90 percent of employment and an estimated 60 percent of GDP.

Marketed output is largely confined to export crops, primarily cashews, groundnuts, and palm kernels. Cashews accounted for almost 70 percent of total official exports in 1987 and 1988. The major food crop is rice.

Guinea-Bissau became independent in 1974 after a protracted war against Portugal, which dislocated one-fifth of the population (approximately 70 percent of agricultural land was abandoned), destroyed important parts of the economic infrastructure, and reduced outputs of the main crops by over one-third.

### B. Macroeconomic Performance

Against this background, macroeconomic performance since independence can be divided into three main periods: 1) rebuilding the economy under a centrally-planned economic system after the devastation of the war (1974-82); 2) the first phase of structural adjustment (1983-85); and 3) structural adjustment with an agriculture-led growth strategy (1986-90).

Rebuilding the economy, 1974-82. The post-independence period was marked by an ambitious public investment program financed mainly by external borrowing. The program focused on large-scale agro-industrial development but neglected crop production and rebuilding the infrastructure damaged during the war. Inappropriate pricing policies (including an overvalued exchange rate), widespread government intervention, and an inefficient marketing system discouraged exports and stimulated a parallel market with neighboring countries. As a result, the economy became increasingly dependent on foreign aid to finance imports, including basic necessities.

A rapid increase in government expenditures coupled with limited growth in revenues led to increased government borrowing from the central bank, which in turn fueled inflation. During the period 1980-82, the external situation was exacerbated by drought and depressed world market prices for the country's main exports. The

balance of payments deteriorated rapidly as debt service payments mounted and substantial external payment arrears accumulated. With mounting arrears, imported consumer goods were rationed and farmers were virtually unable to obtain desired consumer goods, further constraining incentives and more firmly entrenching much of the population in subsistence agriculture.

First phase of structural adjustment, 1983-85. In 1983, the government embarked upon an ambitious economic recovery program designed to correct the inappropriate policies of the post-independence decade. Guinea-Bissau turned to the World Bank and the IMF for assistance in financing its balance of payments deficit. A comprehensive set of reforms were identified, including fiscal and monetary stabilization measures and sectoral restructuring. Under the structural adjustment program (SAP), the government devalued the currency (Guinea-Bissau peso), increased producer and consumer prices, imposed higher taxes, and paid interest for the first time on savings deposits.

However, the adjustment process lost momentum in 1985 due to a sharp deterioration in the prices of the country's major exports, its inability to control the fiscal deficit, delays in implementation of institutional reforms, relative pricing distortions, and the overall size and magnitude of macroeconomic disequilibria.

Agricultural-led growth strategy, 1986-89. In 1986, domestic output declined further and the annual inflation rate reached an estimated 45 percent. Gross official reserves had fallen to about two weeks of imports by the end of 1986. Outstanding external debt reached \$333 million and external payments arrears rose to an estimated \$75 million, while the scheduled debt service ratio rose to about 90 percent. Under the circumstances, internal and external disequilibria had become unsustainable.

The government realized that profound adjustment measures were called for and renewed its efforts at structural adjustment with extensive support from the World Bank and the IMF. The World Bank prepared a "Prescription for Comprehensive Adjustment" in 1986 which outlined an agricultural-led growth strategy which remains in effect today. The strategy is based on the premise that, given Guinea-Bissau's human and natural resource base, the economy will continue to be predominantly fueled by agriculture in the medium-term. The strategy was designed to enable Guinea-Bissau to grow out of its balance of payments deficit, in part by reducing rice imports and increasing cashew exports.

In 1987 The World Bank and IMF prepared a Policy Framework Paper (PFP) in close collaboration with the GOGB. The PFP included the following basic objectives: real per capita income growth; a substantial reduction in the annual rate of inflation; a narrowing of the external account deficit; and the normalization of relations with external creditors. Under the Bank's first Structural Adjustment Credit (SAC I), foreign exchange was made available to the GOGB for imports of goods that would stimulate production and

marketing of tradeable commodities from the agricultural sector. Additional support for the structural adjustment program was provided by various multilateral and bilateral donors.

Under the SAP's policy reform rubric, the government initiated a substantial devaluation of the currency, introduced a flexible exchange rate policy, removed price controls, implemented civil service reform, and liberalized marketing arrangements.

Performance under SAC I was encouraging. Real GDP grew by 6 percent in 1987. Growth in the agricultural sector, in real terms, increased about 10 percent in 1987 and 4.5 percent in 1988 (despite adverse weather conditions and an 18 percent decrease in the export price of cashews, the main export crop) as agricultural producers responded to the reforms that were put in place. Official export earnings increased an impressive 59 percent in 1987.

SAC II was initiated in 1988. Under SAC II, the GOGB continued to lighten and deepen the reform measures begun earlier. The objectives under SAC II were to maintain a stable macroeconomic environment, reorient public investments towards removing infrastructural and institutional bottlenecks to growth, expanding trade and price liberalization, and institutional reforms in the public sector and banking.

Real GDP increased by 4 percent in 1988. However, there were slippages in meeting monetary targets due in part to institutional weaknesses, the lack of timely data necessary to properly manage the budget and the credit program, and changes in the government structure. Excessive credit and pressure on the exchange rate continued to be problems and inflation remained high.

In 1989, there were again major slippages in meeting targets, primarily in four areas: the gap between the official and parallel exchange rates remained high; the current account deficit as a percent of GDP remained relatively high; net domestic credit expanded dramatically, thereby keeping inflation high; and the outstanding debt stock increased. Despite these problems, Guinea-Bissau remains committed to the policy reform effort and has made substantial efforts in the past six months to meet the benchmarks. The gap between the official and parallel exchange rates narrowed to about 20 percent in the first quarter of 1990. Credit has virtually been unavailable for several months and the rate of inflation is currently at 2 percent per month (it was an estimated 75 percent for 1989). Problem debts have also been rescheduled. As evidenced by President Vieira's New Year's Day speech declaring 1990 as "The Year of Stabilization of the Economy", the government has made a commitment to address these problems and provide an economic environment in which the private sector, especially in agriculture, can make rational economic decisions essential to market-driven development.

### C. The Agricultural Sector in Guinea-Bissau

The economy of Guinea-Bissau is predominantly agrarian. As noted earlier, agriculture is by far the most important economic sector in the country in terms of production, employment, income generation, and foreign exchange earnings. Agriculture contributes over half of GDP, employs 90 percent of the economically-active population, and contributes to two-thirds of total export earnings.

Within the agricultural sector, crop production accounts for the largest share of total output, followed by livestock production (primarily non-commercial) and fisheries and forestry production (currently small but with great potential). The major food crop is rice, followed by sorghum, millet and corn, sugar, and beans.

The significance of rice in the economy cannot be overestimated (see Annex 2 for a detailed discussion of the role of rice in Guinea-Bissau). A recent AID-financed study (Rice Production and Marketing in Guinea-Bissau, The Food and Feed Grain Institute, Kansas State University, December 1989) found that rice production accounts for 52 percent of the land area devoted to grain production. Rice is the basic staple food and constitutes the primary source of calories for the population. The study found that rice has an intrinsic cultural value which permeates the society. Rice is used as a means of storing value and as a medium of exchange in terms of a trading good used for bartering arrangements, e.g., purchasing cashews for export.

Rice that is not consumed domestically or stored on the farm tends to be traded across the borders to Senegal and Guinea Conakry. This happens for several reasons: to obtain needed hard currency such as the CFA, to be used in barter trade for goods not available in Guinea-Bissau; to obtain cashews which are then re-exported; and as a straight commercial transaction whereby Guinea-Bissau serves as an intermediate shipping point to transfer rice to outlying areas in Senegal and Guinea.

The major export crops are cashews (the leading export crop), palm kernels, groundnuts, and cotton. With the liberalization program fruits are also being grown for export. Honey and beeswax production are also being developed.

Crop production is predominantly through small, family farms. There is, however, a growing number of larger commercial farmers (ponteiros) who grow mainly export crops. Except on the pontas where mechanization is taking place, hoeing, weeding, and harvesting are usually done by hand. The use of agricultural inputs such as improved seeds, fertilizers, and pesticides is negligible on both small farms and the pontas and is restricted almost entirely to project areas associated with donor agencies. National consumption of fertilizer was estimated in 1985-86 at only 2.9 kilograms per hectare of cultivated land which is relatively low compared to other West African countries. Only 10 and 30 percent of the cultivated rice and groundnut areas, respectively, were sown with improved seed.

Historical levels of production together with the natural resource base in Guinea-Bissau suggest that the country has the capability to produce enough rice and other staple cereal grains for domestic consumption and for export. For the 1989/1990 season, data shows total milled production of rice at 90,882 tons. This is an increase of 12.5 percent over the 1988/1989 season, thus indicating the farmers are responding to the current liberalization policies. This was the situation prior to the war of independence which brought significant destruction of the agricultural infrastructure and displaced much of the rural population from the most productive regions.

## II. CONSTRAINTS TO SUSTAINABLE ECONOMIC GROWTH IN GUINEA-BISSAU

As noted above, agriculture is by far the most important economic sector in Guinea-Bissau and is the only sector sufficiently developed to contribute in any meaningful way to the growth process. Thus, sustainable economic growth will be heavily dependent upon the development of the agricultural sector in all of its manifestations: production, processing, marketing, and agro-business/industry. It will be equally dependent upon successful efforts by the GOGB to conserve its natural resource base.

A variety of constraints are at present hampering efforts to promote agriculture as the engine of economic growth. These can be divided into three major categories:

- Infrastructure;
- Technology development and diffusion; and,
- Obstacles to private sector growth.

With the GOGB a number of different donors are addressing many of the constraints in these areas. The following sections will identify these constraints and current efforts to remove or ameliorate them.

### A. Infrastructure

#### 1. Transportation

Access to markets is considered the major constraint to increased agricultural production in Guinea-Bissau. This lack of access is primarily due to the extremely poor condition of the transport system, reflecting years of neglect. The road system consists of approximately 3,000 km. of classified roads, of which only about 500 km. are paved. Because of the deteriorated state of the roads and bridges, and the virtual lack of maintenance, much of the country (particularly the South and East) is isolated from the Bissau/Bafata/Gabu corridor during the rainy system.

In the South, Guinea-Bissau's rice bowl, the roads are among the worst in the country. The adverse implications for marketing any surplus rice from the South are obvious. In the last six months, two major road-upgrading projects have been started in the South: one to improve the road from Bambadinca to Buba, the other from Buba to Catio. Completion of these projects will make the southern region accessible by road all year round, consequently dramatically reducing transport costs and time.

In addition, other projects by the World Bank and EEC are aimed at improving and maintaining feeder roads, especially in the Eastern

region. This will considerably improve access to markets, and thereby stimulate increased agricultural production. Other road projects, especially by the Italians and the Swedes in the North, are slowly improving market access in that region.

An estimated 85 percent of the population of Guinea-Bissau lives within 20 km. of a navigable waterway. Water transport is used extensively and has traditionally carried about half of all the goods transported in the country. The number of boats is small, and the general condition of the boat fleet is poor. However, within the last six months, at least three coastal cargo boats have been privatized. In addition the Germans have financed the dredging and reconstruction of the port at Buba to facilitate better transport in and out of the South.

This appears to be an area which can be left to private sector initiatives. However certain procedural constraints still need to be addressed: subsidization of the GOGB parastatal organization Rudoflual and the number of types and cost of permits still required for the private sector to transport by water from one part of the country to another.

As a result of the poor condition of the transportation infrastructure, Guinea-Bissau does not have an integrated market that can supply agricultural inputs and sell agricultural products efficiently. Thus, urban centers, especially Bissau, continue to rely on imported rice rather than on domestically produced rice to meet their consumption needs.

## 2. Electrification

Rural electrification is also at a rudimentary stage of development. But in contrast to transportation infrastructure, lack of electrification does not constitute a key constraint to agricultural production; fuel, for example, is the source of power for pumping water for irrigation. However, agro-industries and agricultural processing plants typically do require electricity, and rely on generators to provide it. As such industries in rural areas develop, this constraint will become more serious. At present several donors, including the African Development Bank, the EEC and the French are heavily involved in the energy sector.

## 3. Water management structures

There are two distinct types of irrigated rice production practiced in Guinea-Bissau and two distinct types of irrigation infrastructure: mangrove rice production in the Cacheu region and in the South, requiring irrigation infrastructure designed to contain the salt water; and lowland rice production in the north around Contuboel and east around Gabu where the infrastructure consists mainly of contoured dikes to contain both surface water from rivers and rainfall and subsurface water pumped from underground aquifers.

At least two problems have arisen: financing the construction of additional irrigation infrastructure, which up to now has usually been covered by externally-funded projects; and the maintenance of existing irrigation infrastructure. It is not unreasonable to expect that if market forces remain positive, farmers will assume greater responsibility for upkeep of infrastructure already built. Moreover, some farmers, both the small farmers and the *ponteiros*, are beginning to pay for the original construction of this infrastructure. In addition donors still appear willing for the time being to finance continued construction of this infrastructure (Kuwait Fund in the South; EEC/World Bank in the East).

The Department of Hydrology, Agronomy and Soils (DHAS) of the Ministry of Agriculture is the public sector entity responsible for water development and management. Because the country is so heavily dependent on rice, and because a controlled water flow can be particularly important in a rice-based economy, a carefully developed irrigation and water use program, as part of an overall national food/cereals policy, is necessary.

Key issues that need to be addressed in such a program include: the trade-off between investing in one or both of the two systems of irrigated rice production in contrast to investing in rainfed rice production; systems of cost recovery, such as water user charges that are administratively feasible and culturally acceptable; and the environmental impact of constructing additional irrigation infrastructure, especially in the ecologically fragile areas of the South.

#### B. Technology Development and Diffusion

Agricultural production has increased in Guinea-Bissau primarily as a result of bringing additional land into cultivation rather than by applying higher yielding varieties or using new technologies for cultivation. This is likely to continue to be the case for the foreseeable future, or until labor becomes the binding constraint.

Guinea-Bissau has no national agricultural research institute or any other strong institutional capability to develop or generate new agricultural varieties. It does, though, through the Department of Experimentation and Agricultural Research (DEPA) of the Ministry of Rural Development and Agriculture (MRDA), have a budding capability to adapt varieties developed in neighboring countries (such as Senegal or Guinea) or at the international agricultural research institutions (such as IRRI, IITA, and ICRISAT) to local soil and climatic conditions. This kind of adaptive research capability located at Contuboel in the East and Quebo in the South could usefully be strengthened.

Various donors, including the World Bank, have expressed interest in or are assisting the GOGB in this area. What appears to be holding up the process is the World Bank's insistence on a restructuring of the Ministry of Rural Development and Agriculture (MRDA) and the

development of its overall agricultural strategy. Other donors who want to help DEPA continue Contuboe's efforts are requiring a plan for continued research efforts.

Similarly, the country does not have an agricultural college or university (or any other institution of higher education). However, this is not a major problem; to the contrary, lower level training is what needs strengthening. Such strengthening is being provided in part by various donor projects. Moreover, the Swedes are planning to develop a national agricultural school at Bula. The program at the agricultural school in the South at Empada is being totally redesigned, with the help of Africare.

The more binding constraint lies in diffusing (or extending) existing technologies or technological packages, rather than in developing new ones. Although the government's various extension services are reportedly underfunded and understaffed, farmers are nevertheless often aware of some new technologies and farming practices, as, for example, lowland rice technology practiced near Contuboe. Various donor projects throughout the country are engaged in some kind of extension work. What is needed now is a coordinated effort to develop one extension service, delivering various technical packages throughout the country. The World Bank is looking at this effort. In the meantime, it does appear that the various extension arms of the MRDA are coordinating their extension under the auspices of donor projects. For example, under the World Bank pilot project for basfond rice in the Gabu region, DEPA, DHAS and the Planning Office of the Ministry of Agriculture (GAPLA) are all involved.

### C. Obstacles to Private Sector Growth

Under its liberalization policy, the GOGB sees the private sector as the driving force in all productive sectors, including agriculture. This includes relying on the private sector for the agricultural production, processing and marketing functions formerly supplied by the GOGB. However, (excluding the small farmer) the private sector is a very new one, more developed on the informal rather than the formal side. In addition, the GOGB has still not clearly defined its own new role. Thus, many remnants of the old state-controlled regime remain.

Against this background are three types of constraints to successful private sector development in Guinea-Bissau:

- Policy/legal constraints which do not make it profitable for the private sector to operate in Guinea-Bissau;
- Market functioning constraints; and,
- Lack of basic skills.

1. Policy/Legal Constraints.

Secure Land Tenure

Secure land tenure is important because it encourages farmers (both ponteiros and small farmers) to make: medium- to long-term investments in the land (investments in irrigation facilities or soil conservation, for example); and short-term investments designed to increase agricultural productivity (investments in improved seeds and fertilizers, for example). In the absence of secure land tenure arrangements, agricultural production becomes unprofitable and farmers have little incentive to invest in agriculture production beyond that necessary to meet their subsistence needs.

The land tenure system in Guinea Bissau at the tabanca (village) level is based on use rights, and this system appears to provide secure land tenure. These villages normally consist of from 100 to 1,000 people, and crop production is carried out primarily on small, family farms. This small farm system is in contrast to the large commercial farms (pontas) which focus mainly on export crops.

Much of the country's arable land is uncultivated. This land, which is controlled by the state, is available to those who are willing to obtain leases (or permits) from the government and then to use it productively. As long as two-thirds of the land is productively used over a five-year period, the leases may be renewed. Former civil servants, in particular, are requesting government permits to farm large tracts of land (a) because they need to find alternative employment in the face of the on-going retrenchment within the government, and (b) because farming has become profitable as a result of the liberalization program.

Although the land tenure system is not expected to inhibit agricultural growth during the next five years, there is at least one potential problem on the horizon. Sometimes these larger commercial farmers, ponteiros, are granted use rights to relatively large parcels of land which include small, fragmented portions used by small farmers to grow, for example, palm trees which provide a source of income to purchase food. So notwithstanding the low man/land ratio which would imply virtually no pressure on the land, there is a growing potential for land disputes to arise and for adverse environmental consequences to emerge.

This and related land tenure issues, such as whether or not to allow lease or freehold title to land, are currently under study by the World Bank. The results of that study should serve to confirm (or reject) the conclusion that land tenure is not a key constraint to agricultural growth in Guinea Bissau at the present time. Over the longer run, however, as more intensive cultivation occurs or as ponteiro operations expand further, the adoption of comprehensive land laws clearly delineating possession or use rights will become more urgent.

### Economic and Sectoral Policies

Sustainable agricultural growth requires that farming be profitable. Since embarking on the economic reform program the GOGB has reassessed and modified certain agricultural policies that had most seriously distorted incentives in the agricultural sector, and as a result the sector has registered steady growth during 1984-88. However, as will be seen below, more work needs to be done in this domain. The principal economic policies that determine whether or not agriculture is profitable are: exchange rate policy; pricing and subsidy policy; tax policy; monetary policy; and wage rate policy.

(a) Exchange rate policy. Prior to 1987-88 when the government introduced a flexible exchange rate policy, the Guinea-Bissau peso was substantially overvalued; this had the effect of encouraging imports and discouraging exports. The effect on the agriculture sector was to encourage food imports and to discourage domestic production of agricultural commodities for export. In other words, the effect of the overvalued exchange rate was to shift the comparative advantage away from domestic producers of agricultural commodities -- both food commodities for domestic consumption and cash crops for export. Farmers had little incentive to produce beyond subsistence levels.

Substantial progress has been made in alleviating this constraint. Between the end of 1986 and the end of 1989, the the real official exchange rate has depreciated by about 50 percent. Currently, the gap between the official rate and the parallel market rate hovers near the IMF guidelines which call for a gap of less than 20 percent. Thus, exchange rate policy is currently not as seriously constraining to agricultural growth as before. The exchange rate situation continues to be monitored closely by the IMF and World Bank.

(b) Pricing and subsidy policy. Prior to the economic reform program, the GOGB controlled the prices on almost every major product, including rice. These policies provided only limited incentive to produce a marketable surplus of rice. The relatively low prices offered by the government for rice, together with the relative unavailability of consumer goods that might be purchased with the incremental income derived from any surplus rice production, resulted in a level of rice production inadequate to meet domestic needs; as a result, rice was imported to support consumption in urban areas and towns throughout the country.

Under the reform program, pricing policies, including those for rice, have been liberalized so that the market establishes the price, thereby making it more profitable for farmers to produce a marketable surplus. In addition, restrictions on imported goods have been lifted so that consumer goods are now available in greater supply for farmers to purchase with their incremental income. Although the market price for rice is currently more than sufficient

to cover the costs of production, reliable data do not exist to determine exactly how profitable rice production is in different production areas of the country. However, price is no longer a constraint to production.

Until recently, the government sold imported rice to the civil service at a highly subsidized price of 65 pesos/kg., well below the import price of 650 pesos/kg. and even below the floor price paid to farmers in 1989 of 200 pesos/kg. The result of this consumer subsidy was to discourage the domestic production of rice for the urban market. Thanks to policy reforms under SAC II and A.I.D.'s Agriculture Sector Assistance Program (ASAP), the government has now rescinded the rice subsidy for civil servants, thereby permitting domestically produced rice to compete favorably in urban markets.

Production of cashew nuts (the country's major export crop) is apparently more profitable than rice production when measured in terms of labor productivity; that is, output per man-day is greater for cashew production than for rice production. But this phenomenon may reflect former government policy. In 1984 the government began a program that favored cashew production. To implement the program it imported up to 5,000 tons of rice each year to finance the cashew campaign. This policy of favoring cashew production presumably had the net positive effect of improving the country's foreign exchange position. However, at the present time, the private sector is responsible for most of the cashew purchasing and export action. Thus entrepreneurs now purchase/import the rice necessary to trade for the cashews, and market forces now establish the amount of rice paid for the cashews.

Farmers who purchase improved seeds are also subsidized by the government; the intent of the policy is to encourage widespread adoption of high yielding seed varieties, thereby boosting productivity. At the same time, though, the subsidy makes it unprofitable for private, commercial seed multiplication firms to establish a business because they cannot compete. This problem will need to be further addressed in the development of any kind of a cereals policy.

(c) Tax policy. The key objective in formulating a tax policy for agricultural products should be to encourage both agricultural production and private sector growth -- or at least to have a neutral impact on production and growth.

Prior to SAC II, the government taxed the export of cashews at a rate of 47 percent. About 30 percent of all public sector revenues derive from the export tax on cashews. Although this represents an important source of government revenue, and although export taxes are relatively easy to administer, the tax also constitutes a disincentive to cashew production; and as a result, it reduces foreign exchange earnings below what they otherwise might be.

Under SAC II and A.I.D.'s ASAP program, the government agreed with the World Bank and A.I.D. to reduce this tax to 40 percent of the

FOB price in FY 1989, 35 percent in FY 1990, and 30 percent in FY 1991. FY 1989 and 1990 reductions have already been achieved. If the reductions in the export tax are passed on to the cashew farmers in the form of increased producer prices, then cashew production should increase. And depending on the magnitude of the production increase and the international price of cashews, government revenues from the export tax should remain at or above their previous levels, in spite of the reduced tax rate.

However, many other tax regulations and policies continue to constrain the private sector. These include customs duties, income taxes, tourist taxes and certain local taxes and tariffs.

For example, interregional movements of rice shipments out of the rice-producing South apparently are subject to a regional tax as a combination revenue measure and as a means of keeping sufficient rice stocks in the area. This tax is unevenly applied, tending to discriminate against commercial traders while exempting so-called "family" shipments.

In order to encourage increased rice production in the South for the benefit of a commercialized domestic rice market, existing surplus production needs to be marketed more efficiently to urban centers and food-deficit areas. Two measures warrant consideration: abolish what amounts to a provincial "export" tax on rice that is marketed by private traders out of the South; and if for some reason the "export" tax is retained, eliminate the discriminatory aspects of the tax that exempt some rice traders but not others.

With respect to the larger issue of overall tax problems, the GOGB is seeking assistance from the World Bank, the UNDP and the French to streamline its entire tax system.

(d) Monetary policy.

The government's monetary policy has constituted a key constraint to agricultural growth. This is manifested by a highly inflationary economy in which farmers, traders and other entrepreneurs have continued to have limited confidence in the peso as a stable currency. In this kind of environment it is extremely difficult to develop a viable financial market, especially in rural areas. The absence of a smoothly functioning financial market hampers domestic resource mobilization (savings) and the provision of credit needed by farmers for production inputs, by traders as working capital to purchase the farmers' output, and by private entrepreneurs to invest in agro-industries and agricultural processing facilities.

The economic reform program is designed to reduce the inflationary pressures on the economy by imposing strict credit ceilings and by raising interest rates. It is also designed to encourage the market (within limits) to allocate the credit that is made available, rather than allow some ill-defined rationing system to allocate credit.

During the first part of 1989, too much credit on the market caused inflation to run wild, the exchange rate gap to widen, and interest rates to remain negative. However, restraints adhered to by the GOGB since then seem to be having an effect. The exchange rate gap has been declining partly due to devaluations and partly due to increased stability. The inflation rate has also declined and prices have stabilized somewhat.

In May 1987 the government raised interest rates on deposits to a range of between 21 and 30 percent; and on lending, to between 25 and 38 percent. Based on the assumption that inflation would decelerate to 25 percent, these rates seemed reasonable. But inflation did not decline to this level, and as a result interest rates in Guinea Bissau continued negative in real terms. At present, however, on-lending interest rates are between 23 percent and 59 percent: 32 percent for priority productive sectors; 45 percent for the construction and industrial sectors; and 57 percent for the commercial sector. The GOGB believes these are positive rates within the current rate of inflation (two percent/month).

In order to further stabilize the monetary situation, the GOGB has instituted several reserve requirements for itself and the new commercial bank: 15 percent in local currency and 20 percent in foreign currency. Only amounts beyond this limit may be issued for credit. Both the IMF and the World Bank are closely monitoring these policies.

(e) Wage policy. The largest part of the economy of Guinea-Bissau is based on small agricultural holders that hire little or no external labor. Moreover, hired labor is compensated mostly in kind, and therefore monetary wages do not have an important impact one way or the other on small farm agricultural production.

On the other hand, wage policy may well constitute a constraint to large scale agriculture (the *ponteiros*) and to the development of agro-industries and agriculture-related processing facilities. For example, relatively high minimum wages have apparently prompted some *ponteiros* to begin substituting machinery for labor.

Government salaries, on the other hand, have lagged behind inflation with real wages declining by 50 percent between 1986 and 1988. Public sector salaries are inordinately low, and sometimes salary payments are delayed by months. Since the advent of structural adjustment, the government has encouraged many civil servants, especially workers in *Armazens do Povo*, the marketing parastatal, to seek employment in the private sector, which over time may help alleviate this situation. Government workers have also been encouraged to find a more remunerative earnings base through farming, which has resulted in the proliferation of *ponteiro* agricultural establishments.

### Sectoral Policies

As well as macroeconomic policies, sectoral policies (or lack thereof) can also inhibit private sector growth. At present the GOGB does not have either a clearly defined overall agricultural policy or a cereals policy. It should be noted that a clearly defined cereals policy would serve as the core of any agricultural policy for Guinea-Bissau.

The GOGB does have, however, a strategy of food self-sufficiency and is putting most of its efforts and resources into increased rice production. Within this strategy the GOGB hopes to reduce rice imports almost completely (perhaps even export rice) and to prevent the price of rice to consumers from rising too high. Thus, the government has expressed its willingness to intervene in the marketplace, should rice prices swing too far one way or the other.

This strategy sends very definite signals to the private sector. Even though the market has been liberalized, the memory of the previous state-controlled regime remains strong. Questions continuously arise as to when and how the GOGB may intervene to affect the price of rice and therefore its profitability. Moreover, because the strategy is currently based largely on gut feeling and historical knowledge that Guinea-Bissau once was a rice exporter, decisions taken may not be based on fact and therefore may not be in the best interest of the private sector.

This apparent unwillingness of the GOGB to let the market determine the mix of crops to be produced in Guinea-Bissau could become a serious constraint to sustained broad-based growth.

### Legal Constraints

Guinea-Bissau continues to operate under an obsolete legal system. This consists either of laws and regulations promulgated by the Portuguese during the colonial era or the laws and regulations adopted right after independence in support of a state-controlled economy. The result is a panoply of laws and regulations which stifle rather than encourage private sector development. At best they encourage the more costly development of an informal private sector. At the worst they completely block many types of sorely needed investment.

In addition, the judicial system is barely functioning. Suffering from the severe shortage of trained personnel, no physical infrastructure, and almost no functioning offices, it cannot keep up with efforts to enforce those laws which do exist. The result is a considerable amount of uncertainty within the entire business system, particularly with respect to the sanctity of contracts.

The GOGB sees this as one of the most serious constraints yet to be addressed in its reform efforts. As a result it has reorganized the Ministry of Justice and replaced certain key people. The president has stated that a strong legal system and equal justice for all is a major priority in the next few years. In addition donors have been asked to help: the Portuguese have responded with support to the defunct law school and with other training efforts; the World Bank is looking at the provision of some long-term technical assistance to the Ministry and tribunals; and the Swedes are looking into assistance on the penal side.

A hodgepodge of other efforts are underway under various donor projects to rewrite certain other codes: banking, tax, investment, commercial. However, such legal reform is not being coordinated. The result is a potential discordance among these proposed laws and, because they are not always prepared or reviewed by lawyers, significant gaps. Moreover, this process often takes place without consultations with the private sector, thus increasing the risk of non-compliance.

While at present the private sector continues to grow without the necessary changes in the judicial system, sustained growth will be hampered until these constraints can be lifted.

## 2. Marketing Function Constraints

Prior to the economic liberalization program, private domestic markets barely existed. Liberalization has resulted in considerable market expansion but limitations and inefficiencies abound. The government, with substantial external assistance, is attempting to create a market-oriented environment that will make more efficient marketing possible. The most important marketing functions include input supply, credit, output marketing, processing, transport, and storage. Not all of these, however, are seen as constraints to private sector growth in Guinea-Bissau.

(a) Input supply. At the moment small farmers do not apply fertilizer or pesticides in great quantities; and normally they save seed from one harvest to use during the next planting season rather than purchase improved seeds. Although improved seeds have been developed for the various soil and climatic regions of the country, they are available only in limited quantities.

Demand appears to be rising, but commercial seed multiplication may not now be profitable because the government has imposed a ceiling price on improved seeds to encourage more widespread adoption. Although a price subsidy may encourage farmers to adopt improved seeds, it at the same time precludes profitable domestic seed multiplication. In the development of its cereals policy, the GOGB needs to examine more closely the profitability of domestic seed production and take appropriate measures to encourage the private production of seeds where profitable. The other alternative, of

course, is for the government to use foreign exchange to import improved seeds in sufficient quantities to satisfy demand.

(b) Credit. A rural financial market does not exist in Guinea-Bissau. As a result credit to finance production inputs, to provide working capital for input and output marketing, or to encourage private sector investment in agro-industries and processing activities is severely limited. The very recent opening of a commercial bank in Bissau should help alleviate this constraint. The new bank's ownership is 51 percent Bissauan (26 percent government and 25 percent private) and 49 percent Portuguese (both government and private). While creation of the new bank constitutes an important first step, a second generation problem will be one of establishing branch banks in the major towns and market centers and ensuring that individuals and smaller enterprises have access to these branches and other sources of private credit. In addition some availability of medium- and long-term credit is necessary. The GOGB is currently working on creating some type of development bank or institution.

At present, both the GOGB and donors have a number of rural credit schemes, some more successful than others. A major problem with this effort is the lack of any one system or a national policy on the way such a program should function. The GOGB is also looking at the reinstatement of postal savings as a means of capturing the money that now resides in beds, grain storage areas, and other locations in the tabancas.

(c) Output marketing. The marketing system in Guinea-Bissau is complex and very much related to rice. The main factors which contribute to its complexity are: (a) a thriving barter economy, primarily in the countryside, whereby the preferred medium of exchange is rice rather than money, reflecting the mistrust of the peso as a purchasing medium; however, this is now changing as farmers are beginning accept money for both rice and cashews; (b) an incentive to export rice, especially to neighboring Senegal where the protected price of rice is higher than the market price in Guinea-Bissau, and also where the rice can be traded for CFA francs; and, (c) a government policy that permits (and perhaps favors) the importation of rice (mainly from Pakistan and Thailand) to meet the consumption needs of urban areas as well as to supply food-deficit areas in Guinea Bissau and to re-export to Senegal in return for hard currency.

Important policy issues arise from these marketing characteristics. For example, if imported rice were deliberately discouraged by the government, to what extent would this have the potentially beneficial effects of encouraging rice production and concomitant marketing in urban areas? Regarding other crops, how would the monetization of output marketing, through establishment of rural banking facilities, affect the barter mechanism currently in

effect? The World Bank is planning to examine these issues in coming months. A.I.D. will also be involved, through a new project to be proposed under this CPSP strategy (see section V).

As noted earlier, transportation, which is a serious constraint to the marketing of outputs, is being addressed by other donors.

(d) Processing. Given the country's small size and low per capita income, the opportunities for profitable investment in large-scale industry are limited. However, there seems to be considerable scope for increasing entrepreneurial activity in small-scale agricultural processing. Examples of potentially attractive investment opportunities include the processing of cashews, fish and oil palm as well as investments in additional rice mills. (There are currently 36 rice mills in the southern part of the country which tend to be supervised by women.)

(e) Transport subsidies. Both the public and private sectors provide transport services by road and water. But because the public sector subsidizes its truckers and coastal transport, it has been difficult for the private sector to compete. This constraint appears to be easing, thanks to increasing privatization of government-owned boats and encouragement of truck imports to the private sector.

(f) Storage. Small farmers in Guinea-Bissau have developed over the years a system for storing surplus grain that not only satisfies their need for seed stock for the next planting season, but also meets their food security needs in the event of a poor harvest. Although on-farm storage facilities and practices can no doubt be improved so that post-harvest losses are reduced (perhaps by strengthening the plant protection service formerly supported by OAR/Bissau), current on-farm storage practices do not constitute a key constraint to agricultural growth.

### 3. Lack of Basic Skills

A significant problem in the development of a thriving private sector, especially in the rural areas is the lack of basic skills. These include literacy, numeracy, basic accounting and management skills. This constraint is recognized by all: the GOGB and the donors. A number of projects are addressing this problem, but given its magnitude OAR/Bissau also will address it through its new PVO umbrella project (See Section V).

### D. Natural Resource Base

Guinea-Bissau is fortunate to have a large untapped natural resource base. Although the country's overall economic growth depends on exploiting these natural resources -- the soil and the water, and the forests and the fisheries -- it must be done so as to preserve the potential for agricultural growth in the future. No country can

afford to pursue an agricultural growth policy whose success depends on destroying the natural resource base. For example, increasing upland rice production to meet food consumption needs, or increasing timber exports to earn foreign exchange, should be encouraged only in the context of a reforestation policy. and such a policy does not now exist.

However, many donors are devoting increasing attention to conservation issues, with the GOGB's active encouragement. The International Union for the Conservation of Nature, Canada, A.I.D., and the World Bank have launched a variety of research and outreach activities in tropical forestry, toxic waste management, and study of national fauna. The outlook is good that agricultural growth goals can be achieved in harmony with conservation goals, and that the two sets of objectives will be mutually reinforcing over the long term. (See Annex 7)

### III. DONOR AND GOVERNMENT RESOURCES IN ADDRESSING DEVELOPMENT CONSTRAINTS

#### A. GOGB Development Plans and Priorities

The GOGB's 1989-92 development plan has been prepared and is currently being discussed within the GOGB, prior to formal approval by the Council of Ministers.

The plan puts heavy priority on the attainment of food security and self-sufficiency of rice production. This is defined by the Minister of Plan as the development of agricultural production to ensure sufficient availability of food grains in local markets and eventually for export and the necessary education, health and training activities to let the populace achieve this goal. This effort also encompasses priority attention to improved means of transportation and storage facilities.

Expenditures under the plan are projected at \$163 million of which \$137 million (84 percent) is expected to come from external sources and only \$26 million (16 percent) from domestic financing. One third of total expenditures or \$54 million is planned for agriculture, livestock, forestry and fisheries (of which \$42 million is for agriculture) with other major planned expenditures in the sectors of public works (\$29 million), education (\$15 million) energy (\$12 million) and population and health (\$11 million).

The projected annual expenditure levels for agriculture are inconsistent, scheduled to rise in 1989 to \$11 million from the 1988 level of \$7 million, increasing further to \$12 million in 1990 but then dropping off to \$10 million in 1991 and precipitously in 1992 to \$7 million. Total annual expenditures rise steadily from \$33 million in 1989, peaking at \$48 million in 1991 before dropping back to \$40 million in 1992. Since the plan was not officially available at the time of preparation of the CPSP, it was not possible to obtain an explanation of the apparently inconsistent levels of expenditure or to verify that the planned levels will still be followed. More recent discussions with the GOGB on its 1990 budget have indicated that GOGB expenditures will be severely limited and used only for necessary infrastructure investments. The plan is presented as a series of projects in each sector.

As noted in the first section, the GOGB is closely collaborating with the World Bank and the IMF under the structural adjustment program. The GOGB has renewed its commitment to liberalization of the economy through an agricultural-led growth strategy which enhances the private sector.

#### B Other Donor Programs

For a small country with the resources and absorptive capacity of Guinea-Bissau, the donor presence is very large. There is a plethora of projects, large and small, run by a large number of official donors and NGO's (there are 72 NGO's, including four Bissauan NGO's, which are overseen by the quasi-governmental unit

SOLIDAMI) in virtually every field of endeavour. Primary donors are the IBRD, IMF, the African Development Bank (ADB), EEC, UNDP, Sweden, the Netherlands, West Germany, France and Portugal.

The primary concentrations of other donor programs are structural adjustment/economic policy reform (IBRD, UNDP, and the ADB), agriculture (EEC, Sweden, France, FAO), education (IBRD, Portugal, Sweden, and UNESCO), health (UNICEF, WHO, Sweden, IBRD, and Italy), and the social effects of structural adjustment (IBRD, UNDP).

Donor coordination is receiving increased attention but has been spotty to date. There has been close coordination between OAR/Bissau and the World Bank concerning the structural adjustment program and related issues and activities. The OAR keeps in regular touch with most other major donors informally and keeps informed in general terms of their programs. Recent action by the donor community to have monthly coordination meetings is a promising avenue for more effective coordination. In addition, the recent elevation to ministerial status of International Cooperation, under the leadership of a very effective Minister, will increase effective GOGB management of donor resources.

The problem of the presence of large numbers of donors is exacerbated by the heavy reliance on individual projects and the tendency of the GOGB to think in terms of projects rather than activities fitting within a coherent interrelated sectoral framework. The magnitude and proliferation of activities, the need for GOGB funding of recurrent costs, and non-availability of personnel for project operations and for training condemns many activities to non-sustainability once donor support ends.

Few of the donors have addressed the sustainability question in a meaningful way. For example, the Swedes have concluded that the long (20-25 year) planning horizon of their activities will help contribute to eventual sustainability but they are not overly hopeful that even at the end of that long period, sustainability will be achieved. More immediate problems receiving donor attention are the failure of the GOGB to make pledged local currency contributions, low salaries and belated salary payments to Bissauan personnel.

A.I.D. projects have not been exempt from this pattern and the lessons learned are discussed in the next section.

There is frank acknowledgement by key GOGB ministers that the proclivity to accept any and all assistance offered by donors has been a costly mistake. The GOGB is concerned that the future development of the country be carried out in a more orderly, comprehensive way that will lead to a more effective utilization of the donors' and the government's own resources.

IV. A.I.D. EXPERIENCE IN ADDRESSING DEVELOPMENT CONSTRAINTS

A. Fast and Current A.I.D. Programs

U.S. development assistance to Guinea-Bissau dates from 1975, immediately following independence, and initially focused on agricultural development. After modest initial efforts, a Small Program strategy was adopted in January 1981 and called for increasing food production and the attainment of food self sufficiency. The strategy included forestry management, artisanal fisheries, and human resources development related to the above and to private sector development. From 1981-1989, a total of ten project assistance activities, mainly concerned with increasing rice production, crop protection and training were undertaken, of which five are active at present -- South Coast Agricultural Development, Technical Skills Training, Food Crop Protection, AMDP and PVO Vocational Skills (Africare).

In FY 1989 A.I.D. efforts were expanded through the Agriculture Sector Assistance Project (ASAP), which provided non-project assistance in support of the IMF/World Bank-led effort to achieve economic stabilization and restructuring. In addition, a second PVO

[REDACTED]

a real increase in income, purchasing power and availability of desired goods to purchase. One result of this situation, according to a 1984 A.I.D. evaluation of the now defunct Rice Production (Contuboel) project, was that five to 40 percent of the country's rice production was sold in black markets, mostly to adjacent Senegal and Guinea, with little benefit to the national economy.

Project implementation. A.I.D. did not properly appreciate the GOGB's lack of manpower, as well as its incapacity to support projects while still active or to provide recurrent cost support after completion. Given the plethora of donor projects and GOGB financial stringency, this is understandable; however, it was not factored into A.I.D.'s strategy or into individual projects. Other donors have run into the same problems and are having indifferent success in overcoming them.

Where A.I.D. projects provided for government provision of funds, fuel, housing and other support, this support was rarely forthcoming. No foreign exchange was available for spare parts for equipment. In several cases, project funds had to be used to overcome these shortfalls, and in another case, the Rice Production project in Contuboel took over responsibility for paying salaries of GOGB personnel for a time.

Technicians, mostly long-term, were difficult to recruit in timely fashion, were expensive and difficult to maintain, and found life in Guinea-Bissau hard. Long-term training was not always carefully programmed and did not adequately provide for language and skills deficiencies. In addition, a number of long-term trainees did not return to Guinea-Bissau. Such problems were extremely costly to the program.

Also at the implementation level, A.I.D. projects failed to take into account the roles of rural women, especially vis-a-vis production activities. While rice production invariably required labor by women, it was men who had primary access to project inputs. In the Rice Production project, it became evident that village production committees functioned like old boy networks: men had priority in the use of credit and materials such as animal traction and selected tools. Women, on the other hand, only had secondary access and were obliged to pay a user's fee, which raised their cost of production.

As is the case elsewhere in Africa, projects encountered considerable difficulty recruiting female extension agents with requisite education and willingness to live under rural conditions. In training programs, there was at least modest female participation (11 out of 56 long term trainees and 16 out of 129 short-term trainees since 1985 have been women). A.I.D.-trained women have assumed responsible positions in the national crop protection service and seed laboratory.

Management and monitoring. These have been long-time problems for OAR/Bissau. The 1987 audit faulted the OAR for ineffective management because it did not adequately measure project results, revise project implementation schedules, reassess project assumptions, monitor food assistance, document site visits, or follow A.I.D. administrative management guidance. The OAR also ran into major problems in providing logistic and other personal support for project technicians, especially those located outside Bissau. In addition, due to various misunderstandings, REDSO/WCA support to the OAR was not effective.

Working and living conditions in Guinea-Bissau were difficult in the extreme, and the Africa Bureau had difficulty in providing adequate staffing to the OAR. While very significant improvement in living conditions and staffing has taken place in the last two years, Guinea-Bissau is still a difficult place in which to work. Skilled local staff are very scarce and hard to recruit, and competition is acute among the many donors and the GOGB. Few support services (maintenance, repair, consulting firms) are available, office space is scarce and sub-standard, and equipment breakdowns more often than not require attention of outside technicians.

Staffing the OAR with U.S. direct hire personnel has been exceedingly difficult and time consuming and lengthy delays have been encountered in identifying and assigning candidates to fill vacancies. The 1987 decision of A.I.D., since reversed, to close the Mission in Bissau tended to aggravate these problems.

#### B. Lessons Learned and Recommendations

Despite a bleak picture some valuable lessons have been learned and are beginning to be applied.

1. Project objectives to raise production must take account of the economic policy environment. Without the correct production and income oriented framework, technical and capital inputs will not produce sustainable results. Projects and programs are now being designed with these realities in mind.
2. Activities should be selected and designed which require relatively fewer long-term program personnel in-country with greater emphasis on short-term, specific task-oriented technical assistance personnel requiring more standardized and simpler levels of support.
3. Contractor logistic and other program support should be provided independently from OAR support of direct hire Americans. See section VI for a description of how this could be done through a program-funded maintenance and support facility reporting to the OAR but operating autonomously.

4. A careful mix of long and short-term training to ensure optimum achievement of objectives while preserving exceedingly scarce program funds is essential. To spread impact of training, increased recourse should be made to in-country seminars, workshops and specialized short courses. Africare's training programs now underway already deal with this need. In addition, carefully selected participants for graduate-level training can have a substantial pay-off at the highest levels of government. The use of AFRAD and a buy-in to the new ATLAS project over the life of this strategy will address this issue.

5. Projects and programs should take greater account of the differing roles of men and women both on the farm and in society in general. Thus, it is important that gender specialists be included in project design and other program support activities and that policy dialogue activities attempt to factor in the role of women. Influential Bissauan women, both in and out of government, should be consulted and encouraged to participate in this dialogue. (See Annex 3, WID Action Plan.)

6. Future activities should stress the need for data collection and analysis, to promote better Bissauan and OAR understanding and monitoring of developments, as well as to measure achievements and impact of individual activities.

7. Adequate and timely staffing of OAR/Bissau must receive clear Washington priority to permit required involvement in design, monitoring and evaluation of planned activities as well as in critical policy dialogue.

## V. PROPOSED COUNTRY DEVELOPMENT ASSISTANCE STRATEGY

This proposed A.I.D. country strategy for Guinea-Bissau reflects the critical importance of agriculture as the engine of market-driven economic growth, and in turn the key role of the private sector in enhancing agricultural development. The strategy addresses certain of the constraints to private-sector-driven agricultural growth as outlined in Section II and derives from several key factors in the Guinea-Bissau political and economic environment:

-- GOGB commitment. The Government of Guinea-Bissau is committed not only to structural adjustment at the macroeconomic level, but to continuing sectoral reform, principally in agriculture, and to privatization of the productive sector. The strong economic growth over the past three years, achieved in part through reforms launched and implemented under SAC I and SAC II, attests to the GOGB's seriousness in this regard. President Vieira's New Year's Day speech January 1, 1990 reaffirmed this commitment: "The state must not strangle the socio-economic life of the country. Rather, the state must fulfill a role of encouraging and assisting all valid development initiatives and of providing means to the productive sectors to assist in overcoming remaining constraints."

-- USG impact. The U.S. Government's influence on policy dialogue and policy implementation in Guinea-Bissau is profound and far-reaching, in spite of us being a relatively small player in terms of total aid resources available. We are listened to in Guinea-Bissau. The American Ambassador and the A.I.D. Representative have developed unusually open and frequent access to key decisionmakers at the highest levels of government, and as a result their recommendations are sought out, respected, and more often than not translated into action. This has enabled OAR/Bissau to have as the cornerstone of the new Guinea-Bissau program a dialogue which will encourage the essential policy development and legal reforms necessary to solidify an environment conducive to sustained private sector development.

-- Other donor assistance. As was noted in section III, the donor presence in Guinea-Bissau is large and to date has been largely uncoordinated by either donors or the government. This has begun to change, with donors talking more frequently to each other and the government working to avoid unnecessary duplication of effort. In developing this CPSP strategy, OAR/Bissau has made a very serious attempt to address constraints not being dealt with by other donors. Where constraints are being addressed, OAR/Bissau is coordinating to avoid duplication and waste.

-- Manageable interest. Planned A.I.D. levels of approximately \$4-7 million a year over the FY 1991-95 CPSP period as well as a limited USDH staff dictate a tightly crafted program. For this reason, OAR/Bissau has chosen to focus on one sector only and to address only those constraints which it can successfully manage with its

limited resources. It has made clear to the GOGB and A.I.D./W that it will not be able to entertain activities outside this program and still achieve its objectives.

To ensure that program objectives can be achieved in this timeframe and with available staff, the OAR plans to concentrate resources on enhancing the role and efficiency of the private sector in the agricultural sector, with the lion's share of budgetted funds supporting policy development and legal reform. However, an equally important part of this private sector-oriented thrust is a limited initiative in rural areas to assist small and medium enterprise through U.S. private voluntary agencies. The strategy encompasses project and program activities started in FY 1989, as well as new programs and projects scheduled to come on stream in FY 1991 and beyond.

-- Lessons learned. A.I.D.'s experience in Guinea-Bissau also indicates that a new thrust is called for. A focus on non-project assistance is appropriate not only for reasons of manageable interest, but also because the previous projectized approach did not succeed for a multiplicity of reasons (See Section IV). Even though certain conditions causing former problems have changed, at this time A.I.D. should resist long-term, contractor-dependent projects requiring substantial oversight and inputs by OAR/Bissau staff. Instead, it should concentrate on activities which can be successfully managed by intermediary organizations and should use more short-term, specific task-oriented technical assistance personnel.

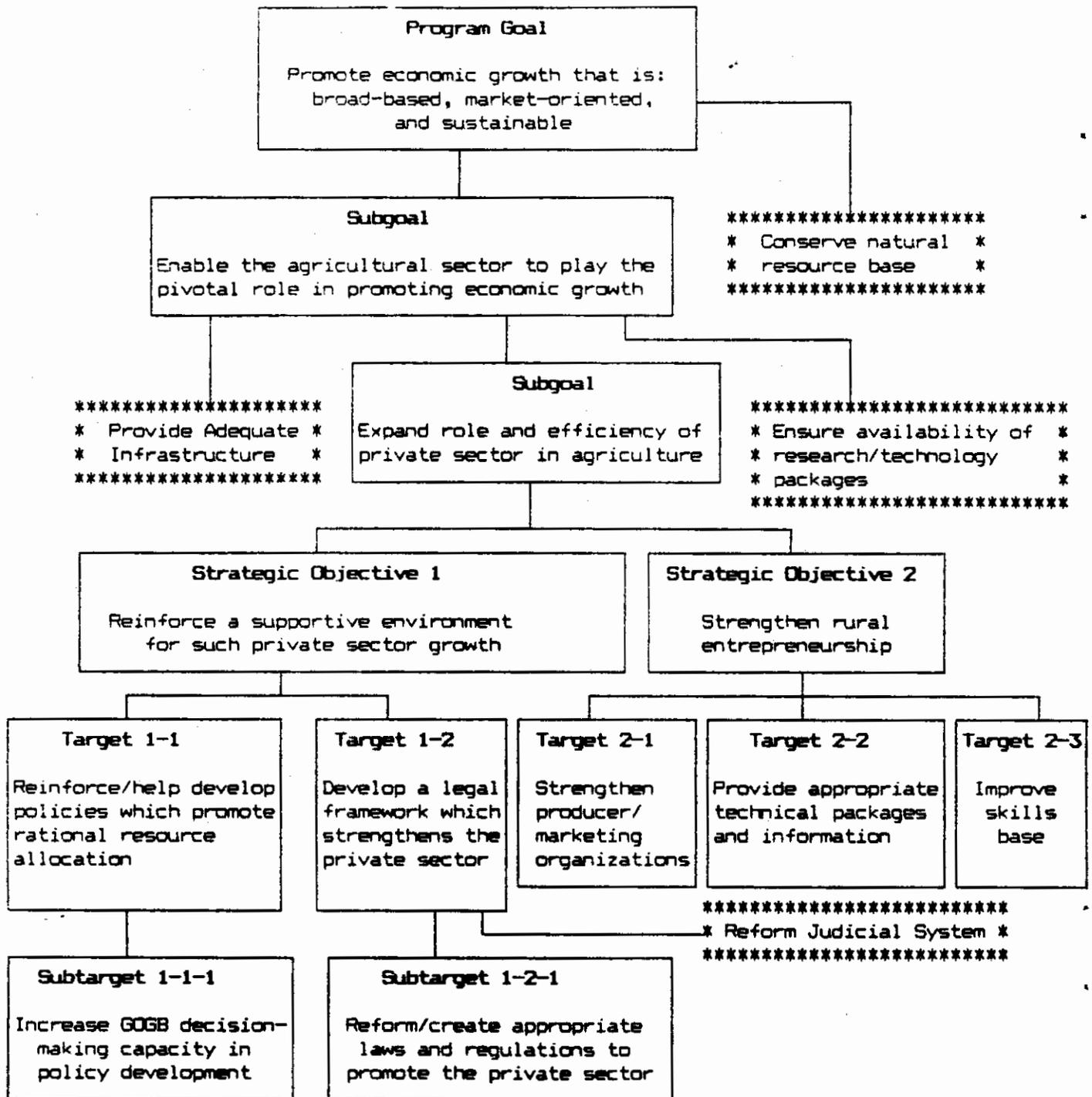
Benchmarks to measure progress in accomplishing strategic objectives, targets, and subtargets have been quantified only to a limited degree, given the staggering paucity of statistical data available in Guinea-Bissau. In fact, collection and analysis of better data is an integral aim of the OAR's policy reform agenda and will benefit the government, the OAR, and other donors. Nonetheless, benchmarks presented here attempt to reliably assess progress and are feasible in the Guinea-Bissau context.

The following sections lay out the OAR's program goal, subgoals, strategic objectives, targets, subtargets, and accompanying benchmarks. The objectives tree (see next page) also includes activities which lie outside the OAR's manageable interest but which are necessary and sufficient conditions to achieving the next action level up the tree; the narrative describes how these activities will be accounted for: either they have been largely accomplished or are being handled by other donors or the GOGB.

#### A. Program Goal and Subgoals

OAR/Bissau's program goal is to promote economic growth that is broad-based, market-oriented, and sustainable.

OAR/BISSAU: PROGRAM LOGFRAME



Note: Boxes in asterisks indicate external conditions/activities which are outside the manageable interest of OAR/Bissau.

It is perhaps coincidental that this goal is virtually identical to the overall goal of the DFA Action Plan. However, it is totally appropriate to the Guinea-Bissau context, where the general welfare of the population is dependent upon getting a once moribund economy moving in a controlled and sustained manner. The GOGB is now firmly committed to private sector-driven development and can already demonstrate solid progress in making good on economic stabilization and structural adjustment; however, it needs considerable assistance in ensuring that this progress continues and benefits as many of its people as possible.

Critical challenges remain, as shown earlier in the constraints section of this paper. For this desperately poor country, economic recovery is not around the corner, and will continue to be complicated by macroeconomic factors including massive debt, inflation, low rates of tax collection, expenditure overruns, and a currency which has yet to fully stabilize.

But trends are positive. Since 1987, production in key crops has risen significantly, per capita consumption has increased substantially, economic growth has been vigorous, and civil service reform is underway -- in part due to private sector oriented reforms under the structural adjustment program. While much remains to be done, the goal of broad-based, market-driven growth that can be sustained would appear to be attainable over the long term, assuming the government stays the course in structural and sectoral reform.

Subgoal: Enable the agricultural sector to play the pivotal role in promoting economic growth. For the time being and for the foreseeable future, the only viable means of stimulating growth in Guinea-Bissau will be through the agricultural sector. (For purposes of this document the agricultural sector includes all activities from production through processing and marketing, as well as supporting agro-business and agro-industries.) Agriculture is key for a number of reasons, including:

-- The resource base of the economy is agricultural. Agriculture accounts for approximately 60 percent of GDP, 83 percent of official merchandise exports (cashews, groundnuts, and palm kernels), and between 80-90 percent of employment. As explained above, the production, marketing and utilization of rice constitute the foundation of the agriculture sector and fulfills a multitude of functions in Bissauan life and culture. However, there is considerable potential for crop diversification, fishing, forestry and some livestock activities to expand and sustain this resource base.

-- Efforts at industrialization have failed abysmally. During the post-independence period, numerous industrial/manufacturing enterprises -- dairy production, beermaking, textile manufacturing, agricultural processing -- were launched and were largely

unsuccessful. It seems clear that for Guinea-Bissau, as has been the case elsewhere in most of the Third World, a solid agricultural base must precede development of an industrial sector.

Thus it is appropriate for A.I.D. to contribute to strengthening agriculture as the engine of economic growth in Guinea-Bissau. Our efforts cannot succeed in isolation and will continue to be closely coordinated with other donor activities, principally those of the World Bank.

Conservation of the natural resource base is a companion subgoal which OAR/Bissau sees as critical to promoting increased economic growth. Guinea-Bissau has enjoyed a considerable amount of outside investment in conservation efforts, which are now being coordinated in country by the International Union for the Conservation of Nature (IUCN). A variety of donors have been active: the IUCN in coastal land preservation, the Canadians in conducting a national fauna survey, and A.I.D. in financing a study tour on toxic waste management, wildlife research in the south, and a feasibility study for establishment of a government conservation unit in forestry and fauna. The World Bank will soon organize a Tropical Forestry Action Plan, which is expected to take up to two years to complete and get underway. It has been proposed that A.I.D. provide a member on this team. With this multiplicity of completed and planned activities, plus the new coordination role recently assumed by the IUCN, OAR/Bissau is confident that this subgoal is being adequately addressed and managed by other donors and that it need not be a central focus of a new strategy.

Subgoal: Expand the role and efficiency of the private sector in agriculture. Just as increased and sustainable economic growth depends on an improved agricultural base, expanding the role and efficiency of the private sector is key to stimulating further agricultural development.

Guinea-Bissau's budding private sector continues to gather vitality, now that structural and sectoral reforms have started to take hold. Small farmers produce rice, sorghum, millet, cassava, and truck garden vegetables -- largely for domestic consumption; they also grow cashews and palm oil for export. In part with expatriate assistance, small farmer producer and marketing associations have sprung up in the rural areas. The larger commercial farmers (ponteiros), who grow rice and export crops (fruits, palm kernels and cashews), have also begun to organize. Entrepreneurs are opening agribusinesses to produce small machetes and other farm implements, work as blacksmiths, and operate rice mills. With the liberalization of trade under SAC I and II, private rice trading organizations have begun to import and export other agricultural commodities and are developing marketing networks that are national in scope. In some areas, smaller traders, mainly women, regularly

travel long distances to trade rice and handicrafts for tobacco and other products.

However, as noted earlier, many factors impede improved efficiency of the private agricultural sector in Guinea-Bissau: government policies inhibiting market-driven choices of crops produced; lack of a legal framework supportive of private sector interests; a proper court system to enforce laws and regulations; and a panoply of problems besetting small producers in rural areas (low literacy, low skills base, inadequate access to agricultural services and technology). Despite important progress in reducing government intervention in the production and marketing system, continued reduction of government's interventionist role -- and a correspondingly enhanced role for the private sector -- would accelerate overall agricultural development. Intensive policy dialogue and implementation will be critical to this process.

OAR/Bissau will address these constraints by intervening selectively to foster a more supportive environment for private sector growth and to promote entrepreneurship in rural areas. The strategy will generate people-level impact in the form of increased income for farmers and other agriculturally related businesses and associations. Increased farmer income will be a direct result of policy initiatives to enhance the availability of a competitive market which pays farmers a profitable price for their production. A competitive market will also create more job opportunities in small agribusinesses and farmer cooperatives, which will especially benefit rural women. On the rural entrepreneurship side of the strategy, people-level impacts are particularly evident: increased incomes (and/or wages), new jobs, and a higher skills base.

Two other subgoals -- both outside the scope of this strategy -- are necessary conditions for the agricultural sector to play a pivotal role in enhanced economic growth in Guinea-Bissau. First is ensuring the existence of an adequate physical infrastructure. As described in section II on Constraints, rural roads and waterways are in extreme disrepair, which seriously impedes procurement of agricultural inputs and marketing of farm production.

OAR/Bissau is not in a position to contribute resources to infrastructure development. However, it believes that other donors are adequately addressing the key road improvement needs in particular and that increased privatization of coastal transport is a promising phenomenon.

The other sub-goal is to ensure that technological packages are developed and made available to the agricultural sector. Again as noted in the constraints section, other donors are addressing this problem, both from the research and the extension side. However, OAR/Bissau will be partially addressing this constraint as it works to strengthen rural entrepreneurship (see below).

B. Strategic Objectives, Targets and Subtargets

OAR/Bissau considers that the following two strategic objectives, are necessary and sufficient conditions to achieving the strategy's primary subgoal of expanding the role and efficiency of the private sector:

- Reinforce a supportive environment for private sector growth.
- Strengthen rural entrepreneurship.

Strategic Objective 1: Reinforce a supportive environment for private sector growth.

Under structural adjustment, the GOGB has undertaken key reforms to support private efforts in agricultural production and marketing: liberalization of producer prices for rice and other main crops; removal of price subsidies on rice for civil servants; liberalization of the marketing system; and reduction in the cashew export tax.

These are strong measures and represent an excellent beginning. But the process has reached a critical juncture, and the challenge now is to continue diminution of government control over production choice and marketing decisions -- and to do so in an environment which continues to encourage the private sector to formalize its efforts.

Examples of overly controlling interventions are numerous. Food importers are forced by the government to deposit sales proceeds in the central bank, where the money is unavailable for weeks on end -- making reinvestment on a timely basis impossible. The GOGB continues to limit the number of licenses issued for establishment of bakeries; this precludes competition, contributes to price collusion, keeps prices higher, and lessens product quality. A rice "export tax" in the South tends to inhibit marketing efforts there. But most important is the GOGB's avowed strategy of food self-sufficiency. Currently not based on a well articulated and statistically analyzed cereals policy, this strategy is placing the majority of GOGB and donor resources available for agriculture into rice production. This forces a private sector response that may or may not be to the country's economic advantage.

The underlying legal system which should also support private sector growth is both out of date and non-functioning. Thus the certainty needed by the private sector to formalize is not present.

In essence, the "politique" of private sector development is in place, but its implementation lags behind. To some extent this is the product of a continued debate within the government as to the limits of the new role the government should be playing. To a

certain extent, it is simply due to the enormity of the task at hand. The large number of actions which must be undertaken at the same time and the limited capacity of the government to carry them out make implementation slow and uneven. But through determined advocacy of judicious policy development and legal reforms, A.I.D., in concert with other donors, can help make the environment more hospitable to continued private sector development, which in turn will fuel agricultural growth. OAR/Bissau believes that this strategic objective is achievable because of the solid policy base now in place, the commitment to reform of the highest-level GOGB officials, and the persuasive influence of the U.S. government on Bissauan policymakers.

Benchmarks of progress towards meeting this strategic objective are:

- Increased private sector economic growth as measured by its portion of GDP.
- Increased private sector investment.
- Reduced barriers or restrictions to market entry and/or continuing operation of existing firms.

Target 1-1: Reinforce and help develop policies which promote rational resource allocation. Perhaps the single largest constraint to development of a dynamic and prosperous private agricultural sector in Guinea-Bissau is lack of a long-term cereals policy. A cereals policy can be defined as the set of government decisions, actions, and interventions that influence:

- public investments affecting agricultural revenues and costs;
- the allocation of research funds to improve farming and processing technologies which influence prices and profits; and
- the level and stability of output and input prices.

Depending upon the cereals policy chosen, one can articulate three implementation strategies that could apply to Guinea-Bissau:

- Trade dependency, whereby a country finds itself to a greater or lesser extent dependent on other countries for basic food commodities. This was Guinea-Bissau's situation during the pre-independence era.
- Self-sufficiency, characterized by a strategy designed to meet all food needs from domestic production and to discourage imports. Countries that are preoccupied with food security concerns will often adopt a self-sufficiency food policy, to isolate themselves from the vagaries of world food prices.
- Self-reliance, which encourages production according to

market-driven forces, leading to the most advantageous combination of national production and imports and/or exports. A policy of self-reliance frees a government from the responsibility of making production decisions for the nation, on the assumption that the market can do a better job.

Rice production levels over the years indicate that Guinea-Bissau could easily become self-sufficient in rice, under the proper conditions, and could even produce a surplus for export. Not surprisingly, a self-sufficiency strategy has many advocates within the GOGB.

A strategy of self-reliance, on the other hand, would question the advisability of producing all the rice needed for consumption, as opposed to continuing to import rice on a limited basis over the medium-term. It would encourage production according to market-driven forces.

A food self-reliance strategy would profoundly affect allocation of private sector resources, including decisions on how much rice to produce vs. cashews and other crops. Rural producers would have choices: should they grow more rice? Should they switch into cashews or vegetables? Should they grow for export? Should they expand from production into trading or processing? A cashew farmer might decide to devote a portion of his investment resources to cashew processing, rather than limit himself to pure production. A rice farmer or women's farmer association could elect to finance a small rice mill, as both an income-generating enterprise and to save women's time and labor given to rice-pounding.

A well-crafted cereals policy and implementation strategy would also guide intelligent allocation of public sector resources. For example, the Ministry of Rural Development and Agriculture currently spends most of its research and extension budget on rice-oriented programs. Under a strategy of self-reliance, a greater percentage of the budget could be allocated to technological research to increase production of other crops. On the extension side, the Ministry could help farmers maximize the productivity of their cashew groves, given that farmers seem intent on growing cashew, in the liberalized climate now in place.

At present, the government does not have either the data or the analytical capability to develop such a policy and subsequent strategy. However, it is convinced of the need to give its full attention to the formulation of food and other agriculture-related policies on the basis of relevant information and appropriate analysis. With some key decisionmakers already firmly on board, the process is underway. Needed now are more studies and short-term technical assistance to help clarify the government's thinking, set priorities, and formulate policies which will promote rather than hinder the private sector's continued development.

With resources available under OAR/Bissau's new strategy, A.I.D. can take a lead role in assisting this process in a major way, and can also be instrumental in helping the government put policy decisions into action. The Agriculture Sector Assistance II Program (ASAP II), the follow-on to ASAP I and scheduled as a new start in FY 1992, will provide additional non-project assistance resources in support of agriculture sector reforms to benefit private sector production. A companion activity, the Support to Agricultural Policy Development and Implementation (SAPDI) Project, to come on stream in FY 1991, will supply technical assistance, training, and studies to assist the GOGB in formulating and putting into action appropriate policies and legal reforms, including those to be designed under ASAP II.

Benchmarks to gauge progress in meeting this target are:

- A cereals policy is adopted and implemented by a well articulated strategy. (1995)
- Aggregate rice production is responsive to market signals. (1992)
- Crop diversification takes place in response to market opportunities. (1993)

Subtarget 1-1-1: Increase GOGB decisionmaking capacity in policy development. An essential component of a well-functioning policymaking process is the capacity within the GOGB to collect and analyze data and to present it in such a way that policymakers can take intelligent and informed decisions.

This is not now happening. One key reason is that basic data on agricultural production and consumption patterns in Guinea-Bissau is almost totally lacking. At a recent OAR/Bissau-sponsored seminar which brought together specialists in agriculture, no one present could even hazard a guess at what it costs to produce a ton of rice in Guinea-Bissau! Estimates of annual per capita rice consumption vary from 96 to 180 kilos. Such a statistical vacuum virtually precludes rational decisionmaking.

To date donors have taken a scattershot approach to dealing with the situation. UNDP has provided technical assistance to the statistical division within the Secretary of State for Plan, while FAO, EEC, and IBRD at various intervals have assisted the Ministry of Rural Development and Agriculture. Despite these efforts, few results are visible.

Under the proposed program, A.I.D. will finance short-term technical assistance to carry out carefully targetted surveys and studies needed to build the foundation for a statistical data base. Consultants will also help develop the capacity to analyze data and frame action recommendations for higher-level decisionmakers. Through training of Bissauans -- in the U.S., in third countries,

and where appropriate through seminars and workshops in Guinea-Bissau itself -- data collection and analysis is to be improved and a system put in place for decisionmaking, with the benefit of knowledge instead of guesswork. The impact on resulting policies is likely to be significant.

Benchmarks for measuring progress towards achieving this subtarget are:

-- Data collection and analysis systematized and institutionalized. (1995)

-- Decisionmaking reflects available information and analysis. (1993)

Target 1-2: Develop a legal framework which strengthens the private sector. "All the evidence suggests that the legal system may be the main explanation for the difference in development that exists between the industrialized countries and those, like our own, which are not industrialized. It sometimes seems as if experts in developed countries automatically assume that their legal institutions exist in every country. This is not the case, however. The debate about development will therefore have to be reformulated to take the importance of legal systems into account. We cannot continue to close our eyes to the fact that not all of a society's decisions are determined by its cultural characteristics or economic systems. . . .

"The law, then, allows citizens to specialize because it enforces property rights, promotes reliable contracts which enable these rights to be organized and transferred, and attributes liability when it is not established by a contract. These three elements are essential if a society is to make use of its citizens' initiatives and labor and of its material resources. The main idea underlying this viewpoint is that, if the state provides good laws, it makes specialization and exchanges far easier, enabling human and material resources to be used in the best possible way. An appropriate system of property rights, contracts, and extra contractual liability can spontaneously generate the efficient use of resources without a bureaucracy to decide or authorize how the resources must be used. Citizens dependent on this system will have sufficient incentives to produce, through a multiplicity of efforts and private transactions, an economic system which is exceptionally sensitive to the opportunities for development. . . ." (DeSoto, H.: The Other Path, pp. 183-86)

Such a useable and responsive legal and regulatory system does not currently exist in Guinea-Bissau. Instead private sector relations are governed by an antiquated set of laws dating back to 1900, conceived by the Portuguese and based on the Napoleonic code. Supplementing these laws are "statist" laws dating from independence.

As discussed in the constraints section of this paper, the lack of a proper legal framework seriously limits the domestic private sector

in expanding existing enterprises and in striking out in new directions. Without user-friendly business, commercial, tax, licensing, and banking codes, private entrepreneurs face tremendous risks associated with new endeavors, with the result that many elect not to enter the fray or, if they do, to remain outside the formal sector. They then operate without protection of a formal legalized environment, with few if any means of redress, if things go wrong. Apart from the domestic side, a functioning modern legal system is key to attracting productive foreign investment, which will considerably enhance Guinea-Bissau's prospects for sustained economic growth.

Thus, OAR/Bissau considers that development of a formal legal framework which will promote private sector interests is a critical requirement for an environment supportive of private sector growth. It is not within the OAR's manageable interest to take full responsibility for ultimate establishment of such a legal system (see earlier discussions of other donor activities in this area). But OAR can serve as an important catalyst to accelerate a process which is already underway. It can also play a major role in coordinating new donor efforts to help create a process that is orderly, comprehensive, and widely understood and supported.

The government is as firmly pledged to legal reform as it is to policy reform, as affirmed by President Vieira in his New Year's Day speech: "A critical need exists for an efficient judicial system staffed with qualified professionals, dynamic lawyers, and judges untainted by corruption." This commitment was further backed up by the former Minister of Justice's letter of February 8th to the A.I.D. Representative, which said in part: "We seek A.I.D.'s assistance in areas needing legal reform, including penal and civil codes, as well as a commercial code."

Thanks in part to ongoing efforts of the OAR, the GOGB has agreed to assign to the Ministry of Justice responsibility for coordinating the legal reform process, using an advisory committee of Bissauan lawyers to initiate the process.

Existence of a legal framework encompassing workable laws and regulations, a functional government bureaucracy and a reformed court system is an indispensable factor in promoting increased private sector activity. Establishment of new businesses should accelerate. Longer-range people-level benefits would include increased income to small and medium-sized entrepreneurs and increased employment opportunities within businesses.

Benchmarks to monitor achievement of this target are:

- Increase in registration of businesses. (1993/95)
- Increase in issuance of licenses. (1993/95)
- Contracts respected and enforced. (1995)

Subtarget 1-2-1: Reform and create appropriate laws and regulations to promote the private sector. Drafting, promulgating, and enforcing "good" laws and regulations is basic to a legal system which promotes efficient private sector growth. In Guinea-Bissau most of the laws directly affecting the private sector need to be changed or they don't exist. Foremost among these are the commercial code, business code, investment code and various tax codes. However, any reformulation of these laws must be done in a systematic and organized fashion that takes into account active private sector participation. Thus, the GOGB must first establish a rational process for legal reform. Currently, various initiatives to draft and put into effect such laws and regulations are taking place in a haphazard manner throughout the government with little or no coordination and little or no participation by lawyers. OAR is presently discussing with the GOGB changes in this process which would encompass the following:

- A centralized location for all legal reform;
- An inventory of all currently operating laws and regulations;
- A list of those laws directly affecting the private sector which need to be revised or adopted;
- Prioritization of such laws;
- Development of an action plan to systematically and coherently draft new laws and their accompanying regulations;
- Selective reform of such laws;
- Establishment of a dialogue with those most affected by such laws to ensure compliance where they are enacted; and,
- Publication of such laws and regulations so they are readily available to the private sector.

OAR/Bissau does not expect that all laws affecting the private sector will be changed within the timeframe of the CPSP. However, it does expect that two things will happen: a process for legal reform will be institutionalized; and the two or three most critical legal reforms will take place.

A.I.D. will assist in this endeavor through short-term technical assistance, training and limited commodity procurement to be supplied through the new SAPDI project. U.S., Portuguese and Brazilian legal experts and other technical specialists will work with the Ministry of Justice to conceptualize and draft the selected laws and accompanying regulations.

Benchmarks to measure progress towards meeting this subtarget are;

- Law reform process institutionalized. (1993)
- Selected laws and regulations operating effectively. (1995)

A related subtarget is the need for reform of the judicial system itself. A number of other donors are working concertedly with the

GOGB in studying ways of improving the court system, training more lawyers and judges and ensuring that related systems become functional. Given that this effort is well in hand, OAR/Bissau does not plan to deal with judicial reform during the CPSP time period.

Strategic Objective 2: Strengthen rural entrepreneurship

Organization and efficient management of more small and medium-sized enterprises in the rural areas of Guinea-Bissau is critical to achieving OAR/Bissau's strategy goal of an expanded and efficiently operating agriculture-based private sector.

This strategic objective and companion targets complement and reinforce the policy and legal reform targets in OAR/Bissau's new strategy. Rural entrepreneurs will be the ultimate beneficiaries of an improved environment for market-oriented production. A recovering private sector will help raise production and income, while contributing more to the formal economy. This in turn should help the government to perceive the economic benefits of increased productive activity in the rural areas and reinforce its determination to stay the course in policy reform.

The OAR plans to assist rural entrepreneurs through interventions carried out by U.S. private and voluntary organizations (PVO's), in collaboration with the Peace Corps. This focus is appropriate for a number of reasons:

-- Rural entrepreneurs are key change agents of private sector growth. Without enhancing their access to improved technologies, agricultural services, management techniques, and productive skills, sectoral policy reforms may never yield tangible results.

-- Women are expected to be primary beneficiaries of this focus. As is the case elsewhere in Africa, women play key roles in the production and marketing sector as farmers, traders, and processors of food products (e.g., rice-pounding and fish-drying). They stand to gain directly from activities to improve their technical skills, offer basic management and bookkeeping techniques, and save time and labor expended on burdensome household tasks, such as rice hulling. Equally important, women's role as more direct and efficient contributors to the economic growth process will be enhanced. They are a critical resource which Guinea-Bissau can ill afford to waste.

-- PVO's are respected implementors of grass-roots activities; they bring the skills, attitudes, and commitment necessary to effective interaction with village people. At the same time, many U.S. PVO's have acquired impressive experience in dealing with rural organizations, and A.I.D. can draw upon their expertise in spurring formation of producer and marketing associations, designing income-generating credit schemes, and setting up basic accounting systems.

-- Peace Corps has also been asked by the GOGB to work with SME's. Therefore, collaboration is a natural and will be beneficial to both Peace Corps and the PVO's. Where Peace Corps activities are judged by OAR/Bissau and the Peace Corps Director/Bissau to be consonant with Strategic Objective 2, OAR will support selected Peace Corps projects.

-- The GOGB is seeking increased U.S. PVO support of rural organizations. Besides Africare, the only other American PVO active in Guinea-Bissau is the American Friends Service Committee. A.I.D. is in a position to directly promote expansion of American PVO involvement.

The OAR's current portfolio already includes a vibrant new Africare activity to provide vocational training to rural entrepreneurs in the South, and a second A.I.D.-funded Africare activity to assist rural associations in the same geographic area will get underway later this fiscal year. The OAR plans to expand on this promising beginning by initiating a PVO umbrella scheme in FY 1992. This will be the primary vehicle for implementing the entrepreneurship strategic objective. The umbrella project will be nation-wide in scope -- i.e., not limited to any particular geographic area -- and selection of subprojects will be carefully planned with SOLIDAMI, the quasi-governmental organization which coordinates PVO activities in Guinea-Bissau.

Sustainability, replicability and longer-term impact will be paramount concerns in the design of this project, with the Africare experience expected to yield valuable insights and guidance regarding these issues. We envision no more than two additional PVO activities on the ground. "People-level impact" will be directly measurable and verifiable, as the selected PVO projects will work to increase incomes, wages, and jobs.

Benchmarks of progress towards accomplishing this strategic objective are:

-- X number of new small and medium-sized enterprises (SME's) established by 1995.

-- X number of new jobs created in SME subsector.

-- SME-produced goods and services increased (from X% to Y% of GDP).

-- Increased rural wages.

-- Increased rural per capita GDP.

-- Incomes increased of participating organizations.

-- New markets for SME products.

-- Number of women participating in and managing SME's increased.

Target 2-1: Strengthen producer and marketing organizations.

The process of organizational development has begun to take hold in rural Guinea-Bissau. There are a multiplicity of foreign donors assisting local groups and cooperatives, and in some areas, the GOGB is providing direct assistance to farmer associations (e.g., in Tombali, where the Africare projects are located).

Still, there is much to be done, with regard to increasing the number of SME's, their efficiency and productivity, and the number of rural inhabitants participating in SME's. The process is still in an early stage, featuring loosely organized village-based associations and cooperatives which carry out a variety of activities, including community-owned rice mills, palm-oil processing, market gardening, and fish-drying. Women almost exclusively perform such off-farm employment ventures and are especially active in rice milling and palm-oil processing cooperatives.

To meet these needs OAR/Bissau's PVO activity will work to establish new groups and improve the functioning of existing groups. PVO specialists will train workers in management techniques, basic bookkeeping methods, and inventory control.

Benchmarks indicating achievement of this target are:

- More functional agriculture-based associations organized and operating.
- Assets of rural associations increased.
- Increased participation by farmers in agriculture-based organizations.
- Improved management.

Target 2-2: Provide appropriate technical packages and information. Rural groups have an ever-present need to acquire new technologies and information, be they processing innovations like rice mills or quality control systems for medium-sized enterprises .

Through PVO activities, A.I.D. will help meet this need. The level and type of assistance will depend on the particular needs of the community. For example, in the Tombali region extraction of palm oil under various technologies is possible. In some cases village women's committees manage the operation of nut-cracking machines for palm-oil pressing. While these combustion-powered machines require significant capital investment and some specialized skills for operation and maintenance, they are nonetheless on a manageable scale for village-level cooperation. PVO's would be able to assist committees in obtaining credit from private or public sources to purchase the machines, and could sponsor training in use of the machines.

A palm oil press, however, is a much simpler technology, in terms of size, cost, and ease of operation. A small producer group of four to eight women, or even a woman alone, can operate one press. Thus, possibilities for disseminating this technology are far greater than for the more expensive and complex nut-cracking machine and could also be addressed by PVO's. Many other such technologies exist and could be identified by selected PVOs working with local communities. Other PVO activities would help SME's assess marketing opportunities which may enhance their productivity. For example, could rural women producing tomatoes find a profitable market for processed tomatoes (i.e., tomato paste)?

Benchmarks measuring achievement of this target are:

- X number of SME's receive and use appropriate management information systems.
- X number of SME's develop and sell new and/or improved products and services.
- SME's utilizing timely marketing information.

Target 2-3: Improve skills base. Effective skills training will be vital to increasing the operating capacities of SME's. Skills training will embrace not only instruction in use of particular technical packages and innovations, but also basic literacy and numeracy training. U.S. PVO's participating in the project will be chosen with an eye to their experience in imparting these techniques in a village environment.

Management and bookkeeping training also will be offered to groups which have reached a level of development where inadequate administrative skills are impeding greater productivity. This could be done at the individual group level or by bringing together a number of groups for seminars. Since women are expected to be the majority of participants, every effort will be made to accommodate their on-farm and at-home time requirements.

OAR/Bissau is mindful that training in and of itself is not an indicator of improved productivity or increased output. Africa is littered with projects that have "trained" people, with little or no tangible results in terms of ability and opportunities to transfer new skills acquired to an on-the-job environment. Participants must be carefully tracked following completion of training, to ensure that they are comfortable with newly learned skills and are successfully applying these to SME activities.

Benchmarks to monitor attainment of this target are:

- Literacy, numeracy skills provided and in use by SME's.
- Technically trained people functioning in and managing SME's.
- Improved management.

## VI. PLANS FOR IMPLEMENTATION

### A. Implementation Plan

Implementation of the CPSP strategy is based upon the following concepts and assumptions:

-- As stated in the 1991 ABS, the OYB for Guinea-Bissau will be \$4 million in FY 1991, \$5 million in FY 1992, then straightlined at \$7 million for fiscal years 1993-1995. All funding will be from the DFA.

-- The program is, and should remain, tightly focussed. Attempts to include activities outside the program will be seriously resisted.

-- Maximum flexibility is needed in the implementation of the strategy, due in part to the lack of data currently available to decisionmakers and donors alike. This can be accomplished through careful monitoring and annual action plans.

-- A variety of tools will be used to implement the program. They will be used as and where needed. Their timing will be decided by specific action plans, revised yearly with the government.

-- The monitoring of impact (especially data collection) must be specifically built into every activity.

-- Management of each activity (and funding therefore) must be built into that activity.

Taking into account the above assumptions, the following discussion of the implementation plan is divided into two sections: Program Implementation and Policy Dialogue.

#### 1. Program Implementation

##### New Programs/Projects

This strategy will be principally implemented by three new initiatives: a non-project assistance program; a companion support project; and a PVO umbrella activity. As shown on the accompanying table, these initiatives will be phased in gradually, starting with the support project in early 1991, the NPA program in early 1992 and the PVO activity in mid-1992.

The NPA program (ASAP II) and its companion support project (SAPDI) will focus on the carrying out of Strategic Objective 1, "Reinforce a supportive environment for private sector growth". As discussed below, ASAP II will set specific targets, to be met by the government, which will specifically remove bottlenecks to private

PROPOSED BUDGET, 1991-1995

Program/Project	1991	1992	1993	1994	1995	TOTAL
SAPDI	\$1,000,000	\$1,125,000	\$1,350,000	\$1,350,000	\$1,250,000	\$6,075,000
HEAF II		\$3,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$15,000,000
PVO Umbrella		\$500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$5,000,000
PD&S	\$200,000	\$100,000	\$100,000	\$100,000	\$200,000	\$700,000
Peace Corps	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
PL 480 (Africare)		\$225,000				\$225,000
ASAF I	\$1,500,000					\$1,500,000
ASAM	\$200,000					\$200,000
PVO Vocational Skills (Africare)	\$1,050,000					\$1,050,000
TOTAL	\$4,000,000	\$5,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$30,000,000

sector growth in Guinea-Bissau. The SAPDI project will provide the following necessary tools to enable the government to meet these targets and to monitor the effects of meeting the targets:.

(a) Technical assistance. Well-targetted technical assistance will be provided on a short-term basis. While this may partially be provided by institutions (such as a continuation of the current relationship with the Food and Grain Institute of Kansas State University), flexibility will be the key to enable OAR/Bissau to use the best resources needed for the particular task at hand. One long-term PSC contractor will be hired to manage the SAPDI project.

(b) Training. Both long and short-term training will be used. The mechanism for provision of long-term training will be a buy-in for graduate-level training (mainly masters) for up to five Bissauans a year. Short-term training will focus as much as possible on country training activities, but will also take advantage of short-term courses offered by the Bureau of Census, KSU, and various other organizations in the U.S. and third countries.

(c) Studies and surveys. As noted above, there is a dearth of data in Guinea-Bissau. OAR/Bissau plans to participate in a series of well-coordinated studies and surveys which will relieve this constraint.

(d) Equipment. Limited equipment will be purchased where needed to enhance technical assistance activities.

The PVO umbrella project will focus on the implementation of Strategic Objective 2, "Strengthen rural entrepreneurship." Building upon the current activities of Africare, OAR/Bissau will work with SOLIDAMI to encourage up to two other U.S. PVO's to develop activities in Guinea-Bissau. These activities will be aimed at the development of SME's in specified rural areas of Guinea-Bissau. Special emphasis will be placed upon providing women with means of having independently controlled income. Collaboration with the Peace Corps will be an integral part of this effort.

#### Ongoing programs/projects

Certain current programs/projects will continue into the planned strategy period and form a natural part of the strategy. ASAP I and its companion Agricultural Sector Assistance Monitoring Project (ASAM) provide the basis for a longer-term policy dialogue with the government. Because of ASAP, OAR/Bissau has gained a seat at the policy table and been able to initiate studies on the rice and cashew marketing systems which will serve as the basis of subtarget 1-1 initiatives. The ASAM project provides the first concrete OAR/Bissau effort directly working with the government to collect and analyze data. Based on the experience gained from both activities, OAR/Bissau will develop the follow-on ASAP II program and monitoring efforts.

The two programs underway with Africare fit directly into the strategy:

-- Under the PVO Vocational Skills Project, Africare is working with the government to reorganize two vocational schools in the southern region of Guinea-Bissau. This reorganization is specifically designed to train Bissauans who will be starting their own businesses in rural areas.

-- Under the PL 480 project, Africare will be working directly with up to 25 associations in the southern region of Guinea-Bissau, helping them develop their skills and providing them with appropriate technical packages as necessary. If successful, these efforts could be replicated in other parts of the country.

Finally, the South Coast Agricultural Development Project will be redesigned to utilize the remaining funds in support of this strategy.

From this description, it should be clear that there are many things OAR/Bissau will not be doing over the five years of this strategy:

-- It will not be working in other sectors;

-- It will not be funding or participating in agricultural activities not related to the strategy;

-- It will not be doing general unfocussed training which has no relation to the strategy; and

-- It will not be responding to a variety of agency initiatives, which, while important, would detract from the effectiveness of this program.

## 2. Policy Dialogue

A large part of this strategy is built upon a continuing dialogue with the government as it continues to liberalize its economic policies. This dialogue was begun under ASAP, largely in conjunction with the IMF and the World Bank. The policy reforms chosen were two already espoused by the World Bank: elimination of rice subsidies for civil servants; and gradual reduction of the export tax on cashews.

Based upon this experience, what has already been learned from the Rice Marketing Study, and what will be learned from studies and continuous dialogue over the next year, OAR/Bissau will be identifying specific actions to be taken by the government both to enhance private sector development and reduce barriers to such development. This is a unique opportunity in that this government

never adopted many of the policies or actions currently being reformed in other countries. Therefore, in its policy dialogue, OAR/Bissau will often be addressing new initiatives, rather than the reform of old initiatives .

For example, it is agreed by all that Guinea-Bissau does not have a cereals policy. As discussed above, it has a stated strategy of food self-sufficiency, but this is not clearly articulated or based upon either current data or analysis of that data. Moreover, this strategy is in contradiction to the GOGB's current market-oriented liberalization policy. OAR/Bissau's role will be to help the government gather and analyze current data to develop a rational cereals policy which will lead to an articulated strategy based upon more than someone's felt need. Within this context, OAR/Bissau will be setting out achievable targets under its NPA program.

#### B. Monitoring and Evaluation

As mentioned earlier in this paper, the availability of data on which the government or donors can base decisions is abysmal. The result is that important decisions are being made by "the seat of the pants," selected anecdotal histories, or oft-repeated and therefore "true" statistics. A second and equally serious problem is that there is almost no effort to analyze what data is available. At most the data is tabulated and presented with little explanation or in-depth analysis. As a result, the relevance/importance of the data is not always readily apparent.

There is universal recognition of this problem, and currently several major efforts are underway to provide more reliable data, in particular by two GOGB departments: The Directorate of Statistics (DGE) in the Secretary of State for Plan and GAPLA in the Ministry of Rural Development and Agriculture. Various donors also are making some effort to collect data under their individual projects.

This situation makes impact monitoring very difficult in Guinea-Bissau. First, there is little or no baseline data available; secondly, the capacity of the government to collect and analyze such data is limited; finally there are no coordinated efforts to gather or analyze data. Despite this, OAR/Bissau has set out certain benchmarks and will take the responsibility for monitoring and evaluating the impact of its' strategy based upon these benchmarks.

OAR/Bissau will do so in the following manner:

1. Under the SAPDI project it will develop a detailed monitoring and evaluation plan for Strategic Objective 1. This will include the following:

- Systematically utilizing macroeconomic data provided by the World Bank and IMF to assess program impacts;

-- Researching all the data-gathering activities of all significant donors and insuring that OAR/Bissau has access to such data; and

-- Where necessary, initiating data-gathering activities.

OAR/Bissau will then use such data to monitor and evaluate the impacts in the following manner:

-- Each semi-annual review (currently PIR's) will have a special section devoted to meeting of benchmarks.

-- The annual action plans developed with the government and the impacts of the previous year's efforts will be analyzed to make adjustments in the program.

-- In 1993 a program evaluation will take place. Based upon this evaluation, the benchmarks will be readjusted where necessary.

2. Under the PVO umbrella project, each PVO will be responsible for gathering data and using it to monitor the impacts of Strategic Objective 2. It is expected that much of the data gathered and analyzed by the PVO's can also be used in evaluating the impacts of some of the efforts under Strategic Objective 1. Thus, there will be considerable dialogue between the implementors of this project and the SAPDI project.

At present, Africare has planned a number of data-gathering activities during the first year of its PL-480 project. These will produce a base-line against which the impact of this project will be measured.

As a final note, OAR/Bissau will make a special effort to collect and encourage the collection where possible of sex-disaggregated data. See Annex 3, WID Action Plan, for details.

### C. Management

OAR/Bissau's ability to manage a program under the above strategy has been a key factor in developing the strategy. Knowing that OAR/Bissau will be limited to four USDH has made us re-examine the roles of these USDH vis-a-vis the roles of PVO's and program-funded contractors. Based upon that analysis, OAR/Bissau sees the following roles evolving:

#### USDH staff

-- Responsible for policy dialogue.

-- Responsible for in-depth understanding of Guinea-Bissau.

-- Responsible for communication of that knowledge to A.I.D./W.

- Responsible for donor coordination.
- Responsible for overall program/project management and coordination.
- Responsible for assuring benchmarks are met.
- Responsible for logistic support of USDH and OE-funded staff.

#### Contractors/PVO's

- Responsible for day-to-day project management/implementation.
- Responsible for project logistic support.
- Responsible for coordination of data-gathering and analysis.
- Responsible for impact evaluation/monitoring.

#### 1. Proposed Structure

Under this division of responsibilities, the following USDH staff are proposed: A.I.D. Representative; PDO/GDO; GDO; and Executive Officer.

The various responsibilities outlined above will be divided among the A.ID Representative and the two generalists, depending upon the particular skills of the individuals involved. The A.I.D. Representative will take the lead in all policy dialogue and donor coordination. The Executive Officer will be the office manager to support these efforts on the OE side. OAR/Bissau cannot stress too strongly the need for this position. Getting things done in Guinea-Bissau, while considerably easier than before, is still time-consuming and difficult. Previous experience has shown that a good executive officer will make all the difference in the OAR's ability to carry out its tasks.

Day-to-day management of projects, with the exception of NPA activities, will be carried out by contractors and the PVO's. Except for Africare, which is already operating in Guinea-Bissau, PVO's and contractors will be installed in a single project office run by a logistics support contractor. This entire effort will be program-funded and sufficiently staffed so as to relieve OAR/Bissau of the day-to-day logistics of managing this program.

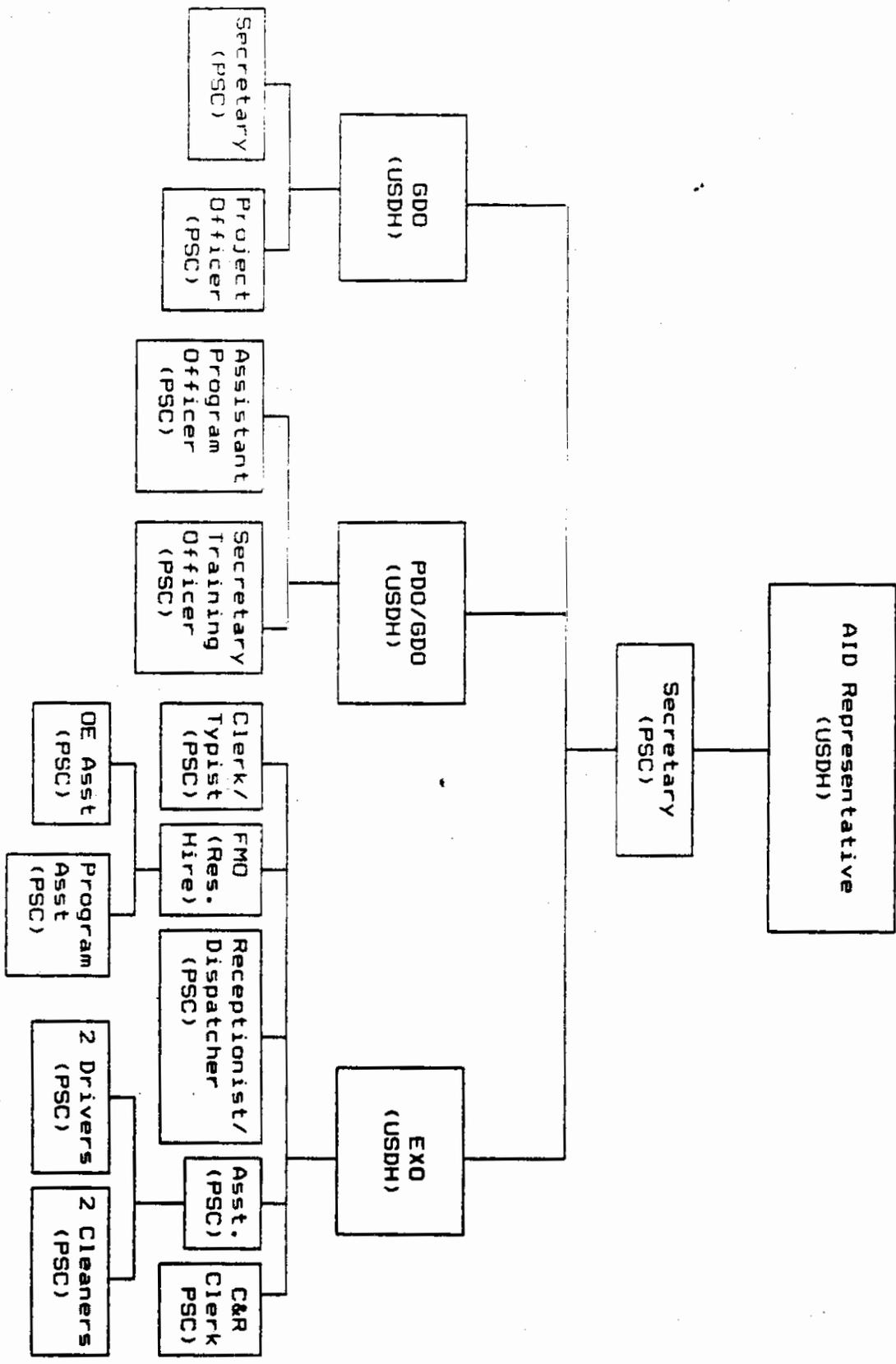
Liaison between the two offices will be as follows:

- two GDO/PDO liaise with PVO and contractor project managers.
- EXO liaises with logistics support contractor.

#### 2. Proposed Office Reorganization

In addition, OAR/Bissau will continue to rely on outside assistance, whether it be from A.I.D./W, REDSO/WCA, USAID/Senegal or other Missions in the region for the following functions:

PROPOSED OFFICE REORGANIZATION



- Legal assistance.
- Contracting assistance.
- Controller functions.
- Engineering functions (very limited, if any).
- Certain PDO activities.
- Concurrences where required.
- Certain types of economic analysis.

D. Issues

There are three significant management issues which will need to be seriously addressed by all parties to insure that this strategy is effectively implemented.

The first is that A.I.D./W must make a special concerted effort to staff this Mission in a timely manner. Guinea-Bissau has "enjoyed" a very negative reputation in the Agency, and little has been done to change that view. While life continues to be difficult here, the situation has improved considerably. More importantly, however, is the fact that the work here is challenging and professionally exciting. This message needs to be conveyed and good staff recruited on a continuous basis so that gaps are not left unfilled over a long period.

Second, a serious effort must be made to change the location of OAR/Bissau's controller functions. Abidjan is too far away and communications too difficult. The result is continuous frustration and embarrassment due to delayed or erroneous payments.

Finally, the concurrence authority now held in REDSO/WCA should be re-examined. Serious project delays have resulted and continue to result from the concurrence authority based there. In sum, A.I.D./W should seriously consider relocating the legal, controller and concurrence functions in a closer Mission.

OAR/BISSAU: PROGRAM LOGFRAME

Program Goal: Promote economic growth that is: broad-based, market-oriented, and sustainable.

Subgoal: Ensure that agriculture plays a pivotal role in promoting economic growth.

Subgoal: Expand the role and efficiency of the private sector in agriculture.

STRATEGIC OBJECTIVE 1: Create/reinforce a supportive environment for private sector growth.

Benchmarks:

- Increased private sector economic growth as measured by its portion of GDP.
- Reduced barriers or restrictions to market entry and/or continuing operation of current firms.
- Increased private sector investment.

Target 1-1: Reinforce/promulgate policies which promote the private sector and rational resource allocation.

Benchmarks:

- Aggregate rice production is responsive to market signals.
- Cereals policy adopted and in force.
- Crop diversification takes place in response to market opportunities.

Subtarget 1-1-1: Increase GOGB decisionmaking capacity in policy development.

Benchmarks:

- Data collection and analysis systematized and institutionalized.
- Decisionmaking reflects available information and analysis.

Target 1-2: Develop a legal framework which strengthens the private sector.

Benchmarks:

- Increase in registration of businesses.
- Increase in issuance of licenses.
- Contracts respected and enforced.

Subtarget 1-2-1: Reform/create appropriate laws and regulations to promote the private sector.

Benchmarks

- Law reform process institutionalized.
- Laws and regulations operating effectively.

STRATEGIC OBJECTIVE 2: Strengthen rural entrepreneurship.

Benchmarks:

- X number of new small and medium-sized enterprises (SME's) established by 1995.
- X number of new jobs created in SME subsector.
- SME-produced goods and services increased (from x% to y% of GDP)
- Increased rural wages.
- Increased rural per capita GDP.
- Incomes increased of participating organizations.
- New markets for SME products.
- Number of women participating in and managing SME's increased.

Target 2-1: Strengthen producer/marketing organizations.

Benchmarks:

- More functional agriculture-based associations organized and operating.
- Assets of rural associations increased.
- Increased participation by farmers in agriculture-based associations.
- Improved management.

Target 2-2: Provide appropriate technical packages and information.

Benchmarks:

- X number of SME's receive and use appropriate management information systems.
- X number of SME's develop and sell new and/or improved products/services.
- SME's utilizing timely marketing information.

Target 2-3: Improve skills base.

Benchmarks:

- Literacy, numeracy skills provided and in use by SME's.
- Technically trained people functioning in and managing SME's.
- Improved management.

## The Agricultural Sector in Guinea-Bissau

### A. Background

Agriculture employs nearly 90 percent of Guinea-Bissau's economically-active population. It is also the source of over half of GDP and more than two-thirds of total export earnings. The major food crop is rice, followed by sorghum, millet, maize, sugar, and various legumes. Cashews are the major export crop, accounting for 70 percent of export earnings. Palm and fruit trees (mangoes) and annual and semi-perennial crops associated with their production are taking on greater importance in the national economy. Palm oil is extracted in small presses throughout the country. Palm kernel exports have in recent years accounted for eight percent of the country's export earnings. Increasingly commercial farmers (ponteiros) are undertaking or expanding their production of palm and horticulture products, which may be a harbinger of a private sector-led agricultural diversification. A related development is the appearance of a nascent apiculture industry with prospects of entering the western Europe market.

The country's land area totals 36,125 square kilometers of which 300,000 hectares or ten per cent of the total and about 30 percent of the arable land is under cultivation. This cultivated area contrasts with the later pre-independence period, when approximately 460,000 hectares were cultivated. With the exception of cashew nut production, which has greatly increased over the past five years, food crop production has stagnated at levels inferior to those of the 1950's.

### B. Food Crops

The bulk of food crops produced in Guinea-Bissau are grown on small, family farms. Application of modern inputs (fertilizers, pesticides) is rare. Limitations on the access to land do not appear to be a serious constraint to expanded agricultural production in Guinea-Bissau. This is not to say that land tenure will not be a problem in the future as population pressures lead to increased area cultivated and commercial farms expand their operations. Nor does it imply that current institutional arrangements in Guinea-Bissau could adjudicate land disputes or title and transfer holdings to legitimate claimants. The most common form of land tenure is access by usufruct right.

Food crop production is organized around tabancas, a social unit formed by groups consisting of 100 to 1,000 individuals with access to land. The tabanca also provides a system for recruiting of labor critical to the small farm production process. Commercial farms or ponteiros have traditionally concentrated on the production of export crops, growing rice on their holdings to gain the medium of exchange to procure cashew nuts. However, with the advent of the

rice marketing liberalization program some *ponteiros*, most notably those in the south, have increased their rice production while a number of small family farms have expanded into the production of commodities traditionally reserved for the *ponteiros*, e.g. cashews.

### C. Rice Subsector

Of the land devoted to agriculture, approximately one-third is under rice cultivation, with about half of that devoted to salt water paddy production and the remainder in fresh water and upland production. Salt water rice production is concentrated in the country's southern and western regions. Due to low levels of input application as well as salinity problems, national salt water rice production is characterized by low yields (0.8 tons/ha). Rainfed upland and irrigated lowland rice production occurs in the northwest and northeast where production is vulnerable to drought.

Annual aggregate production of rice averages approximately 145,000 tons of paddy, the equivalent of 94,300 tons milled. It is estimated that Guinea-Bissau will import at least 36,000 tons of rice in 1990. Rice imports totalled 30,584 tons in 1987, 37,489 tons in 1988, and 39,000 tons in 1989.

In a country which imports such quantities of rice annually, it might seem incongruous to discuss rice exports. Nevertheless, information provided to the Kansas State University researchers conducting the A.I.D. Rice Production and Marketing in Guinea-Bissau study suggests that rice is and always has been traded across the border to Senegal. This trade is apparently undertaken to obtain needed hard currency such as the CFA and to barter for merchandise and consumer goods not available in Guinea-Bissau. In some instances the trade may consist of transshipping rice imported into Guinea-Bissau to destinations in Senegal. A similar pattern exists in the parallel rice trade with Guinea-Conakry.

There are compelling reasons to believe that the parallel rice trade with Guinea-Bissau's neighbors will continue in some form as long as there are market restrictions and administratively determined prices in neighboring countries that make parallel exports from Guinea-Bissau attractive.

Effects of reform on rice subsector. The recent rice market liberalization holds out the prospects of the benefit of trade accruing to producers and marketers other than intermediaries profiting from arbitrage. Specific reforms pertaining to the rice sector include elimination of the following: government's monopoly on rice imports; fixed retail price controls; fixed producer prices; and heavily subsidized sale of rice to civil servants.

While the reforms have been productive, generating significant economic growth, a mixture of hope and apprehension prevails in both the public and private sector as to the future course reforms. The

private sector is taking advantage of investment and marketing opportunities, but uncertain about the reforms' duration. The public sector, charged with the public welfare and always alert to political concerns, is apprehensive about the income, consumption, distribution, and equity consequences of the reform program.

In terms of rural household incomes and food security, higher rice prices will improve the situation to the extent that producers will have a surplus over and above home consumption, to sell on the formal market. In the north, many rural households are net rice consumers. On a national basis, approximately 90 per cent of the rice grown is consumed by farm families. Recent analysis of the internal rice market suggests that the marketable surplus during the 1989-90 crop year totaled an estimated 24,000 tons. It also assumes a rural population of 710,000, annual per capita consumption of 110 kg., and total rice production reaching 80,000 tons.

Rice imports. The country's urban rice market is sensitive to imports. Increases in the price of rice in the country's principal urban area is of particular concern to the government in that they have a direct effect on the real income levels of salaried workers and the urban poor. Rice imports in 1989 were 39,000 tons with the retail price reaching 2617 GP/kg in July and falling to 1,279 GP/kg in December, with large stocks in storage.

The table below lists monthly rice prices in the Bissau market during 1989.

Monthly Consumer Rice Prices in Bissau, 1989	
	GP/kg
January	884
February	888
March	990
April	1,389
May	1,584
June	1,384
July	2,617
August	1,451
September	1,417
October	1,317
November	1,333
December	1,279

Policy concerns about a marketable surplus of rice notwithstanding, questions arise about the implications of current rice import levels and the corresponding expenditure of scarce foreign exchange. In scheduling its own 1990 import levels, the government will have to take into consideration for the first time the effects of market liberalization. Although a certain amount of public sector rice importing will continue into the near future, the levels will of necessity have to be sensitive to market forces.

Previously, rice import levels were programmed by the government in collaboration with the donor community to take advantage of concessional supplies without regard to market considerations. In addition to allowing a subsidization of the consumer price, the import program provided a medium of exchange for the cashew export program, a commodity for food security objectives, protection for the real incomes of civil servants, assistance to institutionalized groups (students, hospitals), and incentives accompanying food for work activities.

Beginning in 1989, the rice import function was transferred in large part to the private sector. In the year ending January 1990, rice stocks increased from zero to 26,000 tons. There is a potential for depressed prices if stocks remain at a high level for an extended period of time.

Rice production. The economic reform program has set the stage for a significant and hopefully sustainable increase in agricultural production in general and rice in particular. This is the first time in the country's post-independence experience that farmgate, wholesale, and retail prices have been liberalized and therefore established by market forces. In the case of rice, intense competition by market agents has put upward pressure on both paddy and milled prices. The trend has been reinforced by the peso's devaluation. This sequence of events has provided rice producers with an incentive to expand production as quickly as their limited resources will permit.

Traditional subsistence farmers in the country's southern region are endeavouring to recover mangrove swamps to expand rice production. This initiative is being supported by various donors in the South, including the Kuwaiti Fund and IFAD/ADB. In the southern regions of Tombali and Quinari, a total of 2,085 hectares of land were reclaimed by the government hydrology service between 1982 and 1983. Donor-funded efforts since that time have improved and reclaimed an estimated additional 1200 hectares. Traditional land yields have been estimated up to 1500 kg per hectare. Reclaimed and improved mangrove swamp has been estimated to produce increased yields up to 2400 kg per hectare. Such increasing yields translate into promising surplus rice production for an area traditionally viewed as the natural "bread basket". The government, with donor assistance, is planning to reclaim another 5,000 hectares by 1993. The reclaimed area is estimated to have a productive capacity of 2.5 tons per hectare which translates into another 12,000 tons of paddy entering the system each year. Not all of this will be marketed, as some will be retained for on-farm consumption and utilization. The government intends to replicate these efforts in the east as part of its efforts to increase aggregate rice production.

This is also the first time farmers have decided to produce rice crops solely for off-farm sales, as evidence by ponteiros in Bafata

Province organizing to raise and market rice for sale outside the immediate region of their farms. Based on information supplied by the government's Office of Food Security, the southern regions of Bafata and Gabu produced a surplus of approximately 16,000 tons in the 1988-89 crop year. Approximately, 3,000 tons of this surplus entered the Bissau market with the balance going to deficit regions closest to Bafata and Gabu. Analysis of the government's data suggests that imported rice was most likely to be distributed in the regions closest to the port of Bissau. This would include the regions of Bolama, Biomo, Cacheu, Oio, and the city of Bissau.

#### D. Export Crops

Cashew Nuts. Cashew nuts are the principal non-cereal agricultural commodity grown in Guinea-Bissau and, like rice, are a store of value and medium of exchange. Cashews account for 70 per cent of the country's total exports. Due to favorable world market prices for this commodity in recent years and, until recently, a widely observed policy of exchanging rice for cashew nuts at a rate of two kilos of rice for one kilo of cashew nuts, small farmers throughout the country planted cashew trees on their holdings. While there are no reliable statistics available to document this trend, export data show that annual official cashew nut exports increased from 400 tons to a estimated 12,000 tons between 1979 and 1989. The Ministry of Agriculture estimates that when new plantings come into full production the supply of cashews available for export will reach 20,000 tons a year.

Groundnut production represents approximately 20 percent of the land in production in Guinea-Bissau and is concentrated in the northeast. Groundnut exports account for approximately five percent of the country's export earnings.

Guinea-Bissau's prospects of capturing a larger share of the international groundnut market will be determined in large part by the performance of its neighbors, particularly Senegal. In recent years regional groundnut production has been stagnant with the exception of Senegal which registered a 40 percent increase in production between the 1985 and 1986 crop years. The increase was the result of favorable climatic conditions and higher farm gate prices, even though the price of groundnut oil on the world market fell 37 percent between the mentioned crop years. In the two following crop years, the Government of Senegal markedly reduced its price supports and input subsidies to groundnut producers as it could no longer afford to finance them.

Palm Oil and Kernel. Consumer preference for cheaper palm oil over groundnut oil in middle-income importing countries presents Guinea-Bissau with both problems and export opportunities. Export of palm oil represents eight percent of export earnings. Extraction of palm oil employing artisanal technology is a widespread rural industry. Any investments in an expansion and modernization of this

industry will have to address the prospects of consolidating the more efficient extracting plants and the placement of management systems and technologies capable of capturing the net value added of the oils. Processors will also have to install economical technologies to reduce aflatoxin contamination.

#### E. Forestry

With an estimated 14 percent of its land area in productive forestry and forest plantation, it is critical to Guinea-Bissau's long-term development prospects that it pursue policies and management systems that protect or restore this important resource; ensure a sustainable supply of energy and shelter; provide a renewable source of forest products for export and domestic consumption, thereby increasing individual and national income; and, where practical, establish national parks as reserves of biodiversity and potential sources of increased revenues from tourism. Other donors are active in the area of natural resource management in Guinea-Bissau and A.I.D. will collaborate with them as time and conditions permit, particularly in any efforts to create a policy environment conducive to the sound and sustainable use of the natural resource base.

#### F. Fisheries

The country's fishing industry is one area with a potential for increased export earnings. Currently the industry's principal contribution comes in the form of fees the government collects from foreign fleets operating in the country's territorial waters. However, fishing grounds in Guinea-Bissau's territorial waters are being overexploited and risk collapse. Thus, there is a definite need for the government to improve its surveillance, monitoring, and regulation of fishing operations in waters under its jurisdiction, both in terms of collecting full revenue accruing to licenses issued and protecting against the rapid reduction in the quantity and diversity of stock.

The technology used in catching and processing offshore is capital intensive and high risk, requiring large expenditures of foreign exchange and high degree of technical expertise to be profitable. As a practical matter, only foreign fleets are capable of exploiting resources, thereby excluding national enterprises.

Correcting this situation will entail strengthening regulatory agencies and making investments in coastal fisheries which balance promotion of increased catches with the need for stock assessment, improved post-catch handling, preservation, and distribution. To fully develop this type of program, Guinea-Bissau will have to approach one of the international financial institutions or regional development banks for assistance and expertise. As with forestry development, staff limitations and budget constraints will not permit A.I.D. to collaborate extensively with Guinea-Bissau in the development of this important industry.

### G. Horticulture

Commercial farmers are showing an increasing interest in the production of non-traditional fruits, vegetables, and nuts perhaps with an eye to the European market. This is a relatively new development and reliable data is not readily available. Consistent crop quality, improved packing, and efficient handling and transportation to increase exportable yield are key to entering markets in Europe and nearby countries. Thus, issues facing this industry are: minimizing post-harvest losses; developing local capacity to target promising fresh markets and to control quality; increasing the raw material supplied to plants and expand plant capacity; and determining the appropriate mix for public and private sector financing, management, and ownership of supporting infrastructure and services to horticulture crop enterprises.

Small farmers, mainly women, working in a greenbelt surrounding Bissau city are producing an impressive array of fruits and vegetables for sale in the Bissau marketplace. Tomatoes, cabbage, lettuce, watermelons, and other produce are now seasonably available at the central market in Bissau. In other parts of the country, such as around Contuboel in the Northeast and the Boe region in the east, farmers are also growing vegetables such as tomatoes and onions. The biggest constraint to continued production is inability to market the produce before it spoils.

OAR/BISSAU WOMEN IN DEVELOPMENT ACTION PLAN

A. Background

The situation of women in Guinea-Bissau resembles that of women in many parts of Africa. Rural Bissauan women perform most agricultural tasks, especially production of rice, the country's staple food commodity. Women almost exclusively carry out most off-farm income-generating activities, when not working in the fields, including fishing, soap-making, basket-weaving, preparation of smoking and chewing tobacco, production and sale of palm oil, and rice-pounding. Women play key roles in trading of food crops and other commodities, often travelling long distances to market. And of course they must manage virtually all household and child care activities.

Women are last in line to receive education benefits, in a country where the literacy rate for the population at large is less than twenty percent. While rural girls may be permitted to go to primary school, they seldom go further, as their fathers will not allow them to leave home to go to secondary school. Other donors, especially UNICEF, are planning to allocate resources specifically to the female literacy problem, beginning in 1991.

The lack of marketing and production skills, as well as managerial and technical knowledge has been identified by the new Minister of Women's Affairs as the most serious problem facing women in Guinea-Bissau. The Ministry itself was only set up in March 1990. Its establishment bodes well for increased GOGB attention to the myriad problems faced by women in Guinea-Bissau.

B. WID Objectives and Strategy

The objectives of the WID strategy for the OAR/Bissau program are to: 1) increase the incomes of women in rural areas; 2) increase access to training for women under A.I.D.-financed projects and programs; and 3) support the creation and strengthening of women's SME's, associations and networks in the rural areas.

These objectives integrate closely with OAR/Bissau's five-year CPSP strategy whose focus is to expand the role and efficiency of the private sector in agricultural growth. Achievement of the CPSP's two strategic objectives will benefit rural women producers in major ways. Under Strategic Objective 1, which concentrates on policy and legal reforms to encourage private sector production, expected results include the further lifting of government limitations on a competitive production/marketing system. Farmer associations, especially women's groups, will thrive and grow in such an environment and can be expected to invest resources in employment and income-generating activities such as community rice mills.

The WID link to the CPSP's second strategic objective is even stronger. Under this strategic objective -- to strengthen rural entrepreneurship -- U.S. PVO's will organize activities to promote agriculture-based SME's and associations. Women -- both as individual entrepreneurs and as members of rural associations -- stand to gain directly from activities to increase rural people's access to agricultural services and technologies, and to improve technical and management skills. Increased wages, jobs, and incomes for women are anticipated benefits. The number of women participating in SME's is also a key benchmark of this strategic objective.

### C. OAR/Bissau Projects: Involvement of Women

Two bilateral projects are scheduled to phase out virtually all remaining activities by the close of FY 1990: Technical Skills Training (657-0011) and Food Crop Protection (657-0012). Except for the training component of Food Crop Protection, which sent five women to third countries for short-term training, neither project had much discernible involvement of or impact on women.

The newer generation of projects, especially Africare's activities and those to be designed under the PVO umbrella scheme (an FY 1992 new start), will devote much more attention to ensuring women's participation. As alluded to above, policy reforms to be designed under Agriculture Sector Assistance (ASAP) II, an FY 1992 new start, will benefit women to the extent that a competitive marketplace is enhanced. Predicting, much less quantifying women's involvement poses the same challenge for ASAP II that it does for non-project assistance activities underway in other Africa A.I.D. programs.

As is pointed out in the CPSP document, raw data, not to mention reliable data, is shockingly scant in Guinea-Bissau, even compared to other African countries. Thus, the concept of baseline data for projects is relatively new and untested. Previously implemented A.I.D. projects collected little if any baseline data, making quantification of women's involvement virtually impossible. New projects coming on stream will attempt to remedy this situation, but quantification of benefits nonetheless will remain a challenge over the short- to medium-term.

#### Projects:

South Coast Agricultural Development (657-0010). This project is strengthening the institutional capacity of the Department of Agricultural Hydraulics and Soils (DHAS) to expand rice production on the south coast of Guinea-Bissau, through improved water control structures and soil and water management practices. Women have indirectly benefitted from the increased output of rice and concomitant rise in income. However, the increased land now available for production may increase labor demands on women. The upcoming re-design of the project will take close account of this situation, in order to minimize negative effects on women.

Agricultural Sector Assistance Program I (657-0013). This activity is the OAR/Bissau's ongoing program to promote agriculture sector policy reform in conjunction with the IBRD/IMF structural adjustment program. ASAP is designed to alleviate identified agricultural sector policy constraints to improve the agricultural pricing incentive structure for farmers. Women, as the main producers of rice, will benefit from greater rice production and resulting income increases, and from increased cashew production (women produce and sell juices and wine made from the cashew fruit).

Agriculture Sector Assistance Monitoring (657-0016). The purpose of this activity is to measure changes in rural incomes over the life of ASAP I. There are no plans to collect sex-disaggregated data in surveys to be undertaken by the project, which will concentrate on market surveys and agricultural commodity prices. Therefore, the effect on women can only be obtained indirectly as discussed above.

PVO Vocational Skills (Africare - 657-0014). This activity offers short-term training to rural producers and entrepreneurs in skills supporting increased market activity, such as agro-mechanics, masonry, blacksmithing, and processing agricultural products. Women will be the primary beneficiaries of training in processing endeavors such as soap-making. The project also includes a short-term participant training component geared to mid- and upper-level government people. The selection of candidates rests with an inter-ministerial group. Twenty-five percent of those trained so far have been female.

At OAR/Bissau's urging, Africare has agreed to modify its monitoring and information system to incorporate indicators of women's involvement. These should be ready in time for inclusion in the fall 1990 round of Project Implementation Reports (PIR's).

PL 480 Title II (Africare). This late FY 1990 new start will be funded through a combination of Title II food sale proceeds and dollar funding provided through an Operational Program Grant. A major focus will be strengthening of producer/marketing organizations in the Tombali region, through improving management skills. Women's associations are expected to benefit, especially those engaged in soap-making and candle-manufacturing. Africare will train 12 local extension agents to work with organizations -- and at least two agents are expected to be female. As in the PVO Vocational Skills project, Africare will develop benchmarks to measure women's participation.

Training projects. OAR/Bissau has trained Bissauans overseas under a variety of projects, including the regional programs, AMDP and AFGRAD, and most of the portfolio's bilateral activities. From 1983-89, a total of 36 long-term participants were sent to the U.S. for B.A.-level or masters training; of these, eight were women (22 percent). For the same time period third-country long-term trainees totalled 15, of which three were women (20 percent).

Over the 1983-89 time period, short-term trainees sent to the U.S. totalled 34; only one of these was a woman. Sixty-four Bissauans took short-term training courses in third countries; of these 14 were female (21 percent).

Given the distressingly small pool of female high school and university graduates eligible for overseas degree training, the figures for long-term training of women are probably within the acceptable range. Nonetheless, OAR/Bissau plans to work concertedly with the GOGB to identify more qualified women for long-term training under the new ATLAS project, and hopes to achieve a 30 percent target rate by the end of the CPSP period (1995). Likewise, OAR/Bissau will be especially alert to opportunities in the bilateral portfolio to increase the numbers of women departing for short-term training courses.

#### D. OAR/Bissau Strategy for Implementing WID Action Plan

The General Development Officer functions as the WID Officer, and will continue to have general monitoring responsibilities for achievement of WID objectives portfolio-wide. But with only two USDH staff on board (including the AID Representative), one person cannot adequately track WID for all of the OAR's activities; thus, each project manager is specifically charged with ensuring that women's participation remains a key concern in every project.

The OAR considered the possibility of creating a WID committee, but concluded that the AID Representative's regular and frequent one-on-one meetings with project managers, as well as with the GDO would be more effective in monitoring progress in WID.

All new projects will have a monitoring and evaluation system designed to disaggregate information by gender, to the extent possible. Monitoring systems of existing projects will also be modified to obtain sex-disaggregated data where feasible. When appropriate, OAR/Bissau plans to avail itself of services to be provided under the AFWID and AWID projects, especially if help is needed in conceptualizing monitoring systems to capture WID-specific data.

An essential aspect of tracking WID activities will be for all project managers to maintain an informal network among women in the government, donor community, and in the PVO/NGO community. The establishment of the new Ministry of Women's Affairs should assist this process in a major way.

Concerning staff development, OAR staff in conjunction with other scheduled and funded travel will attend WID workshops or other appropriate training to increase their awareness of women's issues and to improve project design and evaluation skills vis-a-vis WID concerns.

Following are calendar-driven targets to guide implementation of the WID Action Plan:

- Include sex-disaggregated data for Africare projects, for PIR reporting October 1990
- Achieve measurable incremental increase in rate of female participation in long-term training September 1991
- Achieve target of 30 percent female participation in long-term training activities September 1995
- Achieve measurable incremental increase in female participation in short-term overseas training September 1991
- Sensitize USAID staff to WID objectives through training as appropriate Continuous
- Monitor WID performance under all projects Continuous
- Maintain informal network with influential Bissauan women Continuous

The Private Sector in Guinea-Bissau

Background

In the period after independence, the private sector in Guinea-Bissau was severely constricted by nationalization of trading companies, adoption of restrictive legislation, and macro-economic policies such as a grossly overvalued exchange rate and a pricing policy that effectively destroyed private initiative in the rural areas beyond maintaining a subsistence economy.

These factors led to the creation of an active parallel market in foreign exchange, severe depression of agricultural production, an increase of external dependence including clandestine trade with neighboring countries, widespread rejection of the Guinean Peso as a medium of exchange, and chronic shortages of virtually all goods in the internal market, both in urban and rural areas. Many enterprises created under state auspices suffered from chronic foreign exchange shortages for equipment and spare parts, lack of maintenance, poor pricing, inefficient management and severe shortages of skilled personnel and consequently failed or were underutilized. Under the circumstances, much private activity was carried out in the informal sector, while public entities became mired in inefficiency and incurred big deficits in their management and supply of the economy.

In late 1983 the first attempts at economic rationalization were taken but efforts were uncertain until the adoption of a series of resolutions at the fourth congress of the ruling PAIGC Party Congress in late 1986 which called for:

1. Social and economic development to be achieved through a mixed economy;
2. Increasing the private sector's role into the areas of commerce, agricultural production, exports, small industry, construction and the service sector;
3. Improvement of the agricultural credit system to provide incentives for farmers;
4. Creation of incentives for private participation in small and medium industry;
5. Attracting foreign investment in industry for exports;
6. Giving private merchants the legal power to practice any type of commercial operation; and,
7. Opening of the transport sector to private enterprise.

With this change in direction, substantial development of the private sector has taken place. Nevertheless, while an estimated 93 percent of Guinea-Bissau's GDP was generated by the private sector during the 1986-88 period, 87 percent of recorded investments came from the public sector so that capital formation still remains overwhelmingly a public function. It is estimated that upward of 80 percent of private sector remains in the traditional mode and less than 20 percent modern. Thus, subsistence farming and informal trade and commerce continue to feature prominently in the economic landscape of Guinea-Bissau.

### Agricultural Sector

In the agricultural sector, accounting for slightly over 60 percent of GDP, the private sector remains heavily traditional and produces primarily for subsistence (90%). The modern sector is accounted for by medium and large farmers, *ponteiros*, engaged in commercial production, substantially for export. At present, the modern sector in agriculture consists of some 800 *ponteiros*, holding some 90,000 hectares of land of which approximately 20 percent are under cultivation. Many of these *ponteiros* are also active in other endeavors, either in commerce or in the government service.

The following problems and constraints have been identified as affecting the activities of the private sector in agricultural development particularly in the modern sector.

1. Insufficient technical advice and information regarding technology particularly when compared with services supplied to the traditional sector through donor projects, especially integrated rural development projects.
2. Lack of experience in agricultural management.
3. High cost of equipment and lack of joint-use equipment.
4. Difficulty in supply of agricultural inputs.
5. Lack of availability of facilities for storage and processing of products.
6. Plethora of bureaucratic red tape, partly caused by competing or duplicate ministries concerned with agricultural production, marketing and especially export.
7. Insufficient organization of producers for marketing of products and for export.
8. Lack of access to credit and insurance

## Fisheries

The strategy of economic development of the fishing sector is founded on the principle of greater exploitation of Guinea-Bissau's fishery resources through locally-based enterprises, either domestic, foreign, or through joint ventures. This is in direct contrast to the present practice whereby fishing in the 200 mile extended economic zone (EEZ) of the country is carried out by foreign vessels under GOGB license. 153 such vessels were in operation in 1988 and did not utilize local port facilities or have to account for their catch.

At present, Guinea-Bissau's main indigenous fishing activities consist of small home fishermen. Few of these people make fishing a full-time occupation; most artisanal fishing is carried out as a complementary activity to farming. The income from such activities is very small.

The lack of maintenance supplies, due to persistent unavailability of foreign exchange, has also served to keep Guinea-Bissau's commercial fishing fleet non-operational. The firm that owns the fleet restricts its activities to ice-making and purchase of fish from artisanal fishermen for resale.

The main constraints to a more effective development of fisheries through the private sector include:

1. Despite legislation in 1986 seeking to regulate fishing in the EEZ, no charter yet exists that would establish a legal base for operations by Guinea-Bissau based private enterprises, domestic or foreign, or that would attract foreign participation.
2. Lack of economic and financial criteria for evaluating new applicants for licenses.
3. Lack of financing and foreign exchange.
4. Lack of adequate training for technical and executive skills needed in the industry, both on land and at sea.
5. Insufficient port and ship repair facilities.
6. A weak ministry.
7. State interference in marketing.

## Industrial Sector

In the broadly defined industrial sector, including the construction industry, the major element is food processing (generally the predominant industrial activity in the country, particularly in years when the brewery is operating at full capacity). This

consists primarily of bakeries and distilleries. Bakeries have proliferated in Guinea-Bissau since liberalization. Bakery licenses are eagerly sought and difficult to obtain. The GOGB decided to control these more closely than many other licenses when it became apparent that many people were using such licenses solely as a means of importing or exporting wheat flour.

Distilleries, processing various flavors of white (or colored) lightning from sugar cane or a combination of cashews and honey, are often owned by *ponteiros*. On the more informal side, a large source of income for women during the cashew season is the making of cashew juice and wine from the cashew fruit. Such products are very popular for recreational and important ceremonial/religious occasions. The government has lately endeavored to raise more revenue from distillers through more frequent and perhaps arbitrary tax collections, with the result that increasing amounts of products are being traded through informal rather than established modern channels.

In the forestry industry, private enterprise has been allowed to enter the field as the parastatal monopoly has been abolished. Currently, there is excess sawmill capacity in country, while lack of credit and appropriate transport facilities, inadequate roads and scarcity of foreign exchange for spare parts are major constraints on further development of the sector. The white elephant enterprises of the 1974-83 statist era continue to be out of operation and there appears to be no interest by private entrepreneurs to invest in them. The entire sector is plagued by such endogenous factors as lack of adequate capital, limited management capability, lack of skilled personnel and inadequate training of available human resources.

Expansion of the industrial sector as broadly defined and acceleration of its contribution to economic growth in Guinea-Bissau is constrained by the following:

1. Poor prospects of regular supplies of imported raw materials, equipment and spare parts because of lack of foreign exchange;
2. Insufficient local markets and difficulty in penetrating export markets;
3. Lack of judicial protection for private investment (in easily visible facilities) and the cumbersome and exceedingly time-consuming procedures for obtaining permits and licenses;
4. Lack of legislation establishing contractual rights and obligations between employers and workers; and,
5. In the construction industry in particular, emigration of the most qualified workers abroad where better working conditions and pay exist.

## Commercial Sector

Since economic liberalization, the commercial sector has grown significantly, accounting for 19.5 percent of GDP in 1986 and 23.5 percent in 1988. Structural adjustment permitted private participation in the import and export trade and partial retention of foreign exchange earnings for financing imports. From a broad system of fixed prices, the current situation is one of generally free prices, with a few stipulated maximum and minimum prices (e.g. petroleum fuel, guaranteed minimum rice price to farmers).

Liberalization has resulted in a sharp rise of registered traders. In 1986, some 600 such traders existed, rising to 2,600 in 1988 and 3,000 in 1989. It is not necessarily true that these are all new enterprises. Some are former street merchants (djilas), many of foreign origin--Lebanese, Mauritians and other West Africans--who constituted a large part of the informal sector.

Djilas still carry out a significant part of the national trade and commerce, particularly in the rural areas. Traders in the rural areas may also farm and generally require a contact in Bissau to supply imported goods. Liberalization in the rural areas has brought a definite increase in economic activity, but the increase has been uneven and far from universal. In some areas, there is active competition for farmers' products (as discussed in the Rice Marketing Study by Lea and Hugo, January 1990). In other areas, e.g., the Bijagos, farmers are at the mercy of one trader or an informal combination of traders, usually foreign Moslems. Farmers' associations are at a very rudimentary stage and have no legal standing at this time; thus economic strength of farmers is fragmented to the benefit of the more exploitative traders.

Under liberalization, merchants in the modern sector are permitted participation in the import-export trade but most resort to middle men who have the requisite international connections and who can find the means for financing shipments of economic size. Many private traders are also active in the parallel market for foreign currency while also being eligible for foreign exchange allocations at the National Bank and for partial retention of export earnings.

By 1988, the private sector was responsible for 70 percent of the export trade in cashew nuts and for importing virtually all of the consumer goods. Typically, capital is scarce, and merchants look for quick turnover and high profit items. Investment in real estate for house rentals to foreigners is increasing. In some instances, merchants maintain a base abroad from which to conduct activities, mainly as a hedge against inflation. Thus, despite an expansion of the modern sector, large islands of "informality" exist as the sector continues to be wary of government intention and has only limited confidence in its monetary policies and the state of the economy.

The rudimentary state of banking in Guinea-Bissau has also been a constraint to the development of a more vibrant private sector. Until March 1, 1990, all banking including commercial banking was the exclusive purview of the National Bank. A commercial bank with mixed Bissauan and Portuguese participation (26 percent GOGB, 25 percent Bissauan private) has now opened in Bissau.

There are no banking outlets or depositories for savings anywhere in the country outside of Bissau. Two institutions, the Postal Savings Bank and the savings and loan type Caixa Credito da Guine which once provided medium and long term credit to small scale concerns, are out of business. Thus, there would be few inhibitors to a return of the habits of the "bad old days"--use of barter, financing transactions in foreign exchange and cross-border informal trade if perceptions were to grow that the government is backsliding in its economic restructuring and liberalization policies or that the policies are not being applied effectively.

Credit to the private sector has been severely restricted by the GOGB in its endeavor to comply with the monetary and fiscal policy guidelines of the IMF/IBRD structural adjustment program. The current low level of private savings does not bode well for a further significant increase in domestic private investment in the future.

The principal constraints to greater private commercial growth include:

1. Continued high inflation indicating continued high interest rates for available capital, mostly informally obtained;
2. Inadequate bank credit, generally restricted to short-term financing of imports;
3. Inadequate rural credit and uncertainty of repayment of production loans by farmers;
4. Continued difficulties in access to sufficient foreign exchange and in risks inherent in an unstable rate for the Guinean Peso;
5. Inefficient and arbitrary customs administration and the continuing high level of the export tax on cashews;
6. Uneven competition among modern traders and informal traders (djilas) to the detriment of the more visible modern trader;
7. Inhibitions to internal commerce carried out by sea, e.g. to the South and to the Bijagos, due to heavy port taxes and other exactions;

8. Lack of trade organizations;
9. Lack of knowledge of good business practices and skills by traders and employees relevant to dealing with international commerce; and,
10. Lack of familiarity with banking.

Summary

In summing up, the constraints to increased private sector development may be characterized into groupings:

1. Legal. Lack of sufficiently secure legal base for private investment, lack of foreign investment code, mass of regulations, licensing requirements, lack of commercial code and effective legislation regulating contracts, labor and management relations, lack of legislation recognizing associations (producers, merchants, etc.) and limited liability companies;
2. Administrative. Lack of clarification and streamlining of presently competing jurisdiction of ministries and other administrative organs, exacerbated by stifling bureaucratic red tape;
3. Financial. Lack of credit, high interest rates, insufficiently adequate assurance of credit repayment especially in rural areas;
4. Taxation. Arbitrary taxation, which the informal sector more easily avoids;
5. Foreign Exchange. Shortages of foreign exchange for equipment and spare parts, raw materials and agricultural inputs in favor of consumer goods, continued inability for totally unrestricted access to export earnings all tending to strengthen the parallel market;
6. Markets. Small internal market, low purchasing power, lack of adequate transport and communications, and uncertain and generally high costs of doing business with outlying areas;
7. Human Resources. Generally low skill work force with lack of experience in management, business subjects, technical fields, lack of training facilities and access to technical assistance and advice.

NGO's and PVO's in Guinea-Bissau

Non-governmental organizations (NGO's) and private voluntary organizations (PVO's) have played a significant role in Guinea-Bissau continuously since the war of liberation against Portugal and prior to independence. The number of NGO's -- the preferred concept or name in Guinea-Bissau -- has increased steadily since independence so that currently there are a total of 72 such organizations actively, carrying out some 115 activities in various sectors and in all regions of the country. Most of these are European organizations.

Funding allocated to NGO activities has also increased steadily. Estimates by SOLIDAMI (Institute for Solidarity and Friendship), the quasi-governmental agency that coordinates NGO activity in Guinea-Bissau, indicate that aid provided to all NGOs operating in Guinea-Bissau amounted to \$6 million in 1987, \$8 million in 1988 and a projected level in excess of \$10 million for 1989.

Only four Bissauan NGO's are functioning in a formal way, to A.I.D.'s knowledge. Government officials have stated their strong preference for greater NGO involvement in Guinea-Bissau development efforts and the establishment of more indigenous NGO's. It has been emphasized to the AID Representative that more U.S. PVO's are especially welcome.

The activities of NGO's are heavily concentrated in areas of health, safe water supply and education. NGO's operate almost exclusively in the rural areas. Both religious and lay organizations work primarily with government, with some 75 percent of total activities carried out in conjunction with government agencies and services. The greater part of the remaining activities are carried out by PVO's working in conjunction with church missions, of which the Roman Catholic Diocese of Bissau is the most significant.

Two U.S. PVO's are active currently in Guinea-Bissau. The American Friends Service Committee (AFSC) assists three women's associations producing bread, soap and candles, respectively. Africare has two significantly larger projects: vocational education (\$2 million); and a small and medium enterprise development project (PL 480 Title II sales proceeds of \$1.6 million, plus \$425,000 in A.I.D. dollar funds), both recently initiated and both located in the southern region of Tombali.

SOLIDAMI was established by the GOGB as the liaison between the NGO's and the government, and among NGO's. The agency perceives its role to be actively involved to ensure that the increasing number of NGO's avoid sectoral and geographic duplication; and to assist in ensuring improved coordination among NGO's and with the government.

NGO's have played a catalytic role in furthering private enterprise approaches. Due to gaps in the Guinea-Bissau legal structure, there is no official recognition of the existence of farmer and other productive associations. Yet increasing numbers of these groups are organizing, especially women's productive associations, such as the groups being aided by AFSC. These associations are staking out increasingly promising enterprises albeit subject to the vicissitudes of informal control and regulation.

NGO work is helping to raise consciousness and readiness by the GOGB to further the private initiatives over public ones. A possibly significant development is a seminar planned for April 1990 by UNDP and the Ministry of Economy and Finance to increase the dialogue between the public and private sectors. This seminar should involve a number of NGO's. NGO participation also is likely in activities of a planned new institute for small private producers, with an agenda as follows:

- (1) To review the current situation and to produce necessary enabling statutes to ensure access to capital and credit, especially for women;
- (2) To consider training programs to meet the needs of small private producers, in particular numeracy and literacy training relevant to commercial activity; and
- (3) To consider means of providing assistance in areas such as food preservation, product processing and marketing.

It is evident that the NGO approach can play a significant role in furthering the liberalization policy pronounced by the GOGB at the level of the small and medium entrepreneur. It is fortuitous that the GOGB's wish to (1) promote the creation of indigenous NGO's, if possible with outside NGO help, and to (2) attract more foreign NGO's, in particular U.S. PVO's, to become active in Guinea Bissau comes at a time of increasing awareness of a potentially more effective role for women in the economic and commercial life of the country and is coincident with the development of the new U.S. assistance strategy.

A.I.D. STRATEGY FOR BIODIVERSITYA. Conservation of Biodiversity in Guinea-Bissau

Guinea-Bissau is a very young country, having gained independence from Portugal only in 1974. It has an area of 36,135 km<sup>2</sup>; approximately 85 percent of which was originally forested. The country has a tropical wet-dry climate with a rainy season extending from May to October.

Guinea-Bissau is confronted with formidable challenges as it attempts to improve the standard of living of its (estimated) 925,000 citizens. Future development rests squarely on enhancement of the agriculture, forestry and fisheries sectors of the economy, upon which 90 percent of the population now depends for their livelihood. If economic development is to be sustainable, a harmonious marriage between conservation and development must be carried out so that the natural resource base is not eroded and so that Guinea-Bissau's allotment of global biodiversity is maintained in concert with the actions being carried out in other nations.

The natural environment of Guinea-Bissau has biogeographic affinities described as being related to the Guinea-Congolian Regional Transition Zone. The original vegetative cover was characterized by a mosaic of lowland forest and woodland, but throughout most of the country forests have been cleared, or have been degraded, and secondary grasslands are dominant in many places. The coastal strip and the Bijagos Archipelago have extensive areas of mangroves. It has been estimated that about 1,000 species of plants occur in Guinea-Bissau, as many as 12 of which appear to be endemic. Animal species of the country have been surveyed by the Canadian Center for Studies and International Cooperation.

Guinea-Bissau's economy is highly dependent upon agriculture, forestry and fisheries for employment. Therefore the nation's economy depends to a significant degree on its natural resource base of soils, vegetation and water. The burgeoning population is placing increasing pressure on the country's biological resources. Animal species are hunted for meat and are killed to protect agriculture and livestock; forests are being degraded as a result of timber harvest, fuelwood collection for charcoal making as well as being cleared through shifting cultivation and to create pastures.

Despite its small size, Guinea-Bissau possesses unique natural habitats which harbor threatened animal and possibly plant species.

Recently, the Governor of the Tombali Region in the southern part of Guinea-Bissau has asked A.I.D. for assistance in determining the feasibility of and the procedures necessary to establish a nature reserve in the Cantanhez Forest. He wants to set up the nature reserve without disrupting the location of current human

populations. Objectives are to (a) prevent destruction of the last large natural forest area, (b) preserve current wildlife and encourage former wildlife including elephants to return, and (c) eventually bring in other wildlife from other regions. The area is a unique ecosystem harboring rare and threatened animal (and possibly plant) species and deserves to be protected. At present it is being rapidly degraded. The proposed area is geographically large enough to permit detailed baseline studies to more accurately delimit the core area for maximum protection as well as buffer zones where rational exploitation of natural resources can be continued under a sustainable management plan.

Based upon field work and the existing literature, certain rare animal species were verified as occurring in the Cantanhez forest area, the nucleus of the proposed conservation unit. Primates inhabit the forest, being diverse and in some cases abundant, such as the chimpanzee. The local panther (Panthera leo sengalensis) can potentially be protected within the proposed area. In addition, the forest elephant (Lexodonta africana cyclotis) may occur near the Guinea-Conakry border. The ungulate is a threatened species which also can be protected within the area. Among the rare reptiles are the tortoise (Kimixys homeana) and the Nile crocodile (Crocodilus niloticus). Three hundred or more bird species occur in the Region; at least one has been identified by IUCN as being threatened: the yellow-crowned calao.

A.I.D. obtained technical assistance to determine the feasibility of establishing a nature reserve in the southern part of the country and the steps necessary to establish such a reserve. The team's recommendations are reflected in the strategy proposed in Section C below.

#### B. Current Activities of other Organizations

IUCN (International Union for the Conservation of Nature and Natural Resources) and CECI (Centre Canadien D'Etudes et Cooperation Internationale) are the two leading organizations presently engaged in work in Guinea-Bissau related to the conservation of biological diversity.

In a recent summary of biodiversity conditions in Guinea-Bissau, IUCN listed five priority conservation activities. These are:

- (1) Establishment of a protected area system as a matter of urgency.
- (2) Protection of coastal and estuarine mangroves is needed. The Bijagos Archipelago, an important habitat complex for, most notably, migratory birds, waders and marine hippos, is proposed as a protected area, including mudflats.
- (3) Protection strategies should incorporate a strong emphasis on sustainable use of wildlife resources, particularly bushmeat as a source of protein.

(4) Survey of coastal fisheries is needed to identify the extent and impact of incidental dolphin and porpoise deaths, and to propose appropriate conservation action.

(5) Survey of all three species of crocodile are needed, and of marine turtles with special reference to nesting sites.

IUCN's activities in Guinea-Bissau have a dual focus: the coastal zone and the offshore islands, and the development of a National Conservation Strategy. The three-year project in the coastal zone has as its goal the preparation of a coastal management plan, to include delimiting protected areas. Research in the Bijagos Archipelago is urgent because the islands are under development for tourism. The research has a strong emphasis on protecting the native fauna and their essential habitats. Items 2, 4 and 5 (above) are being addressed under the coastal zone project.

Developing a National Conservation Strategy is IUCN's second major focus. In June 1989, an initial workshop was held in Bissau which brought together government personnel concerned with natural resource management. One of the recommendations from that workshop was to create a National Interministerial Commission on the Environment; this became a reality in February 1990. Another workshop for technical personnel is planned for May 1990, to define priorities and themes to be addressed in the Strategy. Items 1 and 3 (above) are receiving attention through this activity.

The activities of CECI include projects ranging from health and ethnomusicology on the one hand to apiculture and forestry on the other, and involve both the coastal zone and the interior of the country.

Thus far, CECI's major contributions to conservation have been a preliminary survey of a potential Dulombi national park site in the Galomaro Sector of Bafata Region. The survey included studies of mammal populations, vegetation resources, hunting and socioeconomics. A second more detailed phase of the survey is to begin this year and involve an additional two years of investigations. These will focus on the fauna and their habitats. As part of the research, a FAO consultant will be coming to do a survey of the Rio Corubel to the south of Dulombi.

A second significant CECI accomplishment was a study regarding a national inventory of fauna and recommendations for revision of hunting laws.

The World Bank intends to take the lead in assisting the government to prepare a Tropical Forestry Action Plan (TFAP). A TFAP typically

is a multidonor undertaking with a single lead agency. TFAPs are being carried out worldwide under a major FAO Forestry Department Program operating from Rome. Subject areas in a generic TFAP are; forest industries, reforestation, fuelwood, land use and wildland management. Other subjects may be added at the cooperating country government's request.

C. A Biodiversity Conservation Strategy for OAR/Guinea-Bissau

In the period 1992-1995, the OAR sees its role as facilitator or catalyst to promote conservation of biological diversity activities in Guinea-Bissau through accessing A.I.D./W. programs, as well as by interacting with other bilateral and multilateral donors and the international conservation community.

During his recent visit, Dr. Dennis Johnson, Biodiversity consultant, recommended that A.I.D. direct attention toward three interrelated subject areas: (1) participation in the Tropical Forestry Action Plan for Guinea-Bissau; (2) organizing and holding a technical short-course in Guinea-Bissau on management of protected areas and natural resources; and (3) monitoring of conservation of biological diversity activities of the government and other donors to identify opportunities to promote needed studies of the native flora, and other complementary activities.

These recommendations are based on the following:

(1) The planned TFAP represents an extraordinarily good opportunity for OAR/Bissau to fulfill biodiversity objectives. Assuming that World Bank requests OAR/Bissau's participation, the OAR should offer to attempt to provide a member of the technical team in the subject area of wildland management. That individual could make contributions within the structure of the TFAP to the planning of parks and protected areas for the country, in particular the Canthanez Forest area proposed by the Governor of Tombali and their relationship to the national conservation strategy being promoted by IUCN. This would specifically address the request made by the Governor with OAR/Bissau.

(2) Technical personnel in operating ministries such as Rural Development and Agriculture; Fisheries; Natural Resources and Industry; and Economics and Finance, are confronted on a daily basis with complex issues associated with natural resource management. These technicians have been educated in a variety of different disciplines. A short course is needed to introduce the basic concepts of ecology, natural resource management and related administrative practices. The goal of the course is to have participating technicians reach a common understanding of protected area and natural resource management as a means of better understanding the relationship between conservation and sustainable development. The course would cover topics such as: a review of the concepts of ecology and biological diversity; techniques of wildlife management and conservation; legislative aspects of environmental regulations and conservation of nature; IUCN Protected

Area System: conservation units and their objectives; design and implementation of a management plan for a protected area and administration of conservation units; coordination of research projects, cooperative programs and other studies; and a case study of Guinea-Bissau.

IUCN and the international conservation community are devoting primary attention to the Bissauan fauna and its habitat requirements. As a result, essential information is being generated for the purpose of assessing the conservation status of the threatened animal species, as well as establishing a basis for the creation of protected areas. Thus far, little if any conservation research activities have been focused on the country's native plant resources. The flora of Guinea-Bissau is still very poorly known, so that we do not know how many endemic plant species there are, nor the conservation status of those species which may be under threat of extinction. The following are important topics for botanical research related to the conservation of biological diversity:

- (1) Mapping of the current vegetative cover of the country.
- (2) Identification of endemic and/or threatened plant species and their geographic distribution.
- (3) Survey of wild germplasm resources of native cultivated crops. The African oil palm, for example, is subsponaneous in Guinea-Bissau, but its germplasm resources have never been studied.
- (4) Survey of native plants used in traditional medicine. Most of the modern medicines derived from wild plants have been learned about through studies of traditional medicine.

Close contact should be maintained between OAR/Bissau and Peace Corps concerning the possibility of recruiting a volunteer who could work with the Cantanez Forest protected area in Tombali Region, as a park planner or agroforester. Peace Corps has only been in Guinea-Bissau since July 1988. At present it has a very small agriculture project dealing with vegetable gardening in the villages. The possibility of recruiting one or possibly two new volunteers to work on protected area development has been discussed. This is appropriate for Peace Corps since worldwide they have strong interests in natural resource management, forestry and agroforestry.

The Legal System in Guinea-Bissau

Following are examples from a "Report of an Advisory Mission of the International Commission of Jurists on the Administration of Justice in Guinea-Bissau." It is included to provide a more detailed picture of the problems facing this country in acquiring a modern legal system.

## 2. Restructuring the system of administration of justice

Restructuring of the administration of justice, one of the objective of the Ministry of Justice's request for assistance, has two main aspects: reorganizing the legal basis for the system of justice, and the no less important task of providing the system with the human and material resources necessary for it to function with a modicum of efficiency. This part of the report shall deal first with the legal restructuring of the system, and then with the material aspects.

### a) The legal framework of the system of justice

As mentioned previously, the mission was given copies of four draft laws prepared by the Ministry of Justice which form the basis for the planned restructuring of the system of justice: the Judicial Organization Law, the Basic Law of the Ministry of Justice, the Statute of the Judiciary, the Basic Law of the Procurator General and the Statutes of the Institute for Legal Assistance.

These draft laws take important steps towards overcoming the excessive centralization and subordination of the administration of justice to the government, which was a legacy of the colonial and revolutionary past, and towards greater conformity with universally accepted standards concerning the administration of justice, in particular the independence of judges and lawyers. The draft Judicial Organization Law provides that the courts will be under the control of a Superior Council of the Judiciary (Conselho Superior da Magistratura Judicial) presided by the President of the Supreme Court, rather than the control of the government and the Minister of Justice, as now is the case. Prosecutors will be under the control of a similar council, the "Conselho Superior do Ministerio Publico," presided by the Procurator General. The Statute of the Judiciary recognizes the principles of judicial independence, immunity, security of tenure and the incompatibility of the judicial function with other public office. The Statutes of the Institute for Legal Assistance for the first time recognizes the right of lawyers to practice law as independent practitioners, recognizes many important guarantees of the independence of the lawyer in the pursuit of his or her professional duty, and recognizes the bar as a legal entity having disciplinary authority over the profession and the right to defend the independence of the profession and individual rights and liberties.

The draft laws do not fully comply with contemporary standards in this area, however. One flaw is so-called Council of Coordination foreseen by the draft Basic Law of the Ministry of Justice, and presided by the Minister of Justice. The functions of this Council, and whose members include the Procurator-General and President of the Supreme Court, is to "coordinate the activities of the Ministry, the Courts and the Prosecutors". While the need for coordination between these three bodies is evident, the way the Council would be created and structured implies not mere coordination but the subordination of the Judiciary to the Ministry of Justice, which is, of course, incompatible with judicial independence. Other restrictions on the independence of the judiciary include the appointment of the President of the Supreme Court by the President of the Council of State, the failure to define the term of judicial office and the Superior Council of the Judiciary's lack of authority over the election of lay judges. In so far as the bar is concerned, the Statute of the "Institute for Legal Assistance" contains a dangerous and unnecessary provision providing for the periodic inspection of the quality of services provided by lawyers by the Ministry of Justice, a function which should be exercised by the bar itself.

A memorandum detailing these and other observations on the draft legislation restructuring the legal system was prepared for the benefit of the Ministry, and is annexed to the present report. The most important issues were discussed by members of the mission with the Minister and other authorities frankly and in detail before leaving Bissau. Our impression was that, while the merit of some of our concerns was recognized, there was no willingness to amend the draft legislation before submission to the competent legislative body, possibly because insisting on more extensive reforms at this time might jeopardize the possibilities of approval of the changes now proposed. The authorities declared that the present reforms are not viewed as definitive, but rather as a stage, albeit an important one, in a continuing process of reform.

In conclusion, although it would be extremely useful to correct the above mentioned flaws in these draft laws before adoption if possible, even with them this legislation marks an important step towards the creation of an independent judiciary and bar.

b) The need for human and material resources in the system of justice

Practically every part of the legal system suffers from serious shortages of qualified professionals and essential equipment. Similarly, the physical installations of the various departments under control of the Ministry are without exception in need of repairs, renovations or in some cases enlargement. The members of the mission did not attempt to make a detailed inventory of the needs of each department, but the needs can be summarized as follows:

- The Courts

At present three types of courts exist in Guinea Bissau: village or neighborhood courts with limited competence composed of elected lay judges; regional courts and the Supreme Court. Draft legislation now pending adoption also provides for the the creation of four new Circuit Courts, with competence superior to that of the regional courts.

The regional courts have a particularly important role in the legal system as presently structured, since they are the only courts below the Supreme Court in which the law is applied by trained jurists. Three trained jurists sit in the Bissau regional court, one in the criminal part and two in the civil part, which has competence over all non-criminal matters, including inheritance, family law, labour law, etc. Of the eight additional regional courts foreseen in the present organigram of the judicial system - one each for the eight administrative regions in the interior of the country - only two have been established. One is presided by a legally trained judge, and second regional court has been established in the expectation that a trained judge will be available in the near future.

The Supreme Court has seven members, only one of whom is trained in law.

In sum, only a portion of the courts of law foreseen by the present plan of the judicial system actually exist. The main obstacle to the establishment of further courts is the lack of trained jurists. Only five trained jurists hold judicial positions at present, less than one-third the number which would be necessary to satisfy the requirements of the the court system as presently structured. The lack of trained jurists therefore constitutes a major obstacle to ensuring the right of every person to prompt and effective access to justice in both criminal and non-criminal matters.

In addition, the building in which the Bissau regional court is located is in need of repairs, and the administration of justice is slowed by rudimentary conditions in which the clerical staff works (shortage of typewriters, filing cabinets, photocopy machines and other office machinery).

The creation of a modest network of regional and Circuit courts throughout the country would require the construction of courtrooms or adaption of existing buildings to this purpose, as well as the acquisition of the necessary office machinery and the training of court clerks and other support personnel.

All the judges in the country save one have been trained since independence, and most have completed their legal education within the last five years. The scarcity of trained jurists compared with the needs of the country has made it difficult for judges to continue their education or follow post graduate courses once they have assumed their post. The small number of legal professionals within the country and the lack of older and more experienced lawyers and judges make it difficult for lawyers and judges to develop their professional skills, keep abreast of current legal ideas and maintain the necessary and sometimes difficult commitment to the ideals of the legal profession.

- The prosecution

The number of prosecutors in Guinea-Bissau is also inferior to the needs of the system of justice as presently structured. At present there are five prosecutors, three attached to the court of Bissau (two criminal and one civil) and one each to the two regional courts in the interior.

The Procurator-General is a medical doctor.

The creation of the full complement of courts contemplated would require at last three times the present number of prosecutors.

Like the judges, the prosecutors are relatively young and new to the practice of law. This again emphasizes the need to make a conscious effort to encourage the continuing development of legal skills and knowledge as well as understanding of and commitment to the prosecutors duty to apply the law fairly and impartially in all circumstances.

- The bar

Thirteen lawyers are authorized to practice law in Guinea-Bissau. Six of them have regular law degrees received in Portugal, six were educated in the Law School which functioned in Bissau from 1979-85 and one studied law abroad without completing the degree. The most senior of them completed his legal studies in 1985. There are no women lawyers.

Only one lawyer practices law full-time. The others are employed in various governmental agencies or state-owned enterprises, and may take up cases on a voluntary, part-time basis.

The independent exercise of the legal profession is not recognized at present. The lawyer who practices law full-time is an employee by the department of "Advogacia Popular" of the Ministry of Justice, and those who are employed by other agencies or bodies in theory can only appear before the courts or advise clients on a voluntary basis, that is, without charging a fee.

As we have seen, the draft Statutes of the Institute for Legal Assistance are intended to legalize the independent exercise of the legal profession, thus creating greater financial incentives to the practice of law. This is expected to increase the availability of legal services by allowing and encouraging lawyers presently in salaried positions in various agencies to offer their services to the general public on a full or part time basis. While it is not possible to estimate the impact of this law on the availability of legal service with any degree of certainty, it does not seem possible that the increase in available services resulting from the increased offer of such will be sufficient to satisfy the needs of all the different sectors of the society, particularly at a time when the liberalization of the economy and resulting social transformations are likely to result in a greatly increased demand for legal services in various areas.

The observation made previously with respect to judges and prosecutors also applies to lawyers, that is, that the small size of the bar and the lack of older more experienced practitioners puts a premium on devising appropriate measures for stimulating Guinean lawyers professionally and preventing the sense of vulnerability and conformity which isolation tends to engender.

- The police

In contrast to most departments of the Ministry, the most pressing needs of the Police do not appear to be trained personnel but rather material. The two Police units visited, theft and homicide-assault, operate in very poor conditions, both in terms of office material and the physical conditions of the offices themselves. Recordkeeping appears to be rudimentary. No statistics on crime are available.

Attention was drawn to the lack of operational equipment, such as vehicles and radios, and in particular the need for a police laboratory. It is difficult to evaluate the actual need for such equipment, in part due to the absence of statistics on crime. Should the possibility of giving priority to assistance of this kind be given serious consideration, a second mission by experts having more experience in this particular area would be advisable in order to make a more detailed evaluation of needs.

The facilities for police detention are extremely inadequate. Only one cell, without proper sanitary facilities, is available. At the time of our visit it contained more than 40 prisoners. The authorities interviewed agreed that detention for longer than the period permitted by law is common, although there was no agreement as to how long such detention may last in practice nor the reasons for prolonged detention. Some attributed the failure to comply with the legal time limits to the lack of material resources needed to complete the preliminary investigation promptly, while others indicated lack of vigilance on the part of the courts and prosecutors was an important contributing factor.

In order to ascertain the true cause of prolonged detention for purposes of investigation it would be necessary to examine a sufficient number of cases in some detail, but the detailed study of such specific problems was not considered to be part of the objectives of this particular mission. It should be noted that the analysis of such problems and their causes is rendered more difficult by the lack of adequate records and statistics, which is necessary not only for the efficiency of police operations but also the evaluation of operational problems and effective planning to meet the evolving needs for law enforcement. In so far as the conditions of detention are concerned, the head of the police indicated that plans exist for substituting the present facility by more adequate facilities in the near future, as indicated below.

c. Recommendations concerning legal education and training

The main need in the courts, the bar, and the Office of the Prosecutor is for trained lawyers and jurists. Although one foreign lawyer occupies a key post in the Office of Research, Legislation and Documentation, in general the justifiable policy of the government is to provide nationals with the necessary legal training to fill this need.

In the past legal education has been acquired in one of two ways: through scholarships for studying law abroad, or in the Law School which functioned in Bissau from approximately 1979 to 1985. It should be noted that in Portuguese there is an important distinction between the term law school and faculty of law. The latter refers to the faculty of law of a university, whose graduates have received a full legal education and are prepared to practice law (sometimes after completion of additional requirements such as passing a comprehensive exam, writing a thesis or completing a period of practice under the supervision of an experienced lawyer). The term 'Law School' refers an institution which is not part of a university, and which offers a simpler or less complete training in law, which normally would not entitle the graduate to be considered a fully qualified practitioner. The Law School which operated in Bissau for several years was staffed by qualified law Professors from abroad, and offered the equivalent of the first three years of a European legal education. The presumption was that graduates of the Law School would later complete their legal education abroad. In practice graduates of the Law School reportedly encountered difficulties in continuing their education abroad, due at least in part to discrepancies between the education received in Bissau and the equivalent years of study in Law Faculties abroad. Graduates of the Law School are entitled to practice law in Guinea Bissau, although a distinction is made between them and graduates of Law Faculties.

In May 1988 a delegation of law professors from the Universities of Coimbra and Lisbon visited Bissau at the invitation of the Ministry of Justice and drew up a plan for the reopening of the former Law School as a full fledged Law Faculty. Pursuant to the statement of intent, the curriculum of the Law Faculty of Bissau would be based on that of the two Portuguese universities, which would provide professors to the Law Faculty of Bissau and supervise the level of instruction. Consequently, degrees granted by the Law Faculty of Bissau would be recognized as equivalent to those granted by the Portuguese universities. During the first five years a concerted effort would be made to prepare Guinean lawyers as law professors, so that by the end of that period the law school would no longer be dependent on foreign professors. The Law Faculty was to have opened in November 1988, but has not due mainly to lack of the necessary funding.

The authors of the present report consider that creating an institution capable of providing a legal education in Guinea-Bissau is the best way to create the trained jurists and prosecutors needed to consolidate the judicial system, and the legal practitioners needed to satisfy the demand

The proposal to reopen the former school as a law faculty is favoured by the Ministry of Justice. However, the existing project is a relatively expensive one and has not received sufficient guarantees of financing thus far.

If efforts to establish a law faculty at the present time are not successful, consideration should be given to reopening the Law School to satisfy the urgent need for trained lawyers and judges. It is advisable to take steps to ensure that basic courses given in Bissau would be recognized in foreign universities, whenever possible, in order to facilitate further legal studies abroad at an appropriate point in the career of the individual and in the development of the legal system. However, recruitment Portuguese speaking law professors from non-European countries would probably be more economic, and might be more conducive to the professed goal of adapting the legislation and legal system to the present realities of Guinea.

In addition to the need for basic legal training, it is necessary to make arrangements for lawyers and jurists already exercising the profession to receive continuing legal education and specialization. As indicated above, the small size of the legal community and lack of older more experienced lawyers and jurists makes it imperative to provide young lawyers and judges with the opportunity to keep abreast of legal developments in different areas and exchange ideas and experiences with colleagues from other countries. Establishing and initiating a programme in this regard will also provide an intellectual stimulus and moral incentive to young professionals in a country where material incentives are very modest and flight of trained professionals is a potential problem.

The most important component of such a programme would be the organization of seminars and workshops in Guinea on a regular (perhaps annual) basis, with the participation of experts from other countries. SUCH events could provide the entire legal community with an opportunity to further their knowledge of topics of particular relevance, or to discuss areas where changes in the law are under consideration. In addition, especially during the present period when the prolonged absence of trained lawyers and judges from the country might be considered incompatible with efforts to consolidate the legal system, efforts should be made to identify seminars and short-term courses abroad which would provide lawyers and judges with useful specialization, such as the month-long course on international law offered annually by the International Law Commission in Geneva. Such efforts are probably made at present, but possibly could be made on a more systematic basis. Similarly, while Guinean lawyers and jurists do participate in some international legal societies and organizations, the possibility of encouraging greater participation in such bodies might be considered as a means of exchanging ideas and experiences with colleagues in other countries.

Finally, while scholarships for foreign study are not the most appropriate way of increasing the number of persons having the basic legal training required by Guinea Bissau in the short term, for the foreseeable future, they remain the only way to obtain the advanced legal training and specialization which is also necessary for the development of the legal community in the medium range. Accordingly, criteria and policies should be established for determining equitable access to scholarships which are offered through the government basis as a form of development aid. Such policies should be designed to allow advanced study by the most talented and dedicated professionals while taking into account the acute shortage of lawyers and jurists which constitutes the main obstacle to reform of the legal system in the short run. A certain period of service as lawyer or judge might be required before eligibility for competition for available scholarships, for example.

d) Recommendations regarding equipment, repairs, renovations etc.

Equipment such as typewriters, filing cabinets and photocopy machines are lacking in all the departments of the Ministry of Justice, as indicated in the preceding part of this report, slowing the administration of justice and undermining the morale of the public servants in this area. The poor physical condition of various types of legal records and the lack of adequate record storage and retrieval facilities is a serious problem. Similarly, most departments function in offices which are in bad repair and in many cases overcrowded or in need of remodeling to make them more suitable for the purpose they serve (the creation or relocation of waiting rooms for the public, for example, or the elimination of passageways which pass through work areas). While the needs for legal and correctional personnel are more urgent, it would be appropriate to allocate a portion of the available aid to beginning to effectuate the purchases, repairs and other works needed throughout the system of justice.

The only specific questions with regard to material infrastructure which arose were the interest expressed in establishing a forensic medicine laboratory and in obtaining certain police equipment, such as radios. The members of this mission do not have the expertise required to evaluate the need for such equipment. If these requests are to be considered, it would be advisable to seek the opinion of experts in the respective areas.

3. Revision of the legislation in force

The Ministry has also requested assistance in adapting the legislation in force to the present needs of the country. During the mission it was possible to review the legislation in force in general terms. There is no doubt that a thorough revision is needed in order to bring the law into greater conformity with the legal traditions of the country, the changing needs of the society and economy and with international norms. Legislation adopted since independence is relatively scarce, so that the majority of the law theoretically in force is from the colonial era. While some of the legislation is actually applied, some of it is so irrelevant as to be dead letter. In these circumstances the theoretical applicability of colonial legislation is in reality a facade for a normative void, with the legal insecurity that such a void implies.

In addition, part of the legislation adopted in the early years of independence is already outmoded and needs to be replaced. There is also a need to study and systematize traditional law of the various ethnic groups which make up the population of Guinea, which is legally accepted as applicable for certain purposes but is imperfectly known and understood.

Within the Ministry of Justice the Office of Research, Legislation and Documentation has responsibility for systematizing the law in force, that is ensuring effective access to the law and the preparation of draft legislation. Even for those whose professional duties are most closely linked to the law, such as legislators, officials, judges and lawyers, effective access to the law is not guaranteed at present because of the lack of resources in this office. There is only one index to legislation adopted since independence, on hand lettered file cards, and it is several years out of date. No collections of legislation on any given subject has been published, either for the general public or the legal profession.

In addition to ensuring access to the law and helping prepare draft legislation, the Office of Research, Legislation and Documentation has responsibility for the drafting of legal opinions on any questions on which advice of the Ministry is needed (treaties, contracts, decrees, etc.), and the planning of administrative aspects of the administration of justice, in cooperation with the heads of the relevant departments. At present the Office is staffed by one lawyer, from Portugal. Obviously this is not sufficient to fulfill the critical functions mentioned above.

The role of foreign assistance in adapting the law to the present realities and needs of the country should be essentially supportive. In general the more closely the law is tailored to the cultural traditions and economic, social and political realities of a country, the more it will be accepted and respected, and the more efficient it will be as law. With the possible exception of some areas where law has become highly internationalized, the "importation" of model legislation is likely to put a modern face on the law without solving the real problem of creating law adapted to the needs of the country. Moreover, in a democratic society the creation of law can not be reduced to an essentially technical problem, because popular participation in the creation of the rules which govern the society, through political organizations, community, professional and other groups is a fundamental part of self-government.

The authorities in Guinea have indicated that efforts have been made to consult with the population on draft laws which have the most direct affect on the general public, through political and community structures. The mission recommends that two institutions which hopefully are about to be created or revived should also be incorporated in the process of consultation, namely, the Institute for Legal Assistance and the Law Faculty or School. The former, as a forum representing the collective views of all the legal practitioners of Guinea, and the latter, as an autonomous center for study and reflection on the law could make especially valuable contributions to this process.

Much can and should be done to support the process of law revision without interfering with this democratic process. In the first place, it would be appropriate to strengthen the Office of Research, Legislation and Documentation which has a key role in this process. The most urgent needs would appear to be for additional staff, including a documentalist and an additional jurist, and a modern system of documentation production, reproduction, storage and retrieval necessary for ensuring efficient access to the law in force. Secondly, when the Institute for Legal Assistance and the Law Faculty or School begin to function, it would be appropriate to give them such assistance they might need in order to assume an active role in the process of review and creation of law.

Thirdly, law revision does have a technical as well as policy aspects, and consultation with experts from other countries can be extremely valuable, provided it is provided in such a way as to respect the need to create law adapted to the needs of the country. One way is to solicit the opinion of experts from other countries on draft legislation. The observations made by the members of the present mission on the legislation restructuring the legal system provides an example of this type of technical assistance.

Opportunities to provide this type of assistance might also arise in the future when new legislation in other areas is being planned. In general it is advisable to use two or more experts in the specific legal area having complementary experiences, and to provide the opportunity to consult directly with those involved in Guinea, as in the present mission.

Another way of providing technical advice when legislation in a given area is being prepared is to organize seminars in which the draft legislation is discussed publicly with participation of experts from other countries, national authorities and experts and representatives of the relevant professional or other groups. This method is more valuable in technical terms, because of the participation of a larger number of experts and the more dynamic processes of analysis and evaluation. In addition, it is more conducive to the democratic processes because of the direct participation of representatives of the relevant sectors of the society.

The value of this type of event depends a great deal on the qualities of the experts from other countries who are invited to participate. In supporting process of legal reform in Guinea-Bissau, it would be advisable to incorporate experts from other developing countries, and including other African countries and when possible from other former Portuguese colonies. To this end, it would be advisable to begin making contacts with such countries in order to determine where there are experts or interesting experiences that might be useful in Guinea. Indeed, it might be advisable to study the economic and political feasibility of approaching the question of technical legal assistance within the framework of the five former Portuguese colonies.