PN-ABF-307
60589

PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

USAID/GUINEA

MAY 1988

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Contract No. PDC-1109-I-00-7119-00

Delivery Order No. 4

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ACRONYMS

AFR/TR/EHR	AID Africa Bureau, Office of Technical Resources, Education and Human Resources
AID	Agency for International Development
AMDP I and II	Africa Manpower Development Projects
BARAF	Bureau d'Aide a la Reconversion des Agents de la Fonction Publique
BIAG	Banque Internationale de l'Afrique de l'Ouest
BICIGUI	Banque Internationale pour le Commerce et l'Industrie de la Guinee
BIG	Banque Islamique de Guinee
CAMPC	Centre Africain de Management et de Perfectionnement des Cadres
CCCE	Caisse Centrale de Cooperation Economique
CCDE	Centre de Creation et de Developpement des Entreprises
CCIA	Chambre de Commerce, de l'Industrie et de l'Artisanat
CDSS	Country Development Strategy Statement
CEPERTAM	Centre de Perfectionnement aux Travaux de l'Auto-Mecanique
CESAG	Centre Africain d'Etudes Superieures en Gestion
CMRN	Comite Militaire de Redressement National
CNPG	Centre Natl de Perfectionnement a la Gestion
CNPIP	Centre National de Promotion des Investissements Prives
CNTG	Confederation Natle de Travailleurs de Guinee
COMEX	Commodities and Minerals Exchange
COPRAGRO	Cooperative de Production Agricole (Kindia)
ECOWAS	Economic Community of West African States
EEC	European Economic Community
ENAM	Ecole Nationale des Arts et Metiers
FAC	Fonds d'Aide et de Cooperation (French AID)
FF	French Franc
FY	Fiscal Year
GDP	Gross Domestic Product
GF	Guinean Franc
GOG	Government of Guinea
HRDA	Human Resources Development Assistance Project
IBRD	Intl Bank for Reconstruction and Development
IDA	International Development Agency
NCBA	National Cooperative Business Association
NGO	Non-governmental Organization
OIC	Opportunities Industrialization Center
ONEMO	Office Natl de l'Emploi et de la Main d'Oeuvre
ONFPP	Office National de Formation et Perfectionnement Professionnels
ONPME	Office Natl des Petites et Moyennes Entreprises
PIP	Public Investment Program
PVO	Private Voluntary Organization
SAL	Structural Adjustment Loan
SED	Secretaire d'Etat a la Decentralisation
SGBG	Societe Generale de Banques de Guinee
SME	Small to Medium-scale Enterprise
UMOA	Union Monetaire de l'Ouest Afrique
UNDP	United Nations Development Program
USAID	United States Agency for Intl Development

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HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT
PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

EXECUTIVE SUMMARY

The purpose of the HRDA private sector training needs assessment conducted in May 1988 was to determine training priorities which will promote private sector development in line with the USAID Guinea assistance strategy. This strategy focusses on assistance in consolidating and implementing Guinea's economic policy reform program and on assistance to stimulate creation and expansion of private enterprise, with emphasis on the agricultural sector.

The five-year training plan developed as a result of this assessment will serve as the basis for one part of the HRDA project training activities from FY 88 to FY 92. (The second part will be devoted to training activities intended to improve public sector management capabilities).

The private sector training needs assessment identified the following major constraints to development of private sector activities, particularly as concerns the small to medium scale enterprises which were targetted by the assessment::

- critical lack of management skills, particularly as relates to planning, marketing, pricing and accounting
- lack of available credit for both working capital and investment
- inadequate physical infrastructure, especially roads, communications and electricity
- supply bottlenecks, primarily of imported inputs and spare parts
- frequent harrassment and petty corruption
- complicated and time-consumining administrative procedures, particularly as regards start-ups and licensing
- lack of follow-up and technical assistance to SMEs if and when they obtain credit.
- lack of coordination of effort among the organizations assigned the task of promoting private sector development, including the ONPME, CNPIP, BARAF, CCIA, among others.

The HRDA training strategy is designed to relieve certain of the above constraints through human resources development within private sector firms and organizations which assist the private sector.

The HRDA training strategy has four specific objectives:

(1) to improve private sector management and accounting practices;

(2) to strengthen local training institutes and business promotion units serving the private sector;

(3) to improve credit appraisal and management techniques for lending to small to medium-scale enterprises; and

(4) to strengthen extension programs to assist rural enterprises.

To increase the management and accounting skills of owners of private sector firms, HRDA will fund two annual in-country seminars in such topics, organized through CNPG, and will also fund five private sector participants per year at short term third country training programs and one private sector participant per year in a long term MBA program in the U.S.

To strengthen training institutes and GOG units which support the private sector, HRDA will provide for training of trainers within CNPG, program development within the OIC and staff development training at CNPIP and at the Condition Feminine. Training opportunities will also be made available to the Chamber of Commerce, Industry and Agriculture (CCIA), ONFPP, ONPME and BARAF.

To promote lending to small scale enterprises, training in credit appraisal and loan portfolio management will be provided to the local commercial banks and NGO's involved in such lending.

To assist rural productive groups, the HRDA project will train extension agents and trainers in organization and management of successful rural cooperative groups.

It is estimated that the HRDA project will be incrementally funded from the mission's OYB as follows: $1.4 million in FY 88 and $1.0 million per year for FY 89-92, totalling $5.4 million over the five-year period. Of that amount, $2,645,000 (49%) will be devoted to private sector training, including 5 long term degree programs in the United States; 5 long term third country degree programs; 158 short term third country training programs (including participants in regional conferences organized by AID/W); 4 short term training programs in the U.S.; 10 study tours to the U.S. or to African countries; and 37 in-country training activities.

HRDA will also finance a private sector training coordinator, training follow-up activities, Private Sector Advisory Board activities and training materials and supplies for the USAID training office to support its in-country training activities.

I. HRDA BACKGROUND

The Human Resources Development Assistance (HRDA) project was initiated in FY 1988. Its stated purpose is to stimulate, facilitate and support national and regional training programs that will provide qualified technical, scientific and management personnel and policy planners to strengthen African development institutions, enhance the growth of the private sector and increase the participation of women in development.

The HRDA project, as compared to the predecessor regional training projects AMDP I and AMDP II, has two new targets: first, 50% of project training (i.e., number of trainees) should serve to promote private sector development; second, 35% of the project trainees should be women. In addition, the project places increased emphasis on the use of third country and in-country institutions.

To assist missions in meeting these targets, Africa Bureau's Office of Technical Resources for Education and Human Resources (AFR/TR/EHR) offers assistance to missions in developing their private sector training strategies. USAID Guinea requested and received such assistance in preparing this strategy. (Assessment methodology and interviews are described in Annexes 1, 2 and 3).

The assessment team wishes to express its appreciation to Mustapha Diallo of the Training Office who carefully organized and supervised the assessment, and to Hadja Diop, USAID Training Office Assistant, and Dr. Fara Lenaud, ONFPP Program Officer, who arranged meetings and accompanied the team on all its appointments.

II. USAID DEVELOPMENT PRIORITIES FOR GUINEA

Guinea, with a population of 6.5 million and disposing of vast natural resources, is awakening from twenty six years of repressive state control of all economic activity. The military government which assumed control of Guinea in 1984 was faced with a devastated economy. Since independence, per capita income and per capita food production had both declined. Physical infrastructure was in serious disrepair. All productive enterprises were state-owned and the state bureaucracy was bloated and inefficient. Since wages were insufficient for survival, corruption among civil servants was commonplace.

The new government launched an ambitious program of reform to renew the economy, essentially through private enterprise. The planned changes are sweeping, especially given the state of the economy and of public administration in Guinea.

The reforms include a drastic decrease in the size and role of government, elimination or privatization of almost all state-owned enterprises, liberalization of prices and markets and adoption of a public investment program which emphasizes infrastructure rehabilitation and assistance to the agricultural sector. Problems in achieving these reforms will also be immense, not the least of which is the need for a complete change in mentality among both public and private sector employees who had been force-fed the virtues of a state-controlled economy.

AID's CDSS for Guinea was prepared in March 1987 and provides a general framework for development assistance focussing on consolidation and implementation of Guinea's economic policy reform program and on creation and expansion of private enterprise. The CDSS states that USAID development assistance will:

- support economic policy reform, through policy dialogue and financial assistance, in order to remove constraints to agricultural-related development;

- maintain and improve policies allowing foreign exchange rates to be determined by market forces and to increase the access of private traders to foreign exchange;

- assist the implementation of banking reforms to increase access of private agricultural enterprises and rural traders to credit;

- remove all restrictions including government price controls on the private marketing of agricultural input and produce, exports of crops and trade in rural areas of consumer goods;

- support development of private enterprise and competitive marketing;

- increase availability of agricultural inputs

- improve the transportation infrastructure, especially roads, bridges and ferries;

- make selective interventions in training and information in support of interim CDSS objectives.

The USAID mission has five types of resource flows to sustain its development efforts. They are:

1. Inflows of food and foreign exchange from the U.S. tied to reforms with regard to agricultural trade and marketing, investment and credit (Title I, Food for Progress, and AEPRP);

2. Assignment of local currency arising from food and foreign exchange inflows to restructuring, development and on-lending through commercial banks;

3. Short-term studies to facilitate policy decisions having to do primarily with meeting conditions precedent;

4. technical assistance to add to the GOG's short and intermediate technical competence in defining and implementing reform-related processes (private agri-business preparation project and AEPRP support project);

5. external training and internal short courses and seminars to increase Guinean capacity to continue the reform process (AMDP, HRDA, GAEPRP Support Project).

A major par of USAID/Guinea's development strategy in the near term will be the Guinea Agricultural Infrastructure Development Project, 675-0213, a four-year assistance program to rehabilitate 104 km of road to serve as a critical transportation link between the capital and the productive coastal area. AID will provide $23.5 million for the purpose of rehabilitating the Boffa-Kolaboui road, needed to further stimulate agricultural production and marketing, particularly as concerns rice production in the region. This project may feed into a major FY 90 agricultural sector grant.

The HRDA project is another important element of USAID Guinea's portfolio. The private sector training component of that project will support the mission's assistance strategy by developing human resources capable of managing private enterprises or of training or otherwise assisting private entrepreneurs.

III. PRIOR USAID TRAINING ACTIVITIES

USAID Guinea has increased its participant training program from less than 15 new U.S. and third country participants per year prior to FY 84 to more than 45 in FY 87 and a planned level of 55 participants in FY 88. The level of in-country training programs has also increased from only 1-2 per year in FY 84 to at least 8 such activities in FY 88.

The increase in the level of training activities has been due to large buy-ins in FY 86, 87 and 88 (at least $1 million annually), a level which will probably be maintained over the life of the HRDA project. This level of training activity is needed in Guinea where human resources development was at a near standstill over the 26 year period of the First Republic. In addition, the ambitious nature of the economic reform program now being implemented under the Second Republic, and its emphasis on growth through private sector development, make it essential that human resources capable of managing such reforms and of creating and expanding private enterprise be developed quickly and efficiently.

USAID/Guinea's training activities included a large scholarship program in the early 60's (150 scholarships were provided under the bilateral Development Training Program) and a project to train educators and personnel at the Ecole Nationale des Arts et Metiers (ENAM). Most of the skilled technicians in Guinea today were trained under this program.

AID assistance to Guinea terminated in 1968 but was reinstated in 1975. From 1975 to 1986, AID trained more than 100 participants in U.S. and third country programs under bilateral and regional training projects Centrally funded programs financed more than 40 participants in U.S. and third country programs.

Most of the training sponsored since 1975 was financed through the two African Manpower Development Projects (AMDP I and AMDP II) and the African Graduate Fellowship Program (AFGRAD I, II and III).

Certain bilateral projects funded small numbers of participants, including the Guinea Agricultural Production Support Project (7 masters' level participants), the Smallholders Preparation Project (5 masters' level participants), and the Semi-Arid Food Grains Research and Development Project (third country participants).

The Guinea Agribusiness Preparation Project was intended to train personnel from the National Center for Private Investment Promotion (CNPIP), but delays in recruiting the Center's personnel prevented implementation of the planned training before the project completion date. (Staff training for the Center is included as a fundamental part of the HRDA project- see section VI).

In the last three years, USAID/Guinea has switched its emphasis from U.S. and third country degree training to in-country training programs. This is due in large part to the history of academic difficulties encountered by Guinean students in such degree programs.

Until recently AID had accepted nominations for such training from the GOG, without any formal testing or selection process. Most candidates did not have adequate preparation for a U.S. graduate degree program and required extensive undergraduate coursework before commencing the master's degree program. Candidates have also needed longer periods of English language training than other francophone African students.

In-country training programs implemented under AMDP have relied on technical assistance from external resources from the U.S. (USDOL, NASPAA and the University of Pittsburgh) and from Africa (CAMPC, CESAG, PAID). Until very recently, the lack of centralized training institutes precluded an effective transfer of the training technology to counterpart Guinean institutions. Until very recently, the lack of adequate USAID training office staff and facilities precluded appropriate pre-departure orientations and allowed for only minimal post-training follow-up.

The number of female trainees over the term of USAID/Guinea training activities has been limited. Under AMDP II, there were no women participants in FY 84 or FY 85. In FY 86, women represented only 18% of total program participants. (An effort to increase considerably the number of women was made in FY 87 and continues in FY 88. Since the FY 87 country training plan is still being implemented at the present time, exact numbers were not available but the rough percentage of women participants should increase to around 25%).

A recent impact evaluation of training activities in Guinea from the 1960's through 1987 reached the following conclusions: participants felt they had benefitted personally and professionally from AID-funded training. GOG officials are very favorable to AID-sponsored training. In-country training activities in the past 2 years have been very well received and provide training to a larger audience and at a lower cost than third-country training opportunities. Equivalency problems have not arisen. A follow-up system is needed to better monitor training effectiveness and to determine additional training requirements.

Until FY 87, no training activities had been organized for the development of the private sector. In FY 87, some 10 third country training slots in short term programs were earmarked for the private sector and at least one in-country seminar conducted by CAMPC was designed for the private sector.

IV. PRIVATE SECTOR ENVIRONMENT IN GUINEA

The following section summarizes the environment in which Guinea's private sector operates. It also sets forth the principal constraints which hinder the private sector's development and recommends areas in which HRDA training can help alleviate constraints. Greater detail on the private sector environment is found in Annex 5.

Guinea's economy is starting to recover from its near-collapse four years ago. Agriculture, including forest products, livestock and fisheries, contributes slightly more than 40% to GDP and "employs" about 80% of the population of working age. Commerce and the public sector add about 35% to GDP, followed by mining, 23%, and finally manufacturing at 2%. Bauxite and alumina provide the lion's share of mining's contribution to GDP, with diamonds and gold production becoming increasingly important.

Manufacturing has a very low average value-added, as most raw materials and intermediate goods have to be imported. Most companies produce at much less than capacity, constrained by a small domestic market and the lack of well-functioning business infrastructure (electricity, water, communications, roads). The formal manufacturing sector, broadly defined, probably (few accurate statistics exist) has no more than 100 enterprises, mostly small scale - employing 1-5 people. By contrast the informal sector is estimated to be 10 times as large.

For the near and medium terms, economic growth will likely remain modest, since all basic infrastructure must be rehabilitated and a political and economic environment conducive to increased private sector participation must be created. Confidence and certainty must be built to attract both local and foreign investment to Guinea.

A. Policy Environment and Expected Reforms

Since 1984, the Conte government has instituted policies aimed at liberalizing and rebuilding Guinea's economy. Faced with many pressing needs, the GOG moved on several fronts: elimination of most controlled prices and subsidies, opening of most of the economy to free enterprise and the liquidation or privatization of most parastatals. Certain legislative steps have been taken such as the enactment of investment, labor, commercial and tax codes, reform of the banking sector and simplification of tariffs. In spite of those changes and legislative moves, the private sector is not sure of its relationship with the GOG. There still exists a reservoir of latent hostility toward the private sector. Simply put, the private sector is not sure of the intent and seriousness of the GOG and its policies.

Important steps are still to be taken, viz: the enactment of an accounting code, an import duty code, real property laws, the establishment of a title deed system and coordinated action on the part of the various organizations established to help the private sector. There still is not a solid, tested legal, commercial and regulatory structure which sets out a set of reasonable rules and procedures with which the private sector can operate. There is a lot "on paper," but actual implementation has yet to come.

In 1986, the first IBRD structural adjustment loan targetted the restructuring of the economy, rehabilitation of infrastructure, revitalization of the private sector and agriculture, diverstiture of uneconomic parastatals and management of public finances. A second structural adjustment loan will both continue the work of the first, and will emphasize fiscal reform and tax collection, managerial assistance in key ministries, administrative reforms, and the strengthening of the country's legal and commercial structure. USAID's current program buttresses the World Bank programs by facilitating economic reforms aimed at a market based agricultural sector and at the private sector's credit needs.

If the private sector is to have a major role in economic growth and if commercial agriculture is to succeed, strong, positive implemented policies which give incentive to the private sector are needed. The private sector is the only sector which can move rapidly enough and on a number of fronts simultaneously to address many of the human resource, economic and business linkage shortcomings in Guinea today.

B. Economic and Market Factors

The undeveloped and fragile economy of Guinea and the small size of today's domestic market act as a brake on the growth of SMEs. Constraints occur with all infrastructure components, the lack of technical and business skills among the general populace, the credit situation, lower purchasing power, the lack of industrial capacity and business linkages, and the growing competition of imports.

The current limited size of Guinea's market for goods and services and the stagnant or restricted neighboring country markets render SMEs vulnerable to internal competition, as new firms start up in limited areas of business activity, e.g., transportation, bakeries, pharmacies, etc., and to external competition from cheap imports. Guinea's private sector is not yet organized and does not yet speak with one, articulated voice. It has no means of taking concerted action to make itself heard and to combat the usual threats to infant industries and to an infant economy.

It has long lost its large export market for agricultural production to other countries, as well as the attendant agro-industrial opportunities. All this must be rebuilt.

C. Financial Markets

Guinea's banking sector has four commercial banks, one of which is Islamic and one of which is somewhat oriented toward development lending. Guinea has a national insurance company, but no leasing or venture capital companies. Only one bank, BICIGUI, has a branch network outside Conakry. As one might expect, the conventional banks' portfolios are made up of mostly commercial accounts.

Two operating donor-funded credit lines (IDA and CCCE) are available for medium- and long-term equipment financing, and one of them (CCCE) is principally used by ex-civil servants who have lost their jobs and who attempt to start their own businesses. An EEC credit line is due to start in two months directed toward SMEs. These lines carry preferential rates and terms, but miss a good number of entrepreneurs. An AID program of $10 million in ESF funds matched by the GOG in the same amount - $10 million - is due to come on stream shortly. It should help offset the lack of short term and equity capital facing the smaller entrepreneur.

Foreign exchange is becoming much more available through official channels via a weekly auction system. If the rates of purchases and sales of foreign exchange registered in the first four months of 1988 are maintained, purchases will have doubled over 1986 and sales will have quintupled. Exchange rate differentials between the official market and the parallel market are shrinking -- now at about 7% premium on the parallel market for both dollars and French francs.

The banking system suffers from illiquidity because of the need to contain inflation (25% in 1988 vs. 38% in 1987), lack of consumer confidence in banks because of loss of deposits when the state banks closed in December 1985, the fact that one-third of the money supply is outside the formal banking system, and because there are very few bank branches in the interior. Despite the pressure on the banks to lend to SMEs, there simply is not that much credit available for the SME. Also there is a lack of credit for short-term business needs.

Banks are reluctant to lend to SMEs for a variety of reasons, ranging from their own traditional aversion to risk to various negative SME characteristics. These are notably lack of investment capital, lack of collateral of any type, and lack of business experience.

The lack of business experience lends itself to some correction through training - such as how to structure, finance and manage a business, how to prepare business proposals and loan applications, how to prepare and keep accounts, and how to shed the "commercial" mentality and take on that of the financially responsible businessman.

While it is premature for Guinea's commercial banks to entertain some of the more "creative" mechanisms available to put credit in the hands of the SME, the opportunities to use the mechanisms (loan packaging, downstreaming, joint supplier/bank/donor agency credit pools, etc.) should be sought at the earliest feasible time and training to encourage lending to small scale entrepreneurs should be provided.

D. Human Resources

Guinea's near-shattered economy, her population's loss of skills in technical and business areas, and her growing urban unemployment make the questions of human resources and how to employ them gainfully key today.

Guinea, like many other developing countries, lacks a pool of experienced entrepreneurs, although seemingly there is little shortage of entrepreneurial spirit. There simply has been no opportunity for entrepreneurs to develop for an entire generation, given the prohibition on most private enterprise.

The shortcoming of the fledlging entrepreneur is that he has little if any business experience and little understanding of the requisites of business. Many new entrepreneurs imitate what others are doing, rushing into lines of business that are popular for the moment, without analyzing what the market can bear. Those few Guinean entrepreneurs, whose SMEs which are coming on stream, are very well aware of their skill shortcomings.

Management skills and know-how are virtually absent in the SME sub-sector. The practical skills of running a business are lacking- general management, planning, financial skills, markets and marketing, and production management. Bankers and foreign businessmen state that so much in the way of elementary skills has been lost or simply is not present that training must, perforce, be simple and adapted to the responsibility which the individual will have.

Given Guinea's widespread unemployment, the labor supply is abundant. Its principal strength is its adaptability and inventiveness - born of 26 years of necessity. Its main weakness is its extremely limited technical expertise. Other weaknesses are the extended family system which often relegates work to second place, and a lack of familiarity with the concept of maintenance. Discipline, incentives (to offset low salaries and avoid theft) and constant supervision are the three prerequisites for a productive labor force.

Finally, the question of the work ethic touches both the managerial and labor segments. During the Toure era, when the only formal employer was the government and it was supersaturated with poorly paid employees, one was forced to find other ways to make ends meet. Job responsibility meant nothing and one only showed up on payday. The shift to new work habits coupled with the still low wages and low purchasing power has made the transition difficult, and is a source of friction between employer and employee.

E. Economic and Industrial Potential

The best Guinea can hope for is modest growth over the next few years. This assumes continued progress on the policy front, concrete actions to motivate the private sector's participation, and rapid widespread rebuilding of infrastructure. Growth can come from the following sources:

SECTOR	POTENTIAL FOR GROWTH
Agriculture-	Food crops, fruits, vegetables, coffee, cotton.
-	Agriculture related activities, e.g., agricultural input supply, food processing, other agricultural goods and services.
-	Fish.
Manufacturing-	As a result of successful privatization of certain state enterprises.
-	Light industry tied into rural productive activities & for import substitution consumer goods.
-	Medium industry for import substituting intermediate goods.
-	Food chain, construction chain.

Mining - Bauxite, alumina - current demand for aluminum is strong and likely to remain so for the near future.

- Diamonds, gold.

Commerce - Limited in near-term; renewed potential once economy moving.

Tourism - Almost nil.

Construction- Once economy moving, high potential.

Services - Information (education, training, printing, communication); the professions (private medical; transit).

For SMEs the areas of most potential growth appear to be:

Light industry (consumer goods: food products, manufacturing, clothing, furniture, etc.)

Operations ancillary to agricultural production (agricultural equipment, food processing, storage, cold chain, other operations along the food chain).

Operations ancillary to other basic economic sectors, e.g., construction (artisans, builders, sawmills, iron-works, carpentry, paint/white wash, simple hardware, cement blocks, other building materials).

Services: accountants, lawyers, business consultants, computer services.

Guinea is bordered by six countries and could become a supplier of food stuffs and light manufactures to them. A strategy would entail finding market niches (where there are shortfalls or no production), and developing the ability to spot market opportunities and to move fast to capitalize on them.

Thirty years ago, Guinea was one of the world's major exporters of fruit. She exported 100,000 tons of bananas in 1955, principally to Europe. Today, she does not export bananas. In 1972, she exported over 10,000 tons of pineapples. Today, she exports a few hundred tons. Her annual fish catch is 26,000 tons; her potential fish catch is nine times that - 220,000 tons. Guinea has three million hectares of unexploited dense forest with large undeveloped stands of tropical hardwoods.

The foregoing points up the possibilities internationally. The road will be long however, since she lost her fruit markets to other countries, and will have to compete with still other countries across the range of agricultural, fish and forestry products.

F. Key Constraints to Private Sector Development and Their Relationship to Training

The private sector is affected by seven types of constraints, four of which have strong bearing on training needs of the SME.

Type of Constraint	Degree of Bearing on SME Training
Business Formation and Taxation	Minimal
Administrative and Bureaucratic Factors	Minimal
Reaction to Foreign Business	Nil
Economic and Market Factors	Strong
Government Policy Actions	Strong
Access to Credit	Strong
Characteristics of the Private Sector	Strong

Business formation/taxation, administrative/bureaucratic factors and reaction to foreign business all have little or no direct bearing on training for SMEs. These three categories, however, do call for the business community to organize and be able to speak out with a common, well-articulated voice. (HRDA training for CCIA officials should concentrate on business advocacy and outreach services for its members).

Economic and market factors will weigh increasingly heavily on the Guinean businessman. The small size of the domestic market, the market's openness to imports and the loss of agricultural export markets to other African and Central American countries are all factors which will constrain the SME, urban and rural, directly and indirectly. These constraining factors point to the need for training in marketing.

The Guinean private sector and agricultural sector will have two important tasks: combatting imports and regaining lost export markets. Combatting imports will be the more serious of the tasks. As imports become more and more entrenched, the Guinean private sector will have an increasingly difficult time in dislodging them.

Typically, imports carry a price advantage and are "symbolic" of quality. The linchpin to offsetting this constraint is the understanding of markets, consumers and business opportunity - whether new activities and new products, or differentiation of current products and markets, finding niches which others don't occupy, and product quality, pricing and promotion.

Marketing training, from the concept of markets as the raison d'etre of business to the precept that "the customer is King" is an absolute requisite for the SME. Only by understanding the various marketing tools/techniques, from market research to packaging, from sales strategies to consumer preference, can the Guinean SME start to combat the increasing wave of imported goods, and can the agricultural sector start to regain its export markets.

The fact that virtually the entire economy must be rebuilt offers opportunity. Agriculture and private enterprise have been singled out as priority areas of development by the GOG. If one were to refine the GOG's strategy to recognition of markets as the driving force for both sectors, and adopt the food chain and construction chain constructs, for example, as a near-term framework within which economic progress will be sought, the business opportunities are many because of the multitude of activities that naturally occur along these chains.

The training implications also are many. They range from the very fundamental, such as organization of pre-cooperatives, financial responsibility, and basic technical skills to the more sophisticated, such as marketing strategies, business planning and financial management.

<u>The principal GOG policy actions</u> which will continue to have adverse effects on the private sector, and in particular SME manufacturing activities, are the sudden economic liberalization actions, and the "disengagement" of many civil servants from government service.

The sudden economic liberalization brought an influx of imports which will likely grow as Guinea's economy grows. Some SMEs already report an inability to compete with freely imported goods. If imports gain a strong, wide foothold, not only will directly competing SMEs suffer, but opportunities to create businesses which would be primary competitors will be lost. Also lost will be the opportunity to create businesses which would be the suppliers of goods and services to these primary competitors. This risk is high, and carries implications for training - immediate training across the spectrum of business functions, especially marketing.

The "disengagement" of large numbers of civil servants falls heavily on the private sector which can only absorb a few of them. They enter the private sector with little knowledge of what business requires, and even with the preferential credit offered them, it is likely that the majority of them will fail. This has immediate implications for training of these ex-civil servants. Training efforts must be coordinated among the various business promotion agencies and must be coherent across the spectrum of basic skills and concepts.

Access to credit is a principal constraint for the SME, but can be mitigated through appropriate, practical training in areas which will make the SME more "bankable." Training needs span the gamut of loan application preparation, business proposal writing, market studies, general and financial management, accounting - all of the basic skills which legitimize a business in the banker's eyes. However, the existing business promotion units complain that they cannot convince loan recipients of the value of training. Mandatory "pre-credit" business skills training should be considered, offered by the local management training institute.

Finally, the private sector itself has certain characteristics which constrain it. Budding entrepreneurs, with little preparation for or understanding of business, blindly mimic what a few early entrepreneurs are doing successfully (e.g., bakeries, pharmacies), rushing into activities which soon become saturated.

Coupled with the mimicry, is a "get rich quick" attitude, and often a "production" mentality, which says, "because I know how to make a product, I'll sell it." Instead, there should be a market mentality which asks: "where are/what are the markets that can be tapped, and how can I best tap them over the long run with my product/skills/ideas?" Also, some Guinean businessman have little familiarity with the notion of training and what it can do for them. Thus, private sector characteristics also argue for basic training in the fundamentals, attitudes, and functional skills of business.

V. EMPLOYMENT, EDUCATION AND TRAINING RESOURCES AVAILABLE TO THE PRIVATE SECTOR IN GUINEA

A. Employment in Guinea

Over 50% of Guinea's population of 6.5 million are in the productive age bracket of 16-65 years of age. Over 30% of the population live in cities or towns of more than 10,000 people, with Conakry alone counting 1.1 million people. Rural/urban migration is on the order of 6% per year.

Although average per capita income in Guinea is estimated at $300, this figure varies considerably according to type of employment. Around 80% of the working population survive in a semi-subsistence economy based on agriculture, livestock production and/or fishing. Their cash needs are satisfied by the sale of excess production, petty commerce, earnings from occasional jobs or gifts sent by family outside the country. (It is estimated that some 500,000 to 1 million Guineans still live outside the country).

A growing number of Guineans, now approaching 15%, make their living in the informal sector (small commerce, services or cottage industries). Persecuted under the First Republic, this sector has experienced enormous growth since 1984.

The formal sector is very small. During the First Republic, it was composed almost exclusively of civil servants, employees of state-owned enterprises and the military. Today public sector employees still make up the bulk of formal sector employment, but with the privatization of nearly 20 parastatals (including the state-owned banks and over 15 industrial enterprises) and the creation of small to medium-sized industries, restaurants and shops, there is a growing number of salaried employees in the private sector.

A 1986 ILO study estimated the formal sector labor force at 170,000, or about 6% of the working population. Of that number, 88,000 were employed in the public sector (including state-owned enterprises); 45,000 were defined as "unemployed" and the other 37,000 (about 1% of the total active population) were employed in the private sector. Employment pressure in the private sector is increasing, however, since the current economic reform program calls for a reduction in public sector employment of 26%, or nearly 25,000 employees, half of which have already been discharged (see Section VI.D- BARAF). In addition, closing of national banks and companies (10,000 persons) and retirement of an additional 3,000 persons brings the total reduction to nearly 40,000 persons.

A statistical study by ONEMO (National Office of Employment and Labor) estimates that there are <u>913</u> private companies in the formal sector in Guinea (of which 536 shops, restaurants or hotels). Over 30% of these firms are located in Conakry.

In the Conakry area, the sectors of private activity which employ the largest number of workers are trade (one-third of all workers) and construction (one-fourth). Only one-tenth of the employees of private firms in Conkary are women.

Statistics on the informal sector are limited. One study by CEGIR counted some 11,400 productive informal sector operations, broken down as follows: Sewing, dyeing, weaving: 48%; metalworking: 19%; woodworking: 11%; shoemaking- 5%; brickmaking and pottery: 4%.

There is considerable overlap between rural, formal and informal sector employment. Many salaried employees, including almost all civil servants, have small rice farms, livestock herds or small informal sector businesses on the side. (The highest paid civil servant receives a salary of $119 per month. Average GOG salaries run around $80. In 1987 it was estimated that the minimum monthly survival income in Conakry for a family of four was $125).

The gap between actual salaried income and survival income has has resulted in many civil servants spending no more than a few hours each day at their "formal" jobs, with the other half devoted to making enough money to survive. Income-producing schemes often include petty corruption. Small cash payments are required to get papers moving, to obtain permits, to pass roadblocks, or even to clear one's baggage through customs. These habits will be hard to change, even if and when the GOG moves to increase salaries, as it has promised to do once the civil service has been pared down to an acceptable size. (GOG salaries were already increased in January 1988 by 80%).

It is estimated that <u>67,000 new job seekers</u> enter the market every year. In the best of circumstances, assuming that each existing formal sector company were able to hire 5 new salaried employees (i.e., 913 firms times 5 employees, for a total of 4565 new jobs) and that new enterprises employing on the average 4 persons each and numbering one-fourth of the exisiting number of firms were created (i.e., 228 new firms times 4 employees, for a total of 912 new jobs), the total new job opportunities in Guinea per year would be only 5,477, leaving a deficit of more than 60,000 unemployed persons per year.

ONEMO, which centralizes job requests and offers, received a total of 4747 requests for first quarter 1987 versus only 597 offers. ONEMO ultimately placed 753 persons, or only 15% of those seeking jobs. These figures do not reflect the whole picture, however, since many persons seeking employment never register with ONEMO.

B. <u>Educational System in Guinea</u>

Initial access to formal education in Guinea is extremely limited, but once in school, students tend to stay the course. (In the past, this was due to the guarantee of a job at the end of their studies). Only 27% of schoolage children attend primary school, one of the lowest rates in Africa. However, around 15% attend secondary school and 7% are enrolled in tertiary education, among the highest rates in West Africa. The downside to this is an overproduction of university graduates. In recent years there have been twice as many graduates with agricultural degrees as there were available places for them in the public sector. At present, the public sector is no longer hiring at all.

In 1986/87, statistics from the Ministry of Education indicated that there were 360,000 students enrolled in national schools in Guinea, broken down as follows: 270,100 in primary school including 83,000 girls; 76,500 in secondary school including 18,800 girls; 5,600 in technical schools including 1,900 girls; and 6,800 in university programs including 900 girls. For the 360,000 students, there were 13,100 teachers, of which 8,900 had completed some university-level studies. From the standpoint of physical infrastructure, there were 2,200 primary schools with 6,500 classes; 225 secondary schools with 1,500 classes; 35 professional schools with 190 classes and 10 university campuses with 175 classes.

The quality of education in Guinea as compared to other West African countries is poor. Until the Second Republic, all elementary school teaching was done in one of six national languages. The transfer into French in secondary school was very difficult for the students and resulted in limited assimilation. The availability of teachers, schools and materials did not keep pace with the growing number of students. The number of repeaters grew dramatically. Even worse, most primary and 75% of secondary school teachers did not have proper qualifications to teach.

As regards vocational education, 34 schools now provide vocational training to around 8000 students who have completed the first cycle of secondary school. Fourteen schools provide industrial trades training. Nine prepare students for jobs in the services sector, two specialize in agricultural training, seven are teacher training schools and the two others train for work in the post office and the railroad.

There is no precise data on the labor market for skilled workers in Guinea so the relationship between supply and demand cannot be calculated. (The ONFPP has recently received funding from the EEC to finance a survey of supply and demand for skilled workers in Guinea, to be completed by December 1988 by SOGEDI, a French firm having conducted a number of other studies in Guinea). However, the quality of training offered in most vocational training schools is considered to be very poor. All but three institutes are under the supervision of the Ministry of Education. (The three others, supervised by ONFPP, include OIC, CNPG and CEPERTAM and receive extensive donor support). Much of the equipment in the schools run by the Ministry of Education is old, of varying origins and in poor repair. (The inadequacy of training is such that certain skill areas are dominated by foreign workers. Informal surveys on construction sites indicate that the skilled workers employed in Conakry are Senegalese or other non-Guinean Africans. To respond to this situation, the IBRD has recently funded a skills program at OIC to train Guinean construction firm managers and skilled labor).

From the standpoint of adult education, little is available at the present time. It is estimated that about 90% of the adult population is illiterate. (Adult literacy campaigns launched during the First Republic were highly ideological and generally ineffective). Since the Second Republic, there have been only a few serious initiatives to promote adult literacy. (Certain cooperative groups have requested assistance in organizing such classes, but this is a relatively new phenomenon).

Technical training for adults has consisted almost entirely of retraining of civil servants and has been carried out by the technical ministries. AID did assist in creating the Ecole National des Arts et Metiers (ENAM), a vocational training center for craftsmen and skilled workers, in the early 60's with technical assistance provided by ORT (Organization for Rehabilitation and Training). When AID departed Guinea in 1968, ENAM became a university department. ORT is now renegotiating a possible assistance program with the GOG.

Apprenticeship is another form of technical training in Guinea, but is somewhat less broadly developed than in other West African countries. The Freidrich Ebert Foundation in Germany has recently completed a study on apprenticeship which will serve as the basis for a strengthened support system for both the apprentices and the master artisans.

Apprenticeship in Guinea is free- apprentices work with the master artisans for periods ranging from one year to 5 years, at no salary and with no payment to the teacher. Most apprenticeships are in the informal sector, primarily auto mechanics, woodworking, sewing and metal working. That sector is developing rapidly as the access to imported raw materials increases. However, many master artisans are themselves poorly trained and have little if any knowledge of even the most basic bookkeeping. THe ONFPP (see below) is considering organizing training courses for both master artisans to perfect their techniques, as well as apprentices to provide them basic theory. Donor support for such training appears to be available, primarily from the Germans.

The Second Republic has considerably altered the human resources development policies of the former regime. Rather than insisting on training for high and middle-level public sector managers, resources are being shifted to elementary and vocational training. Under the First Republic, training institutes in agriculture were predominant, but no planning was done as to how the outputs of training would meet real demand. (Since 1985 the GOG no longer guarantees a job to graduates and has closed 30 of the 33 agricultural training facilities). There is still no coherent human resources policy but the first serious studies are now being initiated which should lead to a better understanding of the labor market and the requirements for restructuring the educational system.

C. Management Training

There are currently very limited resources in Guinea for management training. A coordinating office (ONFPP) under the Ministry of Social Affairs and Employment has been established. Only two institutes, OIC and CNPG, described below, offer any type of training in management at the present time.

1. ONFPP

The ONFPP (Office National de Formation et de Perfectionnement Permanents) was created in 1986 and was recently placed under the Ministry of Social Affairs and Employment. ONFPP is intended to provide all services to promote and train for employment in Guinea.

A key sister organization is ONEMO- National Office for Employment and Labor, responsible for regulating employment and workplace inspection. The specific task of the ONFPP is to adjust training programs as a function of labor supply and demand. This role is particularly crucial at the present time due to the closing of many state-owned enterprises, the personnel reductions in the civil service and the growing level of unemployment.

The ONFPP is a semi-autonomous public sector office which is governed by a 12-person board composed of 4 representatives from the GOG; 4 representatives from the national labor union and 4 representatives from the Chamber of Commerce. At the present time ONFPP coordinates the training activities of 3 centers: CEPERTAM, an auto mechanics training center; CNPG, National Center for Management Training; and OIC, Opportunities Industrialization Center, a U.S. PVO-financed skills and management training center.

The EEC has recently agreed to fund a 6-month study of labor supply and demand and their relationship to training. The contract for the study was awarded to a French firm, SODETEG, which has done other technical studies in Guinea. The study calls for (1) an analysis of current employment in the formal and informal sectors of the economy in both the public and the private sector, with emphasis on the latter; (2) an analysis of existing development studies and projects in order to determine mid-term and long-term needs in key employment categories; (3) an evaluation of quantitative and qualitative needs in training in order to satisfy the demand; (4) an analysis of the Guinean educational system and its ability to meet training needs; (5) an action plan to implement a strategy to meet training needs based on GOG priorities.

The study will target SMEs and will closely evaluate the retraining and apprenticeship training opportunities which currently exist in Guinea. Training of trainer requirements is another area of particular concern. The initial literature search phase of this study had just begun during the USAID assessment. Certain elements of the USAID Conakry training plan contained herein may be adjusted to fill needs identified by the SODETEG study.

At the present time the ONFPP is an office without a function. The three training institutes under its titular supervision all operate independently; there is no current national policy for training or retraining; and little if any coordination takes place between ONFPP and the technical training centers under the Ministry of National Education. It is hoped that the EEC study will clarify the overall training picture and assist in developing a coherent national plan for this critical issue.

2. OIC

OIC (Opportunities Industrialization Center), funded by OIC International, an American NGO which has a cooperative agreement with AID, provides training in Conakry to disadvantaged Guinean youths (ages 16-25) in carpentry, masonry, secretarial skills and basic business management. OIC guarantees employment upon completion of its training program, which makes the course very attractive to participants.

OICI will finance a portion of the center's operations for three years during which time some 300 Guineans are to receive training in business management and 160 each are to receive training in carpentry and masonry. The board of directors and staff of the center will also receive training in program planning, resource mobilization, and public relations to ensure the center's sustainability after OICI financing is terminated. (OICI has opened other centers in Sierra Leone, Togo, Lesotho, Ghana, Liberia and Nigeria. The latter four are now totally independent of OICI).

The OIC Guinea Board includes 8 members (7 from the public sector, representing the Ministries of National Education, Industry, Employment, Decentralization, ONPME, the prefecture of Coyah and a manager of a state-owned enterprise; and 1 from the private sector who also represents the Chamber of Commerce).

At the present time OIC Guinea is training 15 students each in masonry and woodworking and 20 students in secretarial skills. In June 1988, OIC will begin training 20 SSEs in the construction industry, with assistance from IBRD. This 10-month project will train key staff over a 3 month period, including the company accountant, and will then train key workers and diagnose existing equipment. A small credit component may be provided by IBRD.

OIC was approached to build an agropastoral center in the interior but has preferred to concentrate first on launching its priority programs in skills training, business training and training for women microenterprise managers.

The team discussed with Mr. Diallo, Director of OIC Guinea, the nature of existing OIC programs and future plans. In line with HRDA objectives and targets and with OIC's priorities, it was agreed that an area of common interest is the development and implementation of training programs for women owners of microenterprises, particularly productive enterprises. OIC Guinea has no donor support for this specific program and is very interested in training instructors and developing the materials for such an initiative, along the lines of other similar successful programs at OIC centers elsewhere in Africa.

It is recommended that HRDA funds be used to provide a program grant to OIC Guinea to develop and implement such a program, with a near-term emphasis on <u>urban women-owned microenterprises</u>, which would shift to an emphasis in the latter years of the project on rural women-ownd productive enterprises and groups.

Assuming a $25,000 per program cost for 25 students (including trainers' salaries, supplies, participant expenses and transportation) and assuming four annual program implementations, the program grant has been estimated at $100,000 per year, with an additional $30,000 grant to OIC in Year 1 to cover expenses related to facilities installation and additional equipment requirements.

The OIC director is prepared to develop a detailed proposal for the design and implementation of this program over a five year period.

3. CNPG

The Centre National de Perfectionnement a la Gestion- CNPG- was created in May 1967 to train managers of state-owned enterprises. In April 1984, with the advent of the Second Republic, the CNPG was given new objectives, including: management training of both public and private sector managers and provision of assistance to public and private firms in establishing new economic, financial and accounting procedures. CNPG is an autonomous public institution, supervised by the Ministry of Social Affairs and Employment, through the National Office of Professional Training and Retraining (ONFPP).

The current organization of CNPG was established by the Ministry in August 1987 and includes, in addition to its director and financial/administrative staff, two teaching units: Management and Accounting (including accounting and auditing, human resources management, business management, production management); and Economy and Finances (including economy and planning, statistics, investment management, public management). The CNPG also has a library and a computer center.

CNPG has 41 employees including 2 senior managers, 20 instructors and 19 administrative staff. Staff training is provided through a program of on-the-job training provided by technical assistants, short-term training in third country African institutes, jointly sponsored seminars with external experts and sponsoring of courses by donors. Five of the trainers in the Human Resources Division have been specially trained by CIDA (each completed a 4-1/2 month training program in Canada). Other external training programs have been provided by France (from the Institute of Public Administration, the Center for Banking Studies and the MBA program in Lyons); and by AID (programs at CESAG, PAID in Burkina Faso and the University of Atlanta).

CNPG has 5 classrooms accomodating 120 students, one study room and one conference room. Another four classrooms which can accomodate an additional 100 students are under renovation.

CNPG was chosen by IBRD implement the training component of PAGEN (Projet d'Assistance a la Gestion de l'Economie Nationale). The objective of this project is to train public sector managers in public investment planning and evaluation, macroeconomics and sectoral economics, public contracting and national accounting. The training provided under this project was divided into two parts. The first, implemented with the assistance of the French firm SODETEG, involves retraining of economic and financial managers, and will last from January 1986 to December 1988. This program is intended to "standardize" the knowledge of all participants on macroeconomics, with a detailed study of the economy of Guinea and a specialization in one of the following: economic planning; public management; investment management; statistics.

The second part of the program, implemented with the assistance of ILO and a French consulting firm, deals with the retraining of accountants and auditors from both public and private sector firms and is scheduled from June 1987 to September 1989. The objective of this program is to improve the methods and uses of accounting systems in local firms. Eight seminars of five days each on administrative, financial and accounting management will be followed by a diagnostic of an in-company problem and follow-on seminars in auditing (3 10-day seminars). Training in the new accounting code is also scheduled, using computer-assisted instruction.

Training in human resources development is also scheduled for managers of larger-scale firms. (Several CNPG instructors were trained in Canada and 3 years of technical assistance were provided from 1983-1986 by CIDA).

CNPG also intends to implement programs in general accounting, cost accounting, inventory management, marketing and secretarial skills. The seminars are to be implemented in the afternoon, with recruitment based on a selection test and will be fee-based. Since CNPG cannot afford to hire and train a large staff of specialists, it will draw on part-time instructors to teach certain courses. These courses, and most particularly the accounting and marketing courses, are of interest to HRDA which will fund two such training programs per year. Target participants would be owners and operators of SMEs and ex-civil servants seeking to go into business.

At the present, with the ongoing PAGEN program, CNPG serves primarily to train public sector managers. While CNPG intends to move into the private sector market, the resources for funding program attendance within the private sector are limited. HRDA should assist smaller firms to send employees to future CNPG courses.

VI. SUPPORT ORGANIZATIONS

The major support organizations in Guinea to promote small and medium scale enterprises are the Chamber of Commerce, the ONPME, CNPIP, BARAF and a number of NGO's.

A. Chamber of Commerce, Industry and Artisanat (CCIA)

The CCIA was created in April 1986 and currently counts some 2000 members. It has a 17-person board, elected by the general membership. The CCIA has 3 key objectives: to function as a meeting place for businessmen, to represent business interests to the GOG, including the evaluation of proposed legislation; and to promote domestic and international trade through trade fairs, study tours and public relations. The GOG has certain control privileges over the Chamber (for the time being it subsidizes its entire budget of some $67,000 per year), but memberhship is not obligatory and officers are freely elected (staff is appointed, however, by the Ministry of Industry).

Current priorities for the CCIA are its internal organization (the elected president was killed in a car crash last year and CCIA members only recently reached agreement on their board members but had not yet agreed on a new president during the assesssment team's survey, due apparently to rivalries among the various tribal factions); training for heads of firms; revision of Chamber statutes; obtaining credit for its members.

UNDP and UNIDO are undertaking a substantial assistance program for the Chamber ($180,000 over three years) to train CCIA staff, to provide sectoral training programs to members (especially industrial sector firms); and to send certain company managers outside of Guinea for specialized training. The CCIA staff will be trained in other francophone African chambers and will receive short term technical assistance for organizational matters. West Germany will provide funding for basic start-up equipment, including a telex, photocopier and a car.

Most of the UNDP/UNIDO activity will take place in 1988. Phase II, 1989-1993, will include seven short term technical assistant assignments for SSI's, industrial information, professional training, warehousing and maintenance, along with three years technical assistance for the CCIA itself.

During Phase II, the UNDP/UNIDO program will also provide for 6 seminars to be organized in Guinea along with one training program on industrial information and four training programs specifically for the industrial sector.

The Chamber appealed to USAID to complement the training activities under the UNDP/UNIDO program by providing special training opportunities in Africa for its staff and its members. The HRDA training plan does provide third country training opportunities for CCIA staff. In addition, 5 private sector participants per year will be selected for third country training and 1 participant will be selected for long term training in a U.S. MBA program.

CCIA staff training programs should concentrate as possible on development of business advocacy skills among the staff and on designing effective outreach services for CCIA members.

B. ONPME

The purpose of the ONPME (Office National pour les Petites et Moyennes Entreprises), a division of the Ministry of Industry and Commerce, is to create, install and assist SMEs in Guinea. ONPME was created in 1980 and currently has a central staff of 40 persons, along with 2-3 persons assigned to each of the 37 subprefectures in Guinea. Since the economic liberalization, the ONPME has sponsored 19 projects- 13 in 1986 and 6 in 1987. Eight are now under study for possible financing in 1988. (Seventeen projects are pending either proforma invoices or additional equity from entrepreneurs). The ONPME can access any of the credit lines for SMEs, but the entrepreneur must provide 20-30% equity and some form of collateral.

A 1987 study of the Guinean promotion agencies conducted by a French firm, SODI, under contract to the IBRD, recommended the transformation of the ONPME into a Centre de Creation et de Developpement des Entreprises (CCDE). The IBRD has endorsed this recommendation and will finance new offices and technical assistance to the future CCDE which is intended to become a private sector-driven enterprise development unit. These new offices for a more streamlined ONPME staff (up to one-half of its current personnel will be eliminated) will open shortly.

ONPME is presently headed by Mrs. Camara who supervises 3 divisions: Supervision/Management which handles market studies and project preparation; Promotion and Assistance which also includes training; and Studies and Planning, which handles project financing and macroeconomic studies.

The repayment rate for firms sponsored by ONPME was described as "adequate"- no exact figures were offered. Most projects have been bakeries, poultry farms, carpenters or service companies.

The future CCDE will be governed by 3 representatives from GOG ministries (Plan, Finance and Industry) and 3 representatives from the private sector (CCIA, mining and banking).

ONPME is planning training courses and lectures in basic accounting practices and production techniques. The future CCDE will study training needs by sector but ONPME officials acknowledge that it is very difficult to get entrepreneurs to accept training. A recent AID-sponsored seminar attracted only one entrepreneur from the ONPME projects although all nineteen were repeatedly contacted and encouraged to attend, free of charge.

The UNDP is also assisting ONPME by providing it with technical assistance from the Industrial Promotion Office of Morocco. A joint Moroccan/ONPME team identified over 200 potential projects for financing (provision of credit to existing entrepreneurs) and then selected 20 for a pilot credit program.

IBRD will provide six months technical assistance to develop a strategy for CCDE, followed by three years of technical assistance to CCDE to conduct feasibility studies, evaluate projects, etc.

ONPME appears to have good senior staff who are interested in perfecting their approach to assisting the small scale entrepreneur. They are frustrated, however, by the lack of interest from the entrepreneur in further assistance or training, once he has obtained his loan. The planned affiliation of the ONPME with the CCIA and the mining and the banking sectors in the context of the future CCDE is an essential one, but effective collaboration with CNPIP and BARAF is also essential to avoid wasted resources resulting from duplication of effort.

ONPME staff has had several short term training opportunities in Turin, Bordeaux and with the African Development Bank. Three long term training programs at CESAG have also been provided. HRDA will provide additional short term training programs for ONPME staff in third country African training institutes.

C. CNPIP

CNPIP (Centre National de Promotion des Investissements Prives) was established in 1984 under an AID project designed to assist Guinea in promoting private agribusiness investment, both domestic and foreign, through the establishment of an investment promotion entity. The project began in FY 83 and ended in February 1988. During this time, Chemonics International and a subcontractor, Equator Advisory Services, provided short and long term technical assistance to the project.

The project began as a modest Agribusiness Preparation Project in 1983 and was amended and expanded in 1984 after the April revolution in Guinea. The revised project emphasized institution buillding and an analysis and revision of the GOG Investment Code.

CNPIP is under the tutelage of the Ministry of Plan. With the arrival of a new Minister of Plan in March 1986, a major review of the three investment promotion entities in Guinea (CNPIP, ONPME and CCIA) was initiated. CNPIP had a very uncertain future until the end of 1986 since an IBRD-financed study which was a key element of the Minsister's review, had recommended combining ONPME and CNPIP into one entity. It was ultimately decided that CNPIP would remain a separate entity, but the Ministry of Plan took no action to recruit a professional staff.

In the interim, Chemonics conducted a number of pre-feasibility studies (including studies on pineapple, cattle, integrated poultry, rice, construction materials, coffee, and tropical fruit operations). In September 1987 a professional staff was finally appointed for CNPIP. At that time only 5 months remained in the Chemonics contract.

The staff assigned to the center is inexperienced in enterprise or investment promotion activities and seems distracted by visions of empire building (there was talk of doubling the existing staff of 27 persons which includes 9 senior managers).

To survive as an independent institution, CNPIP needs strong leadership, a well-defined mission coordinated with the other promotion agencies in Guinea, an action plan to carry out that mission and intensive staff training in project analysis and investment promotion.

The mission for CNPIP as most recently defined is (1) to provide general services to all private investors as concerns regulatory codes, incentives, sources of financing and contacts in appropriate ministries, banks and consulting firms; and (2) to coordinate technical assistance and feasibility studies for domestic investments above $600,000 (300 million GF) and all foreign investment. (Smaller projects are to be assigned to ONPME).

The Center has a director, a deputy director and 4 division heads (Projects, Promotion, Research and Documentation and Administration). A Chemonics training needs assessment, conducted prior to contract completion, identified six key areas for staff training: <u>project analysis</u> (for all senior staff, including analytic skills as relate to finance, marketing, management and law); investment promotion (for most staff, including knowledge of Guinea's private sector environment, infrastructure, service and regulatory elements, national export potential and possible investors); information services (for specialized staff, including appropriate documentation and classification of such, especially information on incentives, protection, regulatory framework and on the types of agencies charged with implementing regulations or assisting firms, market information, sources of goods and services and enterprise management); use of specialized services (identifying and procuring such services, terms of reference, contracting, supervising and evaluating); task planning and monitoring and organization management (for all staff, with emphasis on personnel management, budgeting and overall organizational development for senior management).

In addition to group training in project analysis, investment promotion and scheduling and monitoring of tasks, specific skills training in each individual's area of functional responsibility was deemed a high priority. It was recommended that this training be provided in specialized programs, primarily outside of Guinea.

The training program proposed by Chemonics involved a 7-month period, with scheduled lectures by guest speakers and group exercises in regulatory issues, project analysis, work planning and pre-investment studies for the entire staff (18 weeks), followed by specialized training for the various divisions over 8 weeks, either in courses outside of Guinea or through one on one study with specialists brought into Guinea. The final 2 weeks would be devoted to wrap-up and a final briefing on the current status of investment policy and experience in Guinea.

The program as proposed by Chemonics appears to be somewhat lengthy for its stated objectives. A shorter, more consolidated program would be more appropriate, particularly in view of the heavy work load CNPIP is now handling. Reducing training time to one month each on the regulatory environment, project appraisal and feasbility studies is a more realistic timeframe, with additional specialized technical training provided for key staff at external institutes as needed. Short courses by contractor specialists on documentation and organization management could be implemented as discreet 2-3 week training projects. The total estimated level of consultant effort to implement the various in-country training programs in Year One is 4 manmonths at an estimated total cost of $80,000.

The HRDA training plan also includes 4 short term training programs in Year 1 (estimated cost: $40,000) and another 6 short term courses or study tours in Year 2 (estimated cost: $60,000). (It should be noted that CNPIP has also obtained support from the UNDP for staff development training, probably in the form of study tours to Africa and Europe in 1988).

The total estimated budget for CNPIP training is $120,000 in Year 1; $60,000 in Year 2 and an annual amount of $50,000 for Years 3, 4 and 5. It is proposed that funding in Years 3-5 be devoted to the organization of round tables or conferences on investment promotion topics, along the lines of the Round Table implemented in February 1988 on the Investment Climate in Guinea.

This Round Table brought together more than 120 persons from the public and private sectors for the first time to discuss issues of mutual interest, notably the promotion of private investment in Guinea, financing and taxes for private firms, and the newly adopted trade policies. Two committees were created as a result of this initiative- one to examine regulatory matters and the other to examine means of harmonizing efforts of the various promotion groups. The effort was widely applauded by all participants and should be reinitiated annually.

D. BARAF

The BARAF (Bureau d'Aide a la Reconversion des Agents de la Fonction Publique) began operation in May 1987, with the objectyive of assisting civil servants who voluntarily leave their government jobs. Four advisors, an administrator and a coordinator from the Ministry of Finance, assisted by a French technical assistant and severl short term technical advisors, run the program.

BARAF projects obtain financing from external credit lines, essentially those from the French CCCE (with the obligation to import French equipment) and from IDA. Most project are financed through BICIGUI or the SGBG. All borrowers must have 20% equity. Loans are made at approximately 10% interest for a 2-7 year period (most loans are for 3 years), with the possibility of a grace period. As of March 15, 1988, after 11 months of activity, the following results had been achieved:

1402 loan requests had been received (133 per month on average)
590 requests had been forwarded to banks (42% of all proposals)
representing 2800 jobs
5.6 billion GF investment
4.5 billion GF credit

344 projects have actually been financed by the banks to date.

Sectors of activity are varied for the BARAF projects, but the most frequent are transport (43%); poultry farms (12%); agriculture (6%); pharmacies (4%); restaurants (5%).

The borrower must accept the foreign exchange risk. Most loans run around $18,000 equivalent and serve to create one job. Poultry farms require more investment and provide 3-4 jobs.

Saturation of certain markets has begun and BARAF is planning market studies. At the present time, BARAF is attempting to emphasize agriculture and livestock projects, rural projects and projects in new sectors such as hotels, garages, spare parts, construction, and waste management.

Several donors feel that most BARAF projects are doomed to failure and that the scheme is simply a GOG give away to lessen temporarily the impact of the public sector personnel reduction measure. The banks have approved 95% of all loan requests made to them to date, but they assume no credit risk in the operation- a guarantee fund has been established to reimburse the banks in the event of default. (Each borrower pays 5% of his loan amount into the guarantee fund).

The French CCCE will provide technical assistance to BARAF at least until December 1988. BARAF has made one attempt to provide training to entrepreneurs, financed by the French, but ultimately had to draw on students and staff from promotion agencies to attend since the entrepreneurs claimed they were too busy obtaining their credit and setting up their firms to attend training.

BARAF is exploring setting up a "post-credit" unit to provide management and commercial advisory services. This unit may begin operations as early as June 1988. The HRDA-sponsored courses at CNPG could serve as "pre-credit" training opportunities for recipients of BARAF loans.

E. NGO'S

Forty-three NGO's are registered with the GOG. (There is a split in NGO supervision between the Permanent Secretary to the CMRN which handles NGO's related to youth, workers, religious groups and women, and the Ministry of Decentralization which handles all others). Only a few of these NGO's have identified income generating activities as an area of concentration. Most of the 43 have been established only during the last 18 months. Several were created by civil servants whose jobs are being abolished.

NGO's should ultimately play a very large role in the development process in Guinea due to the grass roots nature of their interventions which fits well with the current Guinean economic picture. This would appear to be an area in which some of the more successful U.S. NGO's could provide very visible and effective assistance, most notably those NGO's with expertise in pre-cooperative movements, such as CARE, Technoserve, NCBA, etc.

The larger of the 43 existing NGO's are beginning to plan credit programs. It is to this audience that the proposed HRDA credit appraisal and management seminar would be directed.

VII. DONOR ACTIVITY IN SUPPORT OF THE PRIVATE SECTOR

The Western donor community has been very supportive of the policy reform initiatives of the new government in Guinea. However, continued donor support over the next 5-10 years will be critical to implementing the various reform programs and donor coordination will be needed to avoid duplication of effort and wasted resources.

A. IBRD and IMF

The IBRD and IMF approved a policy framework in July 1987 covering a three year period with the following key objectives: improving public administration performance; reducing the scope and improving the efficiency of public enterprises; further liberalizing of prices, marketing and foreign trade; consolidating the institutional and legal framework for private sector development; rationalizing tax policy and administration; improving expenditure control; expanding and improving the banking network; and strengthening the GOG capacity to manage its external debt. A three year rolling public investment program was established, with strict controls on current expenditures.

The IBRD and the IMF are the largest donors in Guinea. The IBRD has obligated some $42 million in balance of payments assistance and has programmed another $50-60 million. The IBRD manages some $60 million in balance of payments support from other donors under its Special African Facility. It also has a portfolio of some 25 discrete infrastructure and technical assistance projects with a total value of $150 million. The IMF stand-by agreements may represent up to $170 million in special drawing rights. Both the IBRD and the IMF have resident representatives in Guinea and both provide several long term technical assistants in units such as the Central Bank, the Ministry of Rural Development, the Ministry of Plan, the Ministry of Finance and the Ministry of Industry.

The IBRD has provided considerable support to the ONPME (future CCDE) and the Ministry of Industry and Commerce.

B. <u>FAC/CCCE</u> (French AID)

French bilateral assistance consists currently of grants and loans amounting to 55 million French francs. About 40% of this amount is in balance of payments or budget assistance. The rest is allotted to sectoral projects in education, mining, agriculture and large-scale infrastructure (communications, transportation, hospitals, urban water supply). There are over 50 long-term French technical assistants in key ministries and pubic enterprises.

In the private sector, two commercial banks in Guinea are endowed primarily with French capital and French management. The Societe Guineenne de Commerce, with a near monopoly on the import of basic consumption goods, is a mixed company with shares held by GOG and two major French trading companies, CFAO and SCOA. The French are very heavily involved in the BARAF project through both technical assistance and their credit line.

When trade is added to aid, France is the dominant foreign presence in Guinea.

C. <u>UNDP</u>

The UNDP program for the period 1987-1991 is projected at $27.7 million, an increase of $3.1 million from the previous 4-year period. UNDP assistance since the Second Republic has focussed on providing expertise and logistical support for GOG efforts to manage key sectors for economic growth, particularly public planning, rural development and private sector promotion. The latter category includes provision of experts to help in preparing investment codes and in privatizing or increasing the performance of state enterprises.

The UNDP is very interested in support to private sector development and is working actively with all the local promotion agencies, including ONPME, CNPIP and CCIA.

D. <u>EEC</u>

Assistance from the EEC, beginning in 1986, is programmed at 114 million ECU (about $101 million). Of that, 12.5 million ECU will be risk capital to be managed by the European Investment Bank. Most of the remainder will be used in rural development projects.

The EEC has financed a major study of the labor market and related training opportunities, through ONFPP. It has also worked through its CDI (Centre de Developpement Industrial) to promote marriages between European firms and Guinean firms. The EEC is particularly active in the fisheries industry.

E. Peace Corps

The Peace Corps is initiating a small scale enterprise development project which will concentrate on 4 sites, each receiving $15,000 over a two-year period, targetting 60 loans per site at an average of $250, for a total of 240 loans. A Comite de Gestion will be established at each site to screen applicants. Loans will be provided through local bank branches. Provision of technical advisory services will be done by Peace Corps volunteers specialized in small business services. The funding provided will serve to create a revolving loan fund. The program targets a 90% repayment rate and has an institutional development objective of working with local NGO's to develop their skills in nuturing small enterprises. Peace Corps volunteers are expected to be in place by September 1988 for in-country training. The proposed HRDA credit appraisal and management seminars should involve certain Peace Corps volunteers as well as representatives of local NGO's.

VIII. ASSESSEMENT OF TRAINING NEEDS

A. Profile of Firms Interviewed

During the assessment, twenty-seven firms were interviewed in Conakry, Coyah and Kindia. The following section describes the characteristics of those firms and their training needs as perceived by their owners/general managers.

The interviews included 22 companies and 5 rural "groupements". The companies themselves were almost equally split between the industrial sector (light manufacturing, agro-industry and construction) and the services sector (trade, transportation and business services). While the percentage of industrial firms interviewed (55%) is not representative of the makeup of the private sector in Guinea where trading firms predominate, this sector was emphasized due to its potential for growth and job creation.

The firms were selected from a list supplied by CNPIP and from recommendations made by the Chamber of Commerce and the ONFPP. Interviews were generally held with the firm's owner or general manager (of 27 firms, only two had women managers) and lasted around one hour, including a discussion of how the firm began and its current operating practices and problems.

Most of the 22 businesses were small to medium-sized, private family-owned firms, broken down as follows:

3 large firms (more than 50 employees)
8 medium-sized firms (10-50 employees)
11 small-sized firms (1-10 employees)

Most firms (over 60%) had started since the Second Republic (usually early 1986). The level of technology of most firms was low. Only 15% of the firms exported any products and of those, the value of the exports represented only 1-5% of their total sales.

The owners and managers indicated a very high degree of competition, most of which came from other local firms. Other than firms engaged in import substitution, the general attitude towards the future and government reforms was very positive.

The typical management structure is very simple. The medium-sized firms were headed by the owner who supervises almost all activities, assisted by 1-2 managers, usually an accountant and a sales manager. Of all the owners interviewed, a full 50% are illiterate or have no more than primary school education. The average age of the owners was 50, and more than 60% had 10 years or more of experience (several outside of Guinea). The other "managers" were much younger and less experienced. Many of the accountants in these firms were former public sector personnel who had been laid off or had left voluntarily under the civil service reform act.

Two firms had ex-patriate management (the only two firms which also had foreign investment).

Most of the firms' workers had no education and only limited prior experience.

The principal constraints to business development, as perceived by the owners/operators interviewed, were, in order of priority:

1. <u>Access to credit- 75%</u>

   The problem identified was one of access to credit, rather than the terms of credit. Businessmen complained that banks are unwilling to lend to them for working capital, that they lack the necessary personal equity required by the available credit lines (usually 20-30%) and that they have no collateral for the required guarantees. Civil servants complained that although BARAF has been established to help them set up small businesses, not everyone is "barafable" since at least 20% personal equity is required.

2. <u>Lack of qualified personnel- 60%</u>

The most frequently voiced concerns were for better trained <u>managers</u> (especially accountants and financial managers) and for better trained technicians (e.g. production managers). A lack of skills in marketing and sales was also frequently noted.

3. <u>Availability of raw materials and spare parts- 30%</u>

Most small firms complained of their inability to procure raw materials or spare parts at a reasonable cost, due to their small size and their lack of access to credit. This situation forces them to buy in the regular marketplace at retail prices, instead of being able to order larger quantities at wholesale prices. Also, their dependency upon the marketplace means that they may be subject to supply shortages which, although the situation has improved dramatically, still occur from time to time. A few stated that they were simply unable to get spare parts, and some reported long delays in importing raw materials and intermediate goods.

4. <u>Economic factors- 25%</u>

The three economic factors most frequently cited were the very limited buying power of the Guinean population, the increasing competition of imports, and dumping on the part of certain European producers (the latter factor was cited by those firms engaging in import substitution).

5. <u>Government regulations/problems- 20%</u>

Most frequently cited constraints in this category included delays in payment by GOG clients, petty corruption and harrassment and the lack of recourse to a formal judicial system in the event of contractual problems.

6. <u>Infrastructure- 15%</u>

Oddly enough, only a limited number of firms cited problems with infrastructure and in each case the firm had foreign management. This lack of priority given to what are serious infrastructure deficiencies in Guinea may reflect the favorable perception by local entrepreneurs of current conditions, as compared with what they had known over the past 30 years. Foreign managers see only conditions worse than almost anywhere else in Africa- totally inadequate road systems, lack of even basic communications capability, i.e. telephone and mail, frequent power outages, etc.

B. Training Needs

The PRINCIPAL TRAINING NEEDS voiced by owners and operators during the interviews were:

For themselves: 80% felt they needed training but only 65% felt they could afford the time to be trained. The priority areas were:

- Principles of Management (60%)
- Financial Managemet (60%)
- Marketing (20%)
- Computer applications (2%)

Most would prefer half-day training sessions over 1-2 weeks. Only 45% stated that they would be willing to pay. Only two firms had established corporate training plans.

For their managers: 95% felt their managers need training in the following areas:

- Accounting (50%)
- Principles of Management (45%)
- Marketing (45%)
- Production (15%)
- Technical (10%)- related to the sector of activity

Most owners/operators wanted to train 75% of their managers but indicated less need to train their workers. (This latter opinion may reflect the fact that owners do not feel they can spare their semi-skilled or skilled laborers for training).

In only one instance had any firm used a local institute for training. That one case involved a financial manager who was attending the ILO-sponsored seminars at CNPG for financial and administrative directors.

Based on the discussions with key players in local private sector development and on the 27 interviews described above, the key training needs which may be filled under the HRDA project relate to improving management and accounting practices of existing SMEs; strengthening local training institutes and business promotion units to better support the private sector; improving credit appraisal and management techniques for lending to SMEs; and strengthening extension programs to assist rural private enterprise.

IX. TRAINING PLAN

The following training plan describes HRDA training objectives, audiences and activities to promote the development of the private sector in Guinea and is set forth for the period FY 88 - FY 92.

A. Training Objectives

The key objectives of the HRDA training plan are to improve private sector management and accounting skills, strengthen local training institutes and business promotion units supporting the private sector, improve credit appraisal and management techniques for small-scale lending operations and strengthen extension programs to rural enterprises.

B. Target Audiences

Target audiences include managers of local private enterprises (SMEs and rural "groupements"); trainers from two local training institutes, OIC and CNPG; staff from six local support business promotion organizations (CNPIP, CCIA, ONFPP, ONPME, BARAF and the Condition Feminine); credit officers from small-scale lending operations in banks and NGO's; and ONPME and MARA extension agents working with rural "groupements".

C. Training Activities

The following description of training activities is broken down according to objective, target audience and schedule. The detailed schedule of activity and projected costs per fiscal year are provided on charts at the end of this section, along with the detailed FY 88 Country Training Plan..

OBJECTIVE 1: IMPROVE PRIVATE SECTOR MANAGEMENT & ACCOUNTING SKILLS

The HRDA project will provide 2 seminars per year to owners or managers of private sector firms in the areas of accounting practices (emphasizing use of the recently revised accounting code), and in management topics such as market analysis, cost accounting, long range planning and financial management. These seminars will be implemented under the auspices of the CNPG but implementation will be coordinated with all the business promotion units, and particularly with the CCIA, to ensure private sector support and attendance.

The budget allocated per program ($25,000 per seminar for a total of $50,000 per year) is sufficient to allow utilization of outside resources as required (e.g. CAMPC, CESAG, etc.) and to permit implementation of the program outside Conakry.

The HRDA program will also offer two types of training opportunities outside Guinea to the local private sector. Five short term training programs per year (1-4 months each) will be available in third country African training institutes in subject areas such as principles of management, personnel management, inventory control, production management, etc.. One long term MBA program in the U.S. per year will also be made available to to a private sector participant.

The HRDA Private Sector Advisory Board will screen and select candidates based on pre-established criteria for the type of candidate and the type of firm which qualify for consideration.

<u>OBJECTIVE 2:</u> <u>STRENGTHEN LOCAL TRAINING INSTITUTES AND BUSINESS PROMOTION UNITS TO BETTER SUPPORT THE PRIVATE SECTOR</u>

2.a <u>Training of trainers at CNPG</u>

As the only management training institute whose stated mission is to assist the private sector, CNPG should be a key resource in Guinea for all private sector training.

CNPG is now gearing up to initiate training programs for the private sector and has requested assistance in training its trainers in certain management areas.

The HRDA project will train 5 CNPG trainers per year in management topics such as market analysis and cost accounting in third country African training institutes. Possible resources for such training include CAMPC in Abidjan, CIGE in Abidjan, CESAG in Dakar, PAID in Douala, and management training institutes in Tunisia and Morocco.

2.b <u>Program development at OIC</u>

The HRDA project will fund a portion of the development of a small-scale enterprise management program for <u>women</u> at OIC.

At the present time, OIC is concentrating on technical training in woodworking, masonry and secretarial skills and is preparing to implement with IBRD assistance a management/skills training program in June 1988 for small scale construction firms.

OIC's next priority is the development of a management training program for women. The HRDA project will assist OIC in developing and implementing this program, which will initially target women in the Conakry area and will subsequently target productive rural women's groups.

In Year 1, HRDA will fund four training sessions of one to two months each for 25 women managers of small or microenterprises per session, at a cost of $25,000 per session. An additional $30,000 grant will be made in Year 1 to assist OIC to procure necessary equipment and materials for its workshops and classrooms.

The management training program for women will provide instruction in basic business organization and bookkeeping for women who are already engaged in some form of business activity, with preference given to productive activities.

2.c Staff development training for CNPIP

In Year 1, the HRDA project will provide for four months of technical assistance to CNPIP for training purposes, at an estimated cost of $20,000 per month. It is estimated that three months of assistance will be required for senior staff training in project appraisal, investment promotion and feasibility studies. An additional month's time is provided for specialized training in areas such as research and documentation, personnel management, work organization, etc.

In Year 1 the HRDA project will also provide for 4 short term training programs, either in Africa or the United States, according to specific staff needs. (The unit cost used in the budget is that for technical training in the U.S., i.e. $10,000).

In Year 2, six study tours (short term courses may be substituted if needed) are programmed for senior CNPIP staff to visit and observe the operations of other successful promotion offices in Africa. It is recommended that each study tour include at least two participants from CNPIP. Due to the limited number of professional staff at CNPIP, it is recommended that these trips be limited to 1-2 weeks.

In Years 3 through 5 of the HRDA program, it is recommended that a budget of $50,000 be set aside for round table conferences bringing together the private sector, the public sector and the donor community to discuss problems of mutual interest. The budget allocated allows for preparation of workshop materials and the publication of post conference reports.

2.d Staff development at CCIA, ONFPP, ONPME, BARAF

Although the key targetted institutes under HRDA are OIC, CNPG and CNPIP, other support organizations are also targetted for staff training to a lesser degree. (In most instances the selection is based on the amount of support the institutions are or will receive from other donors).

HRDA provides an annual allotment of 10 short term third country training programs and one long term third country degree program for staff development at the CCIA, ONFPP, ONPME and BARAF, over the life of the project. Each organization should receive at least one short term training scholarship per year, with the balance allocated by the Private Sector Advisory Board according to written requests from the targetted institutes. (The PSAB may wish to consider other support organizations, such as NGO's).

2.e Staff development at Condition Feminine

The status of women's groups in Guinea is unclear at the present, as is the organization of the GOG Office for Women. To assist the staff of the Condition Feminine office to define its role and its priorities for involving women in the development process in Guinea, HRDA will finance a series of study tours and training programs in Africa for key Condition Feminine staff.

In Year 1, the HRDA training plan allows for three study tours to other Women's Affairs Offices in Africa with successful programs, such as those in Ivory Coast and in Togo. In Years 2 through 5, two short term third country training programs are provided per year.

OBJECTIVE 3: IMPROVING CREDIT APPRAISAL AND MANAGEMENT TECHNIQUES FOR LENDING TO SMALL-SCALE ENTERPRISES

The HRDA project will provide for one in-country workshop per year to train participants in the methods of credit appraisal and loan portfolio management for small scale lending operations in developing countries.

In Year 1, it is recommended that the mission utilize the resources of ARIES, a S&T/RD central project which has developed credit management workshops in English and French for banks, NGO's and credit unions lending to small and microenterprises. In subsequent years, this same type of program should be implemented for loans officers from NGO's or rural branches of commercial banks, using local training resources. (See Annex 6- Program description from ARIES, State Cable 153646).

OBJECTIVE 4: STRENGTHENING EXTENSION PROGRAMS TO ASSIST RURAL ENTERPRISES

The HRDA project will provide one in-country training workshop per year to extension agents (including those from the Secretaire d'Etat a la Decentralisation, the Ministry of Agriculture and Agricultural Research, the Ministry of Industry and Commerce and certain NGO's). The purpose of these workshops is to train extension agents in the organization and management of successful rural cooperative productive activities, based on experiences in other francophone West African countries such as Niger or Togo. It is recommended that the training resource for such workshops be drawn from U.S. NGO's with successful track records in pre-cooperative training, such as Technoserve, National Cooperative Business Association (formerly CLUSA) and CARE.

HRDA also provides an allotment of 5 short term third country training programs per year for participants from the above-mentioned GOG ministries or NGO's at institutes such as PAID in Ouagadougou or in Douala.

D. Adjunct Training Activities

The HRDA project provides exceptionally for two specialized programs in FY 88, one for representatives from the Fisheries industry and a second for Central Bank employees. These programs had been discussed with the GOG during FY 87 for implementation in FY 88.

HRDA provides for for 5 Guinean participants per year at HRDA regional private sector conferences which will be held at various locations in Africa. Per participant costs are estimated at $1000 since the mission will only have to finance travel and per diem of the participants during the training programs. All other costs will be borne by AFR/TR/EHR.

E. Training Support

The HRDA project provides for four types of support for project implementation. First, project funds will be used to hire a private sector training coordinator to organize, monitor and evaluate project activities in coordination with the Private Sector Advisory Board. The annual projected cost for such a coordinator is $20,000.

Second, the project will finance at least two conferences per year for former USAID-funded participants, to ensure better follow-up of training impact. These annual conferences are budgeted at $2500 each, for a total of $5,000 per year.

Third, the project provides funds for activities related to the Private Sector Advisory Board, including possible in-country observational travel, conferences with visiting experts, expenses related to meetings or publications, etc. A sum of $10,000 for such activities is allotted in Year 1 of the project. This sum is subsequently reduced to $5,000 per year.

Finally, the project allows for the purchase of training materials and supplies for the USAID Conakry training office in support of the private sector training activities (e.g. directories of African program opportunities, flip charts, overhead projectors, etc). An annual sum of $5,000 for such supplies is allocated.

F. Role of the Private Sector Advisory Board (PSAB)

The PSAB, as organized by USAID/Guinea (see Annex 4), has agreed to meet every six months (preferably in May and in January, but exceptionally in FY 88 in August) to evaluate the progress made in implementing the HRDA private sector training activities. It is during these meetings that decisions will be made concerning the selection of candidates and the nature and suppliers of management training programs.

It is recommended that the PSAB include four members from the private sector and four members from the public sector, with the USAID Project Officer casting the deciding vote in the event of a tie. (See Annex 4 for recommendations concerning advisory board members). The August 1988 meeting is critical to implementing the planned FY 88 activities.

G. Recruitment and Selection

Recruitment and selection of participants is particularly critical in Guinea where problems with the academic level of participants in long term training programs have been encountered.

It should be the responsibility of the Private Sector Advisory Board to fully inform the local private sector community of program opportunites, through newspaper ads, notices at the Chamber of Commerce and the various promotion agencies and through radio announcements. For the third country and U.S. training programs allotted each year to the private sector, the PSAB should establish criteria for selection of candidates based on the nature of the enterprise in which they are employed (i.e. growth potential, job creation potential, etc.).

It should be noted that CESAG has developed a successful selection process for its long term program which may be useful to the USAID mission, for selection of both private and public sector trainees. HRDA could fund a consultant from CESAG to recommend testing mechanisms which might be used by the PSAB (using the PSAB activities allowance).

The PSAB should carefully review all proposed candidates and make its recommendations to USAID, which would then refer the list of selected participants to the Ministry of International Cooperation for processing.

It is important that representation from the public sector and the private sector be equal on the PSAB and that selection be deliberated as a group.

H. Evaluation and Follow-Up

An important component of the HRDA private sector program is its evaluation and follow-up. Returned participants should be interviewed immediately upon completion of training. This interview should produce a written evaluation of the training received. The PSAB, in its semi-annual meetings, should carefully consider the impact of the training provided previously and should adjust subsequent programs as needed.

All returned participants should be invited twice a year to the USAID Guinea training follow-up conferences.

I. Management of Program

The management of the HRDA program will certainly be more labor intensive than that of the predecessor AMDP II project. It is estimated that FY 88 activities will include some 8 in-country training programs and the selection and processing of 25 candidates for training in the U.S. and 60 candidates for training in African institutions outside Guinea. FY 88 activities also include the establishment of the Private Sector Advisory Board and of a recruitment and selection procedure for private sector activities.

A well-qualified private sector training coordinator will be required to handle the above responsibilities. This person should be capable of gaining the confidence of the private sector board members and of interfacing effectively with GOG offices.

If needed, project funds may be used to contract out small assignments to local private firms or individuals (e.g., short surveys or conference organization), under the allotment for PSAB activities.

AFR/TR/EHR will backstop the USAID Guinea training office as necessary and has scheduled at least one annual follow-up trip, coinciding with one of the annual PSAB meetings, to assist the training office in programming its private sector activities.

Progress reports on implementation of the private sector portion of the HRDA project should be submitted at least quarterly to AFR/TR/EHR, so that it may better determine what other support to the mission is needed.

J. Funding

The following summary reflects projected funding levels over the life of HRDA. (The amounts for public sector training are illustrative pending the outcome of the public sector training needs assessment to be conducted in July 1988).

	Private Sector	Public Sector	Support Costs	Total
FY 88	$735,000	$515,000	$150,000	$1,400,000
FY 89	$485,000	$460,000	$ 55,000	$1,000,000
FY 90	$475,000	$470,000	$ 55,000	$1,000,000
FY 91	$475,000	$470,000	$ 55,000	$1,000,000
FY 92	$475,000	$470,000	$ 55,000	$1,000,000
TOTALS:	$2,645,000	$2,385,000	$770,000	$5,400,000

X. ADDITIONAL RECOMMMENDATIONS FOR PRIVATE SECTOR DEVELOPMENT

Guinea's rural population had to manage for themselves for almost 30 years, and are now eager to progress. Unlike many other African countries, there is a dearth of PVOs/NGOs in Guinea and in the field. Also, many donor-funded projects in the rural sector are just beginning. The various cooperative and pre-cooperative organizations interviewed expressed a wide range of training needs- from how to rganize properly to creating market networks in Europe. Their needs call for extremely practical, hands-on training across the spectrum of business functions.

The rural sector appears to be fertile ground for appropriate pilot efforts to promote economically productive activities with cooperative type organizations and with individual entrepreneurs.

Certain AID-funded projects* in other West African countries offer successful examples of assistance to producer groups, cooperatives and rural entrepreneurs. Certain common threads run through these projects. First, their raison d'etre is the creation and support of productive (profit-making) economic activities. The projects all started on a pilot basis, all have important training components, and all offer credit. The Togo and Niger projects have farmer group/cooperative components, both based on a "bottom-up" philosophy of formation, training and operation.

Second, training is the most important component of the projects. Proven training packages include group formation, technical and business aspects of on- and off-farm economic activities, and the productive use of credit. Only when the farmer groups (Togo) and the cooperatives (Niger) are deemed ready, do they move into profit making activities.

Third, all three projects have a rural entrepreneur component covering agricultural, agriculture-related and non-agricultural profit making activities. In all projects, a primary objective is to make the beneficiaries, whether groups or individuals, "bankable" with commercial banks. The Niger project has a credit "window" with the BIAO under a two-year guarantee program. Two commercial banks in Togo have expressed interest if the groups and entrepreneurs are ban able and close to Lome. The Senegal project is farthest along with over 100 entrepreneurs/SSEs with a 1-3 year track record of growing profitability and a 100% repayment rate. Two commercial banks have expressed interest, and the project is considering "packaging" the best 20-30 entrepreneurs to transfer them to commercial bank credit.

In all three projects, the reasons for success are the training packages, practical, well-designed and targeted to the recipients' needs, and the very close supervision in both the training and credit components. Close supervision is expensive, but effective. Both the Togo and Niger projects will have follow-on projects which will expand into new geographic areas with potential. The Togo project will employ and train appropriate, financially and managerially sound NGOs to gain both a multiplier effect and to lower per beneficiary costs. The follow-on project will also build on a currently successful credit union project with wide geographic coverage and a growing credit-for-productive activities component.

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* Niger's Agricultural Support Project, Senegal's Community and Enterprise Development Project and Togo's Zio River and Credit Union Projects.

The keys to success in these projects are:

1. The use of competent, experienced contractors - NCBA (CLUSA), CARE (which assumed the Partners for Productivity project portfolio), Management Sciences International and the World Council of Credit Unions.

2. A "bottom-up", practical, needs-driven approach to training.

3. The objective of making the beneficiaries "bankable" to commercial banks.

4. Promotional efforts directed to the country's banking profession.

5. Beneficiaries who are willing to work in groups, democratically.

6. Very strict criteria for entry of entrepreneurs into the program.

7. Very close supervision of the beneficiaries.

Credit unions, which are a formal, local, democratic form of savings institution, may be appropriate in the future in Guinea. According to the commercial banks, one-third of the country's money supply is "mattress money" in the rural areas. Furthermore, the demise of the state banks and the loss of deposits have seriously shaken the confidence of the rural population in banks. It will take a long time to regain that confidence.

These rural "savings" could be mobilized through a system of credit unions, which in turn would help instill confidence in formal banking institutions. Credit unions also provide a step between informal "institutions" and the formal banking system. Finally, they offer one means of reducing the propensity to consume, one of Guinea's economic problems.

The second area of recommendations entails access to credit. Access to credit is one of the principal constraints facing the SME. This is due in part to commercial banks' aversion to risk, in part to the banker-perceived riskiness of the SME itself, the fact that many SMEs simply are not yet "bankable," and in part due to the lack of familiarity with each other, the SME and the banker.

The donor community can help assuage the constraint through its projects involving SMEs in a number of ways:

Currently:

1. Develop an SME client assistance unit within a bank such as the BICIGUI or improve the services of existing units, such as ONPME or CNPIP. The unit would help entrepreneurs with their business proposals, loan application preparation, market studies, general and financial management and accounting - all of the basic business skills which legitimize a business in bankers' eyes. A bank unit has the added advantage of physical location in the bank and would make bankers and small scale entrepreneurs familiar with one another - a necessary ingredient for success. On the other hand, working with existing promotion units would avoid duplication of effort and represent less investment as compared to setting up a new office.

2. Institute collaboration between banks and local accounting firms to provide simplified, understandable accounting systems for SMEs, and use local accounting firms for objective, third party (i.e., arms-length) audits of company (ies') operations. In place accounting systems will go a long way toward decreasing bank uneasiness in dealing with SMEs.

In the mid-term (5-7 years from now), consider:

1. Tailoring packages of SME borrowers, with good business track records, for "sale" to banks. For example, a bank receives a package of 20 clients thereby reducing its transactions costs, the project assures the follow-up of the 20 "parts" of the package, the project assumes all or part of the credit risk for one-two years, and the bank and the project share in the loan interest income according to the amount of credit risk assumed by each. After year two, the bank is on its own, hopefully with 20 viable clients, borrowing at market rates and terms.

2. For larger clients, explore the possibility of "cocktail loan" arrangements, where two or more banks pool excess funds to make available longer term credit, the risk and maturities of which are spread among the banks.

3. Joint credit arrangements, where suppliers, banks and a donor agency come together to form a pool of credit, share the risks and the gains, and the donor agency provides a partial risk backstop - on the order of 25% maximum. A vital role of the supplier is that he knows his clients better than anyone and thus brings only the truly sound ones to the pool of which he is a major part.

A third area of recommendations entails the Guinean SME subsector. This subsector, formal and informal, is little known, especially its informal part. Yet, it is the subsector which provides the country with its entrepreneurs. Especially important are its food and agriculture related activities - a key segment of the private sector because its products and its business requirements both fuel the informal part of the private sector and represent a lever for the development of the agricultural sector. Moreover, since Guinea and all its neighbors are basically agricultural, this segment of the private sector can be the most rapid and important means of developing markets, both internal and external. Following are selected basic recommendations for the study of the Guinean SME subsector:

- determine its dimensions and wherein its vitality lies;

- explore how best its potential can be tapped, and what incentives are necessary to reap its potential; and

- for food and agriculture related activities, use the "food-chain" construct to evaluate t e range of activities from farmgate to consumer. All along the chain are potential SME activities. (The same applies to the "construction chain.") From the farm perspective, the food chain is the networks which supply the farmers with production inputs, financial resources and consumer goods, which make increased agricultural production for sale possible and worthwhile to the farm family. Consumer goods are necessary for the family to have things to buy - which availability in turn will cause them to produce more.

SCHEDULE OF HRDA PRIVATE SECTOR TRAINING ACTIVITIES

OBJECTIVE/ACTIVITY	FY 88	FY 89	FY 90	FY 91	FY 92
I. INCREASE PRIVATE SECTOR MANAGEMENT AND ACCOUNTING SKILLS					
For private sector participants	2 seminars CNPG	2 seminars CNPG	2 seminars CNPG	2 seminars CNPG	2 seminars CNPG
	5 Short Term Third Country Programs	5 Short Term Third Country Programs	5 Short Term Third Country Programs	5 Short Term Third Country Programs	5 Short Term Third Country' Programs
	1 Long Term U.S. MBA	1 Long Term U.S. MBA	1 Long Term U.S. MBA	1 Long Term U.S. MBA	1 Long Term U.S. MBA
II. STRENGTHEN TRAINING INSTITUTES/BUSINESS PROMOTION UNITS					
• Train Trainers CNPG	5 Short Term Third Country	5 Short Term Third Country	5 Short Term Third Country	5 Short Term Third Country	5 Short Term Third Country
• OIC Program Development: Women Managers	Program Development Grant	Program Development Grant	Program Development Grant	Program Development Grant	Program Development Grant
• CNPIP Staff Development	4 Mo's Tech. Assistance for Training				
	4 Short Term U.S. Programs	6 Study Tours U.S./Africa	1 Round Table In-Country	1 Round Table In-Country	1 Round Table In-Country
• Staff Development CCIA, CNFPP, ONPME, DARAF, etc.	10 Short Term Third Country	10 Short Term Third Country	10 Short Term Third Country	10 Short Term Third Country	10 Short Term Third Country
	1 Long Term Third Country	1 Long Term Third Country	1 Long Term Third Country	1 Long Term Third Country	1 Long Term Third Country
• Staff Development Condition Feminine	3 Study Tours Africa	2 Short Term Third Country	2 Short Term Third Country	2 Short Term Third Country	2 Short Term Third Country
III. IMPROVE CREDIT APPRAISAL & MANAGEMENT TECHNIQUES	1 In-Country Workshop	1 In-Country Workshop	1 In-Country Workshop	1 In-Country Workshop	1 In-Country Workshop
IV. ASSIST RURAL ENTERPRISES THROUGH EXTENSION	1 In-Country Workshop	1 In-Country Workshop	1 In-Country Workshop	1 In-Country Workshop	1 In-Country Workshop
	5 Short Term Third Country	5 Short Term Third Country	5 Short Term Third Country	5 Short Term Third Country	5 Short Term Third Country
ADJUNCT TRAINING					
Specialized Training	Fisheries U.S. Study Tour Central Bank In-Country				
HRDA Regional Training	5 Participants	5 Participants	5 Participants	5 Participants	5 Participants
PRIVATE SECTOR TRAINING SUPPORT					
Training Coordinator	1 Coordinator	1 Coordinator	1 Coordinator	1 Coordinator	1 Coordinator
Training Follow-Up Activities	2 Conferences	2 Conferences	2 Conferences	2 Conferences	2 Conferences
PSAB Activities	Annual Allocation	Annual Allocation	Annual Allocation	Annual Allocation	Annual Allocation
Training Materials	Annual Allocation	Annual Allocation	Annual Allocation	Annual Allocation	Annual Allocation

HRDA PRIVATE SECTOR TRAINING COSTS

FISCAL YEAR	LONG TERM TRAINING U.S.	LONG TERM TRAINING 3RD COUNTRY	SHORT TERM TRAINING U.S.	SHORT TERM TRAINING THIRD COUNTRY	STUDY TOURS U.S./AFRICA	IN-COUNTRY	SPECIAL	TOTAL
FY 88	1 Private Sector MBA $75,000	1 Support Organ. (CCIA/ONFPP/etc) $45,000	4 CNPIP Staff $40,000	5 CNPG Trainers $10,000 5 Private Sector $25,000 10 Support Organ. (CCIA ONFPP,etc) $20,000 5 Extension Agents (MARA, ONPME, SED) $20,000	1 Fisheries U.S. $50,000 3 Cond.Feminine Africa $15,000	1 Central Bank Workshop $50,000 2 CNPG Seminars for Priv. Sector $50,000 1 SSE Credit Workshop $60,000 1 Extension Agents (MARA, ONPME, SED) $60,000	OIC Development Grant $130,000 4 Mo's Tech. Assistance CNPIP $80,000 HRDA Regional Programs $5,000	$ 735,000
FY 89	1 MBA $75,000	1 SUPPORT $45,000		5 CNPG $10,000 5 Priv. Sector $25,000 10 Support $20,000 5 Extension Agents $20,000 2 Cond. Feminine $10,000	6 CNPIP $60,000	2 CNPG Sem. $50,000 1 SSE Credit $25,000 1 Extension Agent $60,000	OIC Grant $100,000 HRDA Regional $5,000	$ 485,000
FY 90	1 MBA $75,000	1 SUPPORT $45,000		5 CNPG $10,000 5 Priv. Sector $25,000 10 Support $20,000 5 Extension Agents $20,000 2 Cond. Feminine $10,000		2 CNPG Sem. $50,000 1 SSE Credit $25,000 1 Extension Agent $60,000	OIC Grant $100,000 HRDA Regional $5,000 1 CNPIP Round Table $50,000	$ 475,000
FY 91	1 MBA $75,000	1 SUPPORT $45,000		5 CNPG $10,000 5 Priv. Sector $25,000 10 Support $20,000 5 Extension Agents $20,000 2 Cond. Feminine $10,000		2 CNPG Sem. $50,000 1 SSE Credit $25,000 1 Extension Agent $60,000	OIC Grant $100,000 HRDA Regional $5,000 1 CNPIP Round Table $50,000	$ 475,000
FY 92	1 MBA $75,000	1 SUPPORT $45,000		5 CNPG $10,000 5 Priv. Sector $25,000 10 Support $20,000 5 Extension Agents $20,000 2 Cond. Feminine $10,000		2 CNPG Sem. $50,000 1 SSE Credit $25,000 1 Extension Agent $60,000	OIC Grant $100,000 HRDA Regional $5,000 1 CNPIP Round Table $50,000	$ 475,000

FY 88 PRIVATE SECTOR TRAINING PLAN

1. A. CNPG- Train Trainers- 5 people
   B. Third country technical
   C. CESAG- two months
   D. Dols 10,000

2. A. 2 Seminars for Private Sector Owners:.
   Financial Management, Long Range Planning- 40 people
   B. In-country technical, implemented by CNPG
   20 persons per seminar
   C. Two weeks each seminar
   D. Dols 25,000 per seminar x 2 = Dols 50,000

3. A. Program development grant to OIC: 4 sessions- 80 people
   B. In-country technical
   C. Two weeks per session
   D. Dols 130,000

4. A. Investment Promotion Training/Technical Assistance
   for CNPIP- 15 people
   B. In-country technical
   C. [illegible] months
   D. Dols 80,000

5. A. Project Analysis Training for CNPIP- 4 persons
   B. U.S./European technical
   C. 3 weeks
   D. Dols 40,000

6. A. CESAG Small Business Management for Private
   Sector Managers- 5 people
   B. Third country technical
   C. Four months
   D. Dols 25,000

7. A. MBA Training for Private Sector Manager- 1 person
   B. U.S. academic
   C. Two and one-half years
   D. Dols 75,000

8. A. Training in loans to small scale enterprises
   B. In-Country technical: banking community and NGO's
   25 persons
   C. 3 weeks
   D. Dols 60,000

9. A. CESAG/CAMPC Business Management Training- Private Sector Support Organizations- ONPME, CCIA, ONFPP, BARAF, etc. - 10 people
   B. Third Country Technical
   C. 2 months
   D. Dols 20,000

10. A. CESAG MBA Program- Private Sector Support Organizations- ONPME, CCIA, ONFPP, BARAF, etc.- 1 person
    B. Third country academic
    C. 24 months
    D. Dols 45,000

11. A. Banking Training for Central Bank employees- 25 people
    B. In-country technical
    C. One month
    D. Dols 50,000

12. A. Private Sector Fisheries Promotion- Study tour- 10 people
    B. U.S. Technical
    C. One month
    D. Dols 50,000

13. A. Study tours to African womens' programs- Condition Feminine
    B. Third country technical
    C. Three tours for 3 people
    D. Dols 15,000

14. A. USAID Regional Programs in Entrepreneurial Development for Training Institutes- 5 people
    B. Third country techncial
    C. Three weeks
    D. Dols 5,000

15. A. MARA/SED/NGO Extension Agent Training in Cooperative Organization and Management- 25 people
    B. In-Country technical
    C. Three weeks
    D. Dols 60,000

16. A. Agribusiness/Cooperative Management Training at Pan-African Institute of Development- MARA, SED, NGO's- 5 people
    B. Third country technical
    C. Two months
    D. Dols 20,000

TOTAL: Dols 735,000

PRIVATE SECTOR TRAINING SUPPORT COSTS:

Training Assistant	$20,000
Training Follow-Up	$ 5,000
PSAB Activities	$10,000
Training Materials	$ 5,000
Total:	$40,000

ANNEX 1: ASSESSMENT METHODOLOGY

The purpose of the private sector training needs assessment was to define, with the USAID mission and with the assistance of a Private Sector Advisory Board (PSAB), a multi-year strategy to promote human resources development within the private sector.

A two-person assessment team was assigned to Guinea: a specialist in private sector analysis and a specialist in management training. The assessment was completed in three weeks, using the following methodology:

1. Literature search

   Literature on the local private sector (number and size of firms, breakdown by sector, evaluation of future growth potential), recent economic analyses and labor statistics were reviewed. Useful non-AID sources of information included studies by Chemonics, the Ministry of Plan, the ILO and CNPIP. (See Annex 6 for bibliograhy).

2. Contacts with key private sector players and support institutions

   The USAID mission organized a preliminary meeting of the PSAB according to AFR/TR/EHR guidelines. This group was reconvened at the end of the in-country work and recommedations were made for the final composition of the PSAB. (A list of those recommended members is included in Annex 4).

   A tight schedule of meetings during Week 1 was organized with officials from the ONFPP, ONPME, CNPIP, BARAF, Chamber of Commerce, and key ministries (Commerce and Industry, Labor, Social Affairs) as well as key donors, local commercial banks and owners and operators of key Guinean and foreign private firms. A two-day trip to the interior was also organized for the purpose of evaluating training needs among rural agricultural and productive groups.

3. Interviews with a representative sample of SME's

During Weeks 1 and 2, twenty-seven interviews were conducted with small to medium-scale enterprises, using a prototype questionnaire with 40 close-ended questions. The questionnaires were administered in French to the chief executive officers (ceo's) of the firms. The interviews lasted about an hour, including an introductory disucssion with the CEO on how he had begun and expanded his business. (See Annex 2 for the questionnaire and Annex 3 for the list of all persons interviewed).

4. Tabluation of questionnaire results and review of preliminary conclusions

The assessment team regularly reviewed results of interviews and discussed impressions with USAID staff during the assessment. At the end of Week 2, results obtained from the questionnaire were tabulated. A list of preliminary conclusions was prepared for a final meeting with the PSAB prior to the team 's departure. This allowed for feedback from the PSAB members on the nature of proposed training.

5. Preparation of private sector training plan

Upon its return to Washington the team prepared the final draft of the private sector training plan for the period FY 88- FY 92. (The basic elements of this plan were reviewed with the Acting AID Representative and the Acting Project Officer prior to the team's departure). The mission was to review the final draft upon its receipt and transmit modifications by cable to AFR/TR/EHR.

6. Follow-up

AFR/TR/EHR will backstop project requiremets, e.g.. identifying resources, assisting in organizing study tours or customized training programs, and promoting institutional linkage programs with U.S. universities or training centers.

CODE DE LA SOCIETE ________
DATE ________
INTERVIOUEUR ________

QUESTIONNAIRE POUR EVALUATION DES BESOINS DE FORMATION DU SECTEUR PRIVE

NOM: ________
FONCTION ________
SOCIETE ________
ADRESSE/TELEPHONE ________

A. VOTRE SOCIETE

1. Quelle activité décrit le mieux votre entreprise: ____ Fabrication
____ Agri-industrie
____ Construction
____ Transport
____ Services
____ Commerce

2. Etes vous ___ propriétaire, ___ directeur général, ___ cadre, ___ autre

3. Est-ce que votre entreprise est ____ une entreprise privée familiale
____ une entreprise privée en société de personnes
____ une entreprise d'économie mixte (privée/publique)
____ une entreprise publique
____ une filiale d'une firme étrangère.

4. % des ventes à l'exportation _____

5. Est-ce que le niveau technique des activités de la société est ___ trés technique, ____ moyennement technique, ____ peu technique.

6. Est-ce que votre entreprise dépend _____ surtout d'une bonne capitalisation, _____ surtout d'une bonne main d'oeuvre, _____ ni l'un ni l'autre.

7. Votre concurrence est-elle surtout ____ des entreprises locales
____ d'autres entreprises africainés
____ des entreprises non-africaines
____ pas de concurrence (monopole)

8. La concurrence est-elle ____ forte, ____ moyenne, _____ faible.

9. Quels sont les principales contraintes à l'expansion de vos affaires? ____ règlementations gouvernementales; _____ crédit; _____ besoins en personnel qualifié; _______ besoins de conseils en gestion; ______ taille du marché; ______ facteurs économiques; ______ besoins en une meilleure équipe de gestion; ______ besoin de renseignements commerciaux.

B. VOTRE PERSONNEL

1. Effectif total: _______ à plein temps; ______ à temps partiel

2. Combien de cadres: _____ (si possible donner cadres superieurs, moyens, inférieurs)

3. Combien d'employés ont leur bac ____

4. Combien d'employés ont fait des études supérieures ____

5. Combien d'employés ont fait des études supérieures de commerce ____

C. PROFIL DU PROPRIETAIRE/DIRECTEUR GENERAL

1. Quel est votre niveau d'instruction ____ lycée (bac? Oui___ Non ___)
____ études supérieures (Quel diplome?___)
____ formation spécialisée (Laquelle ___)

2. Combien avez-vous d'années d'expérience des affaires? ____

3. Quels sont vos besoins personnels de formation? (5 plus grands, 1 plus faibles besoins)

___ gestion générale ____ gestion financière ____ marketing/ventes
____ comptabilité _____ achats ___ informatique de gestion
____ production ______ réparation/entretien ___ droit des affaires
____ autre (lesquels________________________)

4. Combien de temps pouvez-vous consacrer à la formation ___ par semaine ___ par an.

5. Combien d'argent voudriez-vous payer? ____ pour 10 heures de formation
____ pour 20 heures de formation
____ pour 40 heures de formation

6. Quel format d'instruction vous conviendrait le mieux?
- 1 soirée par semaine de 3 heures pendant 4 semaines _____
- Un séminaire vendredi aprés-midi-samedi matin _____
- Deux soirs par semaine de 3 heures pendant 4 semaines____
- Un conseil particulier ________
- Une formation dans votre entreprise ________
- autre _____ (précisez ____________________________________)

D. PROFIL DE L'EQUIPE DE GESTION

1. Quel est le niveau d'instruction de vos cadres ____ lycée (bac? __)
____ études supérieures
____ formation spécialisée

2. Combien en moyenne vos cadres ont-ils d'années d'expérience des affaires?___

3. Quels sont les besoins de formation typiques de vos cadres? (5 plus grands, 1 plus faibles besoins)

___ gestion générale ____ gestion financière ____ marketing/ventes
____ comptabilité _____ achats ____ informatique de gestion
____ production ______ réparation/entretien ___ droit des affaires
____ autre (lesquels________________________)

4. Combien de temps vos cadres peuvent-ils consacrer à la formation ___ par semaine ___ par an.

5. Quelle somme d'argent seriez-vous pret a payer par an pour la formation de vos cadres? ______

6. Combien de vos cadres aimeriez-vous former? ____

7. Quel format d'instruction vous conviendrait le mieux?
- 1 soirée par semaine de 3 heures pendant 4 semaines ____
- Un séminaire vendredi aprés-midi-samedi matin ____
- Deux soirs par semaine de 3 heures pendant 4 semaines ____
- Une formation dans votre entreprise ____
- autre ____ (précisez ______________________________)

E. PROFIL DE L'EMPLOYE

1. Quel est le niveau d'instruction moyen de vos employés? ____

2. Combien d'années d'expérience ont-ils en général ______

3. Besoins de formation (5 les plus grands besoins, 1 les plus faibles)

____ lecture/écriture ____ aptitudes d'emploi de bureau ______ tenue des livres comptables ____ aptitudes à la fabrication/technique ______ réparation/ entretien ______ aptitude à la vente ______ autre (lequel ____________)

4. Quelle somme d'argent etes vous pret à dépenser par an pour la formation de vos employes? ______

5. Combien de vos employes aimeriez-vous former? ____

6. Quel serait le meilleur format d'instruction pour cette formation?

____

F. EXPERIENCE AVEC LES INSTITUTS DE FORMATION LOCAUX

Quels instituts de formation locaux avez-vous utilisé et comment évaluriez-vous leurs programmes.

____

G. AUTRES RENSEIGNEMENTS

1. Votre Age: __________

2. Chiffre des Ventes pour votre société en 1987. ____

3. % de croissance des ventes pour les trois dernières années ____

4. Quel est le pronostic pour votre entreprise ____ excellent
____ bon
____ moyen
____ faible

ANNEX 3: PERSONS INTERVIEWED

USAID

Teddy Wood-Stervinou, Program Officer
Craig Noren, Project Officer
Mustapha Diallo, Training Officer

GOG

Mr. Toure, Director, Office National de la Formation Professionnelle et Permanente
Mr. Kaba, Directeur, Office National de l'Emploi et de la Main d'Oeuvre
Mr. Fofana, Secretaire General, Chambre de Comerce, de l'Industrie et de l'Agriculture
Mme Diallo, MM Sylla and Conte, Office National des Petites et Moyennes Entreprises
MM. Keita, Centre National de Promotion des Investissements Prives
M. Camara, BARAF
Ministry of Industry and Commerce
Ministry of Social Affairs and Employment
MM. Bah and Sangare, Central Bank
Dr. Conde, Secretariat d'Etat a la Decentralisation, Cellule ONG
Mrs. Hawoa, Condition Feminine, Ministry of Social Affairs
Capt. S. Sylla, Prefet of Kindia

Training Institutes

M. Conte, Centre National de Perfectionnement a la Gestion
MM. Hidalgo (ILO) and Causse (Consultant), CNPG
Mr. Conde, OIC
M. ______, CEPERTAM

Donors/Projects

Mr. Stervinou, Resident Advisor, CNPIP
Mr. Balcet, IBRD Resident Representative
Mr. Farmina, UNDP Resident Representative
Mrs. Dussa, CIDA
Mr. Gilles, FAC/CCCE
Mr. Werblow, EEC

Private Banks

Mr. Hirsch, Societe Generale de Banques de Guinee
Mr. Breus, BICIGUI

Private Companies

Ali Saadi (Imports)
Bally et Fils (Imports)
Alpha Plus Company (light manufacturing)
Societe de Commerce et de Financement (Imports)
Sobragui (Brewery)
Sipag (Macaroni)
Racky Teinture (Textiles)
Cabinet Kaba (CPA)
Compagnie des Eaux de Guinee (Mineral Water)
Menuiserie Youla (Furniture makers)
Sogedi (Industrial Gases- Air Liquide affiliate)
Ebinisterie Fall (Carpenters)
Garage Camara (Auto repair)
Daprogui (Office equipment)
El Hadj Brouettes (Farm implements)
HDS (CPA)
U.A.C.I (Imports)
SIPO (Fishery)
Etablissements BOBO (Imports)
AMCO (Transport)
Entreprise Nouvelles Kaloum (Construction)
Service Lavenet (Industrial Cleaning)
Adicaf (Imports)
Jean Lefevre (Road building)
Soguicaf (Coffee exports)
Berete Poultry Farm (Eggs)
Pharmacie Peglo (Drugs)

Rural "Groupements"

Coyah: Weavers, Vegetable Growers, Carpenters, Tailors
Kindia: COPROFAG (Pineapple Farmers), Dyers, Woodcarvers

ANNEX 4: RECOMMENDED LIST OF PRIVATE SECTOR ADVISORY BOARD MEMBERS

The following list of recommended Private Sector Advisory Board members is based on an equal division between private and public sector representatives and on the need to limit the number of members for practical reasons. The Board should designate a president among its membership.

PRIVATE SECTOR REPRESENTATION: 4 members

4 members of the Chamber of Commerce, Industry and Agriculture, who are owners or operators of private sector firms (staff of the Chamber of Commerce are not eligible)

PUBLIC SECTOR REPRESENTATION: 4 members

2 members representing the training institutes to be working with the private sector, to be selected from ONFPP, CNPG and OIC

2 members representing the GOG SME promotion offices, i.e. ONPME and CNPIP

USAID

The USAID project officer and training officer will serve as technical advisors to the Board. In the event of a tie on any vote taken by board members regarding the selection of programs or participants, the USAID project officer will make the final determination.

ANNEX 5: PRIVATE SECTOR ENVIRONMENT

A. INTRODUCTION

A.1. Description of Guinea

Guinea is a small country bounded by Senegal, Guinea-Bissau, Mali, the Ivory Coast, Liberia, Sierra Leone, and the Atlantic Ocean. Geographically diverse, and blessed with more natural resources than the majority of West African countries, Guinea has a large economic potential. Roads of varying quality link Guinea with all its neighbors.

Guinea has an estimated 6.5 million people, with anywhere from 500,000 to 1,000,000 living outside its borders. The emigre figure is very uncertain as many Guineans are believed to have returned with the change in regime (1984) and because of the current poor economic conditions of West and Central Africa. Its population is growing at 2.0-2.5 percent annually, with approximately 30 percent of the total living in urban areas, most notably, Conakry. Conakry, the capital, has grown from 900,000 to over 1.1 million people in the past five years. Migration to urban areas is put at six percent annually. Life expectancy at birth is extremely low, even for Africa, at 39 years. Gross National Product per capita is estimated at $300, however, this aggregate measure is just a rough approximation for a semi-subsistence economy in which people engage in a variety of agricultural, informal and formal economic activities in order to make ends meet. Moreover, accurate statistics gathering and interpretation are still more art than science in Guinea today.

The country is the world's largest bauxite producer and has significant gold, diamond, iron ore and graphite deposits. Guinea's bauxite and alumina production account for more than 95% of her export earnings. Agriculture, including livestock, fisheries and forest products, however, contribute more than 40% to gross domestic product and absorbs about 80% of Guinea's active population. At independence in 1958, the country was more than self-sufficient in overall food production, with the value of agricultural exports exceeding the value of agricultural imports by some 400%. The only imports in that year were 7000 tons of rice. Today, Guinea covers approximately 75% of its domestic food needs.

Excluding mining, manufacturing plays a very minor role today in Guinea's economy, accounting for only 2% of GDP. Commerce and government employment add about 35% to GDP. The formal private sector absorbs slightly over 1% of the total working population.

After 26 years of a statist system, the new government inherited a shattered economy. In the past four years, the Conte government has embarked on a liberalization and rejuvenation of the economy via emphasis on free markets, the private sector, and elimination of most controlled prices and subsidies. Policy reform includes dismantling or privatizing most state owned firms, as well as a reduction in the size and pervasive role of the government. Investment priority is given to rebuilding physical infrastructure, and both industrial and agricultural capacity to produce.

A.2 Guinea's Economic Performance

From independence in 1958 until the end of the Toure regime in 1984, the Guinea economy moved toward collapse. The highly centralized, mismanaged economy had an official, formal network of government and parastatal organizations which attempted to control most economic activities. The economy also had a parallel component which was responsible for three quarters of Guinea's economic output. Counterproductive price, wage and exchange rate policies, coupled with Marxist ideology, a state-run banking system and the lack of an operative legal system seriously discouraged private initiative, drove the agricultural sector back to subsistence farming and stifled both industrial production and the general economy. Only the mining sector, in particular the bauxite industry, grew in the late 1970s. Paradoxically, the parallel component or market which became strong and widespread during the Toure years, is an asset for the current government in so far as rejuvenation of legal commerce is concerned.

During the period 1980-1984, Guinea's GDP grew at a real rate of less than 2% per year. Yearly growth after the change in governments, estimated at 5% for 1985 and 1986, is in part real, stemming from increased imports of consumables, and in part the recognition of the sale of agricultural production through official channels. Foreign aid, debt rescheduling and a special minerals export tax financed expansion in 1986 and 1987.

Export receipts from gold, diamonds and coffee have grown since 1985 with the opening of new mines and the return of coffee to official channels. Overall receipts declined, however, because of falling world prices for bauxite and aluminum in 1984-1986. In 1987, the GOG expected a $150 million increase in revenue from the special minerals tax. 1988, however, looks brighter for bauxite as aluminum prices have nearly doubled over the past year. ($1.25 per lb. spot COMEX, May 16, 1988 vs. $0.70/lb. a year earlier) and demand remains strong.

Inflation which ran at 38% in 1987 is estimated at 25% for 1988. The auction market for foreign exchange appears to be working fairly well as the official rate for both the dollar and French francs is only 6-7% less than the parallel rate (May 10, 1988).

In 1986, Guinea started economic reform under IMF imposed financial stabilization programs. This was accompanied by a structural adjustment loan aimed at better management of public finances, restructuring of the economy, revitalizing both the private sector and agriculture, and divestiture of uneconomic parastatals. A second structural adjustment loan will stress administrative reform, widened and strengthened tax collection, liquidation or privatization of some 12 parastatals, further progress in the country's legal/commercial structure and management assistance to certain key ministries.

Current economic growth is likely to remain slow since major infrastructures must either be built or rehabilitated, and a climate conducive for private sector activity must not only be established, but also maintained. Before private investment and domestic savings can replace donor financing in part, an entire legal and commercial structure must be built - from property title law to weights and measures. Moreover, confidence must be built -- to draw the investment to the country and to draw that one-third of the money supply from rural mattresses to the banks. Unemployment and underemployment are growing especially in Conakry, as the government not only is not hiring, but also is reducing the size of its work force. The embryonic formal private sector can not absorb either the new job market entrants nor the laid-off civil servants.

B. BREADTH OF BUSINESS BASE, STRUCTURE AND INFRASTRUCTURE

B.1. Breadth of Business Base

The GOG Labor Office in its December 1987 Directory of Companies reports a total of 1151 registered businesses in Guinea. Of this total approximately one-half are located in Conakry and they account for slightly less than half (44%) of registered employment in Guinea (28,145). Other sources estimate the formal manufacturing sector to have about 100 enterprises (mostly small scale) employing 2500-3000 people. Informal manufacturing sector employment is estimated at approximately ten times this level. Together, the formal and informal manufacturing sectors are estimated to contribute about 2 % to GDP. If one adds mining, the contribution jumps to 25%.

Working with data for Conakry, the following table shows how heavily skewed the private sector is toward commerce, construction, and services.

Breadth of Business Base

Commerce, Hotels, Restaurants	242
Services (Pharmacies-28*; Garages; Doctors; Lawyers; Hairdressers; Jewelers)	112
Construction	72
Manufacturing** (Bakeries-28; carpenters-17; Printers-4; Others-19)	68
Transportation (including airlines), warehousing, communications	40
Electricity, Gas, Water	18
Agriculture, Fisheries, Animal Husbandry	13
Mining	12
Insurance, Real Estate, Banks	9
Other	3
Total	589

*Based on interviews with a selection of small and micro-enterprises, one suspects that the number of smaller enterprises, both the formal and informal, is understated. Conakry reportedly has approximately 60 pharmacies. The Directory of Companies reports 51 businesses in the town of Coyah, while tailors in the town state that there are over 50 tailors alone in Coyah. Accurate statistics are often hampered by the rush of new entrepreneurs into selected activities, e.g., transportation, pharmacies, bakeries, commerce, and print shops. Statistic gathering is also hindered by the desire of many start-up businesses to remain "invisible" and unregistered with the government in order to avoid taxation. Statistics will also be inexact as new starts fail due to saturation of certain lines of business with new entrants.

**The definition of the manufacturing or "industrial" sector often includes such activities as bakeries, repair garages, tailors, and the like - thus the estimate of 68 manufacturing enterprises.

The formal manufacturing sector is heavily weighted toward large enterprises in GDP contribution and employment, especially if mining is included. The formal SME subsector is small, but not without importance or potential for Guinea's economy. This subsector, formal and informal, has various characteristics which give it importance:

- It expands the breadth of the business base, adding backward and forward linkages, to other businesses suppliers, and to consumers.

- It of n builds, fabricates, services, transports what tne formal large enterprise needs and produces.

- It helps absorb urban unemployment by job creation.

- It is the wellspring of entrepreneurs, and it is the crucible for entrepreneurs.

- Today's SME is tomorrow's large employer and taxpayer.

Guinea's current lack of breadth of business base is perhaps best shown by three examples. First, the Sobragui brewery intends to go into its own rice and corn production to assure timely, cheaper supplies for its brewery. Second, the major egg producer in Kindia can neither obtain local (Guinea) supplies of commercially prepared feed nor can he get sufficient supplies of local corn to prepare his own feed for 4800 layers. Moreover, the lack of local feeds, not o mention the high cost of imported ingredients, prevents him from entering the broiler market and competing with frozen Argentinian imported broilers. Finally, the fruit growers' cooperative, COPRAGRO, in Kindia, has no firm network of contracted, European buyers to purchase its pineapples and mangoes on a steady basis. Its exports are made on a deal-by-deal basis, which does not assure its growers of a firm annual market. A broader business base would entail both the necessary producer-market communications and linkages to a variety of buyers.

Guinea's potential growth in breadth of business base is pointed up by a member of factors and events. First, the informal sector is growing rapidly in traditional business activities - blacksmiths, welders, carpenters, tailors, dying operations, bakeries, etc. Of course, there will be saturation as new entrepreneurs rush into these activities, and the inevitable shake-out. Second, as remaining parastatals are privatized with European firms bringing in capital and management, new production and marketing linkages will be established. Third, existing larger enterprises are starting to branch out into new product endeavors, e.g., juices, soft drinks, bicycles, and motorbikes. Fourth, a few large enterprises are establishing themselves in Guinea in order to have a place in the economy when it starts to grow, e.g., tobacco, matches, cement, corrugated steel. Finally, and interesting, some of the large traders, recognizing the short-term limitations of the market (current lack of purchasing power) are slowly diversifying into manufacturing, transport, and agricultural activities.

B.2. Structure

Under the Marxist regime of Toure, the private enterprise (legal) was virtually outlawed, and the formal economy was under the near total control of the state via a large number of ministries and parastatal companies. The legacy of the Toure years was a absence of the legal, commercial and regulatory structure necessary for the effective functioning of a private sector.

The Conte government, faced with the need to do everything at once and the difficult choice of where to begin, is proceeding slowly to provide the part of the structure which a government should, as well as certain parts which are normally the province of the private sector. Donors are providing other elements of the structure, and the private sector itself, assuming the economy grows, will start to form the supplier, market, labor and professional services' linkages.

Following are the steps which have already been taken and those under study to create the necessary structure for the private sector:

Steps Taken

1. An investment code enacted in 1984 and revised in 1987 to direct investments to critical sectors needing development.

2. A labor code enacted in 1988 covering all full time and most part time employees, subcontractors and apprentices. The usual francophone code dealing with all aspects of employer/employee relationships including union formation, and training requirements for employers with 25 or more employees. All employers required to pass through the National Employment Office to engage employees.

3. Commercial Code enacted in 1985 and amended in 1988.

4. Tax Code enacted in 1986 with modifications in 1987.

5. Reform of the Banking Sector.

6. Elimination/privatization of State Enterprises except for railroads, electricity, water and the National Bureau of Printing.

7. Petroleum Code and Mining Code enacted in 1986.

8. Customs and tariffs simplified in 1986: 10% tax on nearly all imports except luxury items (as high as 42%). Rice, various basic food products and pharmaceuticals exempt.

9. Establishment of professions in 1986.

10. Establishment of a Chamber of Commerce in 1986. (Only started functioning in 1988).

11. Establishment of an Investment Promotion Center (USAID funded) to identify and formulate projects and help clients become bankable -- 1986.

12. Establishment of the National Office for Small and Medium Sized Enterprises to train technicians and specialized workers -- 1986. Little scope and size so far.

13. Establishment of the National Employment Office in 1986.

14. National Office of Professional Training to help start-up companies with evaluation of their firms and training plans.

15. Administrative Training Center for advanced training of civil servants.

16. BARAF - 1986. Organized to help retired, early retired and laid off government employees enter the private sector and become bankable.

17. Establishment of the National Management Center (World Bank funded) in 1985. Intended principally for the private sector, but to date mainly preoccupied with GOG employees.

Steps To Be Taken

1. Enactment of an Accounting Code - expected in 1988.

2. Enactment of an Import Duty Code - expected in 1988.

3. Development of a cooperative structure and legislation governing cooperatives and mutual associations.

4. Development and enactment of a title deed system and real property laws. This is particularly important for collateral and debt recovery.

5. Development and training of lawyers (currently lawyer training underway under the auspices of the Paris Bar), accountants, and business consultants.

6. Coherent, coordinated training efforts across a spectrum of basic skills and concepts, such as the long-term nature of business and the requirement of financial responsibility towards one's business.

7. Gradual formation of horizontal and vertical business linkages, domestically and internationally.

A weakness of the structure is that the multitude of "centers" and organizations established to help the private sector get started, get trained, hire employees, and promote itself are not yet effective, and their assignments/responsibilities overlap principally because they were established rapidly to meet the needs of a broken economy, but with little coordination and planning. A further, and underlying weakness is that few Guineans have a firm grasp on the concept of a strong business sector operating within and effectively driving an economy. This too is part of the legacy of the Toure years.

Finally, businessmen report a sense of operating in a "partial vacuum," and one of uncertainty due to the lack of a solid, tested legal, commercial and regulatory structure. They need to know the rules to which they must abide, that these rules will be adhered to by the government, that changes in the rules will take place rationally, after discussion, and in response to the dynamics of the economy, and finally that there are laws and fair procedures to which they can have recourse in the case of disputes.

B.3. Infrastructure

Virtually all elements of Guinea's physical infrastructure seriously deteriorated under the 26-year long rule of the Toure Regime. While there is massive allocation of donor funds to correct the inadequacies, the formal, and to some extent, the informal business sectors suffer from the general poor state of infrastructure*. The modern business, dependent on electricity, must be self-sufficient in power supply. The lack of reliability of water supply affects those process industries dependent on an uninterrupted source of water. While some progress is being made across the spectrum of deficiencies, it will e a long time before Guinea's infrastructure approaches the requirements of a modern, well-functioning private sector.

a. Transportation

The state of Guinea's transportation infrastructure varies according to component. The main artery out of Conakry is in relatively good condition to Kindia (140 kms.). Beyond Kindia, and elsewhere in the interior, many roads are in poor condition. This situation, however, is the object of three multilateral projects funded by the World Bank and totalling approximately $180 million.

The third project is due to begin in mid-1988, and it is expected that it will be completed by June 1993.

Apart from the rail lines to Guinea's bauxite centers, which are in gocd condition, the remainder of the rail system is in very poor shape. There is no freight service to the interior and the only passenger service extends 36 kilometers out of Conakry. The road beds and especially the rolling stock are in deplorable condition.

International air transportation in and out of Conakry is satisfactory, while internal air transport is sporadic at best. One of the three multilateral projects (Transport Sector Project) referred to above has components aimed at refurbishing interior airports as well as updating navigational aids at the Conakry International Airport.

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*Apart from the mining enclaves, which have their own infrastructure, modern, and operative.

Guinea's truck fleet, while old and delapidated, is starting to be renewed. With the opening of the private sector and the road building/ improvement, transport is a business activity which promises quick, positive returns, and thus is eagerly sought out by new ("retired" civil servants) and current Guinean businessmen. Conakry has a new us fleet, some articulated, serving the city and suburbs.

b. The Port of Conakry

The port has been the object of a $38 million multilateral project, Conakry Autonomous Port Project, designed to rebuild its entire infrastructur from wharfs to warehouses. The Transport Sector Project, referred to earlier, has a component which complements and extends the Conakry Port Project by improving bulk and container cargo handling and eventually privatizing all the various port services.

c. Electricity and Water

These two vital elements of a country's infrastructure are subject to frequent breakdown. The lack of reliable electric power forces all modern businesses to have expensive back-up power (generators) and those businesses which are continual process activities run solely on generators. Certain informal sector businesses, which depend on electricity (welders and garages, for example), are even more adversely affected since they have no back-up supply. When there are power outages, work stops. Any business dependent wholly or partially on water (industrial quality or pure) is affected by water cut offs. Electric power generation is the subject of a $10 million multilateral project while Conakry's water supply's basic infrastructure was rebuilt under a $13 million multilateral project and is the continuing subject of a proposed project designed to strengthen and partly privatize the present water company.

d. Communications

The interior telephone network in many cases does not function which hampers the effective conduct of business. For businesses with production facilities in the interior, handcarried messages must suffice. Overseas telephone service is often subject to week-long delays in the placement of calls. The telex system reportedly is unsatisfactory.

The lack of reliable communications means that businesses have a difficult time scheduling production, meeting market opportunities as they arise, and in some cases, requires a four to five-month lead time in ordering inventories from overseas.

e. Raw Materials/Spare parts

A common complaint of businessmen is the difficulty in obtaining raw materials on a timely basis and the difficulty (in some cases, impossibility) in obtaining spare parts. With the initial infrastructure improvements this situation is easing somewhat. Spare parts availability for old and for Eastern Bloc equipment continues to be a severe problem. Hand-in-hand with the physical infrastructure deficiencies go management inefficiences. While vessels discharge container cargo rapidly, port and customs procedures delay the receipt of goods at the factory.

f. Other

Other complaints voiced by businessmen were:

- The lack of suitable office and factory space in Conakry.

- A general lack of supporting business linkages in the country with the result that most raw materials and goods have to be imported. For example, for the nascent poultry industry, there are no commercial prepared feed sources.

- Lack of conditioning centers for agricultural produce, mainly fruits and vegetables. Lack of storage facilities, and in particular, the absence of a cold storage chain.

C. BANKING/FINANCIAL SECTOR

A key constraint which SMEs cite is their lack of access to credit, from working capital to long-term financing. With the GOG's accent on the development of small and medium sized enterprise as one of the keys to the future health of Guinea's economy, and the various lines of donor-provided credit available at preferential terms, one must ask why is the small businessman having such problems?

C.1. Characteristics

Indicative of the near collapse of Guinea's economy, all six state banks were closed in December 1985, with their assets and deposits frozen. Today, Guinea has four commercial banks*, two of which were operative before the closure of the state banks and two of which started operations very shortly after the state banks closed. Two of the banks, BIAG and BICIGUI, are joint ventures with majority ownership by the GOG, one entirely privately owned, SGBG, and one Islamic Bank, BIG, owned by the banking group, Dar al Maal al Islami. There is one insurance company - state owned, no leasing companies and no formal venture capital sources.

Only BICIGUI is developing an extensive branch network outside Conakry. At present, the bank has established eight branches and plans two more. SGBG has a branch office in Kankan, but does not intend to expand any further in the near future. Both BICIGUI and SGBG intend to increase their SME portfolio. At present, commercial banks principally finance trade operations, the bulk of the value of their portfolios. The "parallel" financial market has two actors: the money lender whose interest rates are reported to run as high as 80% per year, and supplier credit whereby suppliers advance goods and/or raw materials at fixed prices.

In order to make more foreign exchange available through official channels, the Central Bank established weekly auctions in 1986. Slow to start, because of the much more favorable parallel market, and t e people's unfamiliarity with formal banking procedures, it is now becoming a successful institution, as the table on the following page shows:

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*The BICIGUI has what might be described as a development window, since it is the only bank authorized to handle the World Bank and EEC lines of credit. Moreover, it was established as a development bank, with donor shareholders.

Purchases and Sales of Foreign Exchange in USD-millions

	1986	1987	1988 (4 months)
Purchases	$86.4	$128.2	$58
Sales	11.8	40.9	20

Another indicator of its success is the relationship between the official and parallel market exchange rates. At the beginning of the 1988, the official USD/GF rate was 445:1 while the parallel market stood at 500:1. On May 10, 1988, the official and parallel markets were 450:1 and 480:1 respectively. The French franc reflected the same evolution, standing at 79:1 official versus 85:1 parallel. Both currencies sell at a 6-7% premium on the parallel market. A 1985 devaluation from 23:1 to 400:1 (GF/$), the financial system regularization offered by the weekly auction and some economic progress have been responsible for this change.

Domestically, the banking system suffers from illiquidity. There are a number of reasons for this:

- The Central Bank's withdrawal of 20% of commercial bank's deposits as a measure to control inflation (This year running at 25% versus 38% last year).

- The Central Bank's delay in refinancing donor-line loans with commercial banks - also an inflation containing tactic. Its lack of refinancing regular longer-term loans severly limits the availability of medium term credit in local currency. Most short-term loans are refinanced, except for lines of credit.

- The lack of branch banks in the interior.

- One third of the money supply is outside the formal banking system.

- Rural people lack confidence in anks because of the failure of the state banks, and the consequent nonrepayment of their deposits.

- Very low rural savings mobilization.

- The excessive distribution of credit in 1984-1985 to traders with subsequent massive loan defaults.

C.2. Credit Policy and Availability - SMEs

For the SME, credit policies severly limit the availablity and access to credit. If the SME can qualify for non-donor financed credit, it pays an interest rate averaging 28% per year. In general, the SME has no recourse but to turn to the parallel market for its finance needs. There are limited exceptions, however. First there are two operative donor-financed lines of credit, the IDA (4.3 million DTS) and the CCCE (45 million French francs) which offer medium and long-term equipment credit at preferential rates, (8-13% to the final borrower for the lending commercial bank, and terms of 2-15 years), with limited guarantees.

An EEC line is due to come on stream in two months for an amount of 4.1 million ECU. The fourth, AID's $10 million ESF cash transfer, "Promotion of Private Marketing and Distribution," is due to be available shortly - the first tranche of $5 million.

Only one bank, the BICIGUI, has access to all the donor credit lines. The CCCE line passes through the BICIGUUI, BIAG and SGBG. In large measure, the CCCE line is devoted to a special program, BARAF, designed to help the laid-off civil servant enter private enterprise. This incentive scheme is handled by BICIGUI (30%) and SGBC (70%).

The IDA line excludes agriculture, commerce and real estate, while the CCCE line excludes commerce and housing. The EEC line will address SMEs, and agricultural-related activities. In six months time, the EEC hopes to have a $88 million rural development program in place destined to help, in part, rural enterprises. Part of the program may entail credit.

The AID program, Guinea Economic Policy Reform Project - $10,000,000 ESF cash transfer, will be matched by the GOG with the equivalent of $10,000,000 in local currency. The LC is intended to flow largely toward agricultural development, targeting private sector credit needs and opportunities. LC will shortly be available for commercial banks to draw upon to make short and medium term loans to business. The AID program in part will fill the short-term local currency credit void (no working capital, no bridging capital, or start-up capital) for the non-Baraf SME, and the absence of local currency equity financing. This "line" will be open to all sectors, except urban housing, and presumably all commercial banks will be able to participate. As mentioned above, it is hoped that much of these monies will flow into the rural areas for private sector development.

Following are capsule descriptions of the track records of the two operating donor lines of credit aimed at the SME:

-IDA approximately 55% of the 4.3 million DTS lent out over the past 18 months. Credit risk is borne by the financial borrower. Exchange risk is borne by the GOG. Borrower must put up 20-30% of his total investment. The biggest problem encountered has been the lack of viable business propositions.

-CCCE a 45 million FF line to SMEs largely through BARAF, of which approximately 75% has been lent. Two sub-lines: one for loans less than 200,000FF at an interest rate of 10%; one for loans over 200,000FF at an interest rate of 15%. for non-BARAF loans to SMEs, the banks bear 30% of the credit risk, with the guarantee fund taking up 70% of the risk.

For BARAF loans, the banks handle 20% of the risk, the Guarantee fund 80%. Exchange risk is borne by the GOG. For loans over 1 million FF, the GOG bears all the credit risk. The biggest problem is the high non-repayment rate (60%-80%) expected whe these loans start to mature, and the consequent inability of the guarantee fund to cover the losses.

Although there is political pres ure put on banks (as in most francophone African countries) to devote a certain fraction of their lendable funds to SME financing, the banks are reluctant or unable to lend to this subsector in the absence of 100% guarantees.

Various reasons lie behind the commercial banks' reluctance or inability to lend to SMEs:

- the biggest obstacle to loan approval under donor-financed lines is the lack of borrower capital.

- commercial banks' traditional aversion to risk and to longer term development type lending; their lack of incentive to diversify away from existing, highly profitable, short-term commercial lending activities.

- SMEs' lack of expertise in preparing appropriate business proposals and credit applications, as well as the viability of the proposed businesses. The SGBG, for example, has made no more than three or four loans to SMEs (non-BARAF) so far.

- A general lack of bank in-house ability to assist the fledgling entrepreneur with the necessary business skills, and a weak outside institutional structure to assist new entrepreneurs.

- Poor loan repayment rates of SMES.

- Lack of investment capital of SMEs. New starts must put up 20-30% of the total investment required.

- SMEs' lack of suitable collateral, and banks inability to attach SME assets in the event of default. There is no legal structure and no legal titling system permitting a lender to attach real property or to hold liens on physical property.

- SMEs' general lack of business experience and management ability.

- The commercial, "get-rich-quick" mentality of many new entrepreneurs.

C.3. Commercial Bank Flexibility vis-a-vis SMEs

The CIGUI, handling the IDA and EEC lines of credit, is in par oriented toward development and the small and medium sized enterprise. It has the in-house expatriate capability to analyze and evaluate SME business proposals. The EEC reports that it place a "support unit" in the BICIGUI to provide loan follow-up service by the end of 1988 under its current credit line. It will also provide a mobile "follow-up" u t shortly thereafter.

No bank has a unit specifically designed to help the entrepreneur study and prepare his business proposition to (a) see if it is "bankable" and (b) to make it bankable, i.e., fit the various criteria a bank requires so that it feels it can lend with a high degree of safety.

The SGBG, responsible for 70% of the BARAF loans, has expressed interest in obtaining non-trade private sector business, including SMEs, in the future. This is an obvious strategy given that they will have access to 70% of all the BARAF loans, and will be able to pick the winners. The bank reports that it has only made three or four SME loans to date (non-BARAF). Finally, if and as their larger trader clients diversify into "production" activities, they too become SMEs.

In other francophone countries, some commercial banks will consider creative loan mechanisms, such as undertaking a package of sound SME clients with a two-three year track record of increasing profitability, a zero default rate, and some sort of short-term (one-two years) guarantee scheme. Some banks will also consider accepting mutual loan societies where under members contribute to a guarantee fund to insure against member default. While Guinea and its SMEs are still some time from qualifying for such mechanisms, experience in other countries demonstrates that commercial banks will entertain SME lending under the right conditions. As they are under political pressure to lend, "creative" approaches can bear fruit. Today's small, risky start-up may be tomorrow's solid customer, with a variety of credit needs.

D. HUMAN RESOURCES

"The loss of an entire generation of skills."

Nothing characterizes Guinea's economic plight more than her population's loss of skills across the most of the spectrum of economic activities. Businessmen, foreign and Guinean, are legion in their observations - "Engineers who have never seen a screwdriver," "Accountants with a high school degree plus five years schooling in accounting who have to be totally retrained," "A total absence of traine personnel such that now the simplest of training is needed; forget training in cash flow statements; what's needed, for example, is training in how to work wood."

Given Guinea's economic situation and its widespread and growing urban unemployment and underemployment, the question of human resources and how to employ them is critical today. Moreover, the past employment outlets offered by the few prospering West and Central African economies are closed because of a region-wide economic stagnation. The pressure on employment is further heightened by the 30,000 - 35,000civil servants who have been and will be displaced from their government jobs as a result of GOG action to reduce the size and expense of government.

D.1. Entrepreneurs

As with many other African countries, conventional wisdom states that Guinea has little in the way of true entrepreneurs. Traders, yes; entrepreneurial spirit, fueled in large part by lack of employment, yes; but real businessmen with the drive and intestinal fortitude to take large risks over the long term in a producing enterprise, no. In one sense this conventional wisdom is borne out. There has been no opportunity for entrepreneurs to develop for an entire generation. The small and medium sized sub-sector of business is so small at this time and the constraints of starting a business are so great that there is little evidence of local entrepreneurial (other than trading) ability. Uncertainly of the changing political/economic environment also hampers the development of entrepreneurial talents.

In another sense, the conventional wisdom is not entirely being borne out. There ar instances of Guinean-owned, non-trading establishments starting to come on stream. In large measure they are found in the informal business sector, however, a certain few are of the size and sophistication that qualify them as formal small (furniture, carpentry, construction, accountancy, law) and occasionally medium size businesses (poultry, data processing, transport/transit and fruit cooperatives). These entrepreneurs expressed both their need to develop their entrepreneurial skills, and in some detail the training they felt they needed and why.

Established traders are beginning to prospect non-trading business activities, i.e., agriculture, agribusiness and light manufacturing of consumer import-substitution type products. They realize that the market is currently becoming saturated with traders and that some diversification is necessary. The concept of diversification is a sophisticated entrepreneurial one. They also see the possibility for profit and have access to all or part of the necessary financing.

Unfortunately, some entrepreneurs shun training, in part because most training offered to date has been of the classic type - lecture/seminar, rather than hands-on, practical, oriented to their problems. They are also not used to seeking out training. They also avoid training because they feel that they fulfill their firms' important positions - owner, manager, accountant, cashier (i.e., they are unable to delegate authority) or because they fear tax authorities may be present at off-company training sites. Many are also unwilling to pay for training.

Finally, bankers, accountants and established Guinean and foreign businessmen contend that the new entrepreneur just does not know what business is all about, how to structure a business, what financial responsibility is, the notion of capital, and even what working capital is and why it is needed. The lack of financial responsibility, which includes the notion of capital, is an ingrained, attitudinal problem which is difficult to change. it shows up in the use of revenues (not even profits) to satisfy a perceived pressing social and/or personnel need, rather than the use of revenues to strengthen and solidify the business. Thus, training is needed not only in all business skills, but also in business attitudes.

The typical business mentality of short-term training, i.e., a deal-by-deal basis, means that there is little understanding of the long pull nature of market-driven producing activities. This situation is aggravated as Guineans imitate what other businessmen are doing, i.e., there is a blind rush of new "entries" in a number of given business activities, with the result that these limited areas are all soon saturated, many by "fly-by-nights." Following are the principal activities now or soon to be saturated:

- Bakeries
- Pharmacies
- General Trading

Other activities that will likely follow into saturation are:

- Transit
- Printing
- Possibly transportation

D.2. Management

The consensus of the Guinean business community is that management skills and know-how are totally lacking among the vast majority of University and high school graduates. A diploma means nothing, and there is a general lack of qualified people at all levels. The business community sees a lack of hands-on experience in general mana ement, planning, financial management, marketing, and in production management, including scheduling. Several businessmen expressed the conviction that training must, perforce, be simple, and adapted to the responsibility which the individual will have. Business principles and theory will come later. A bright spot appears to be that Guineans become adept in electronic data processing. This is an indication of the ability to acquire "brain skills," which in turn means that with appropriate practical training, they can become good mid-level managers and technicians.

The principal problem business faces is one of motivation of the managerial and technical level personnel. The problem is one of a lack of work ethic, as we know it and which all business requires, borne of the Toure years, when government jobs were only sinecures and paid so little that most employee's time was spent on outside activities just to make ends meet. There was no sense of job responsibility, and little need to show up for work, except on payday. Employers report that the adjustment to new work habits and requirements is extremely painful, and for some employers a threat (see Section F.5. Reaction to Foreign Business). The problem is exacerbated by the lack of a minimum wage for the private sector, and the fact that much of the private sector bases its salaries on the government's scales, partly in response to government wishes. Government salary scales range from $8 to $119 per month including fringes. Government employees still engage in other activities, inclu ing petty corruption, thus they end up better paid than private sector employees.

The presence of highly paid expatriate employees is also a source of friction and jealousy. The level of rhetoric on this subject is high especially with respect to the commercial banks, two of which are principally French. This will remain a problem in the medium term, however, it should disappear once Guineans are trained and in place. Senegal's experience is instructive, since most high level positions in banking, in business and in the professions are now held by highly qualified Senegalese.

D.3. Labor

In general the labor supply is abundant given the large number of unemployed. With a still stagnant economy, labor turnover is not a problem, rather, increasing unemployment, underemployment and the sheer lack of work skills are the main problems <u>facing</u> the labor force. The labor force suffers from extremely limited technical expertise. Businessmen report that a mixture of discipline, incentives (to offset the lack of purchasing power a salary offers) and constant supervision is necessary to have a productive labor force. Lack of familiarity with processing-type machinery and the notion of preventive maintenance and its scheduling are common complaints of Guinean businessmen. One went so far as to say that it takes his medium sized firm three years to cull and train the good employees that come out of training institutes. On the other hand, the Guinean laborer is said to be both adaptable and inventive, especially based on 26 years of having to fend for himself.

The question of the work ethic is also a problem at this level. Dedication to the job runs afoul of both the cost of living and the extended family system with a l its demands. The resulting absenteeism rate adds to the difficulty and cost of doing business. Also there is a growing "petit frere syndrome" of government officials pressuring businesses to hire relatives, in large part due to the high unemployment.

Finally, the country's labor union, the CNTG, is powerful and well-organized. In most cases, their demands are reasonable, however, sometimes their demands are ludicrous, e.g., for quintupling of salaries. Under the Toure regime there were no targets, however, this has now changed. The targets are the largest, and most often foreign-owned companies. Foreign company strategies are to adhere to the letter of the law, have documentation as to their legality ready at all times, and to have incentive programs in place and operative. Annual salary reviews based on the cost of living and the health of the company are also carried out. In spite of company actions, a feeling persists, whether justified or not, that business is "in the dawn of labor problems."

E. ECONOMIC AND INDUSTRIAL POTENTIAL

Most observers agree that the most Guinea can hope for is modest growth over the next few years. Today's small market size can only accommodate so many companies. Thus the company that gets in first stands the best chance to make money. Also quick payback is sought - thus the move by many former civil servants into transportation. Too much basic rebuilding of infrastructure and institutions must be done for Guinea to be able t do more. Once, however, the infrastructure and institutions are in place, and assuming availability of financing and policy environment conducive to the expansion of the private sector, Guinea has significant potential. The potential extends from her domestic market to regional and international markets.

Domestically, agriculture, agriculture-related activities and light/medium industry offer the greatest potential. Both areas of farmed land (only 75% of arable land is under cultivation) and agricultural yields are far below what they could be. Blessed with abundant water and fertile soils, and with the technologies available today, Guinea's agriculture could blossom. Thirty years ago she was self sufficient in food production and was a major world exporter of fruits. Looking at the food chain from the farm gate to the consumer, there are potentially many operations the private sector can perform, especially the microenterprise and the SME. For example, one man in Kindia saw the egg market as "wide open for the next five years," and now is the owner of a firm with 4,800 layers supplying Conakry twice a week.

Light and medium industry are largely absent from Guinea, and as a result most consumer and intermediate goods must be imported. Ligh/medium industry holds potential in the import-substituting consumer goods area* and in supplying intermediate goods to light industry (e.g., packaging) and to construction (e.g., finished and semi-finished mild steel products).

Light/medium industry provides many of the backward linkages to the farm and the forest, and forward linkages to the consumer and to other industries. SMEs are good candidates for these types of activities.

SMEs have potential in the "construction chain," encompassing both residential and commercial building. The constructi n chain is wide and long and offers many activities suitable for the SME. These include wood products (lumber, finished wood products, particle board), cement block manufacture, manufacture of construction hardware and roofing, glass products, metal working, carpentry, plumbing and electrical supplies, associated distribution and service networks, and the builders themselves. The construction chain is largely labor-intensive, and would help address one of Guinea's growing problems, urban unemployment.

Guinea is of a size, 6,500,000+ people, that if the economy revives and if a majority of her people come into the money economy, the domestic market will start to be important. As agricultural productin grows and as salaries in the formal sectors rise, purchasing power and effective demand (demand with money behind it) will stimulate the production of consumer goods. Also, the domestic market becomes a test for the private sector to meet domestic demand successfully and supplant imported goods on the basis of cost and quality. Having met this test, Guinea can seriously consider regional markets.

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*Especially food processing.

Bounded by six contries, one of them wealthy, three of them in the CFA zone, and as a member state of ECOWAS, Guinea could have access to a number of markets. Her success regionally will entail finding market opportunities and niches which the other countries can not fully supply. It also assumes that ECOWAS becomes operative and that Guinea is able to negotiate effective regional trade agreements. Membership in UMOA and the introduction of the CFA franc would also help Guinea's regional business. Guinea also has the potential to be a major food supplier to her neighbors.

Internationally, Guinea has export capability and further potential from her mineral, forestry, fishery and agricultural resources. Her principal exports are:

Value($mil.) of Production

	1986	1988 (est.)	1991 (est.)
Bauxite	$373	$285*	$320
Alumina	87	87	99
Diamonds	120,000 carats	?	220,000 carats**
Gold	1.5 tons (1985)	?	8 tons

Guinea's unexploited iron ore deposit (reputedly one of the world's richest) at Mount Nimba is not considered here since the world is awash in iron ore, and since substitutes are increasingly replacing steel.

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*In May 1988, spot aluminum prices on the COMEX had almost doubled over May 1987 prices, and the Wall Street Journal reported that demand was expected to remain strong.

**Production potential estimated at 300,000 carats/year.

Secondary and Potential Exports

	1986	Potential
Fish*	26,000 T (catch)	220,000 T (catch)
Coffee	8,000 T (1985-2000T)	depends in part on ICO quota
Fruit**	bananas-0	?
	pineapples-slight	?
Tropical hardwoods***	?	?

*Guinea has the largest continental shelf and richest fishing grounds of all West Africa.

**In 1988 Guinea exported 100,000 tons of banana ; she was one of the world's largest exporters of bananas and her bananas were reputed to be the best in the world. In 1972, Guinea exported 10,300 tons of pineapples. One cooperative interviewed reported selling 5-6 tons per week to Europe in late 1987 and early 1988. It reported its sales to be: Europe 40%, Dakar 30%, and local 30%.

***Large undeveloped stands of tropical hardwoods exist in Guinea's southeast corner - a densely forested area of 3 million hectares.

The longer term economic and industrial potential of Guinea is pointed up by the foreign investors who arrived in 1984, those who stayed and invested, those who are now expanding or thinking seriously of expanding* those who slowly nurtured investment relationships, and by those Guinean entrepreneurs who are slowly branching out into producing enterprises.

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*For example, the brewery plans to grow rice and corn locally to supplant imports. It also plans to start production of soda water, tonic water, apple juice and ice cream in June 1988. A premium beer is planned for the near future. A coffee exporter plans to branch out into bicycle and motor bike production. An important Guinean importer plans to diversify into coffee and rice production, and has a soap/detergent production project in preparation.

F. KEY CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT

Seven categories of constraints affect the environment in which the business sector operates, viz: government policy action, business formation and taxation, economic and market factors, administrative and bureaucratic factors, the reaction to foreign businesses, credit access and the characteristics of the private sector itself. Credit, economic/market factors and the private sector's characteristics have the most direct bea ing on the training needs of the SME.

F.1 Government Policy Actions

The GOG-stated general philosophy and pronouncements declare itself a strong proponent of the private sector, but it appears to be slow in taking specific policy actions to create an environment conducive to private sector success. To the observer it appears that progress is taking place more through government "inadvertence" than through direct, timely policy actions. One can not say that there are many constraining policy actions, rather that the lack of action is constraining. It also seems that under the blanket of pro-private sector pronouncements, the government has shucked off the baggage of the Toure regime, without devoting the necessary concerted attention and actions to what will become of the baggage. It made all of the right initial moves, e.g., freed the economy of price controls and subsidies, backed out as importer and distributor of consumer and intermediate goods, and eliminated or privatized parastatals. After dismantling, however, it has been slow to rebuild, and there is not yet a "partnership" of government and business to get the economy moving. Business reflects this sense, or feeling, in its few cautious moves to expand, and in its general wait-and-see attitude.

Foreign businessmen, with years of experience in Africa, express very guarded optimism for the near future and display a reserved distance vis-a-vis the government, not quite sure what is, or is not, going to happen next. The businessmen feel the GOG's relationship with the private sector is not clear. This feeling stems from the continuing lack of a complete, operative legal, commercial and regulatory structure and their sense of continuing statis control and ho tility to the private sector. The rules of the game are not yet defined, and the private sector is not certain about the intent and seriousness of the GOG and its policies. Thus, investors and businessmen do not yet have the confidence to make long-term investment commitments in Guinea.

The lack of concerted attention and action shows up in the policy decisions taken to date. First, for the civil servants laid-off as part of the policy of "disengagement," little attention was given to the specific business areas in which there might be opportunities for civil servants, what the various requirements would be, how to prepare the personnel for their new activities, and most important, whether the private sector could absorb them. The result is that the laid-off personnel have flooded certain activities, e.g., transport, bakeries and pharmacies, which either are or will soon be saturated. The banks which lend to these new entrants say they expect a non-repayment rate of 80%.

Second, the rapid liberalization of markets, while certainly laudable philosophically, freely opens these markets to imports, and for certain products to dumping. These are both severe constraints to embryonic, higher cost local producers, current and potential, in an economy such as Guinea's.

Third, the government has not yet set a minimum wage. At the same time it asks the private sector to withhold taking action on their own salary schedules until it has set its own. In the meantime, the labor union is increasing its demands on companies for salary increases, complaints are rife that expatriates are overpaid, and purchasing power remains low. Moreover, the new private sector employees are finding their newly imposed work ethic difficult to support as they are used to carrying on a number of different activities (out of the office) to make enough money on which to live.

Fourth, there appears to be little coordination between the various organizations created to help organize, train and promote the private sector. Certain have made little progress in becoming fully operational, (e.g., the Chamber of Commerce), others still have yet to register any successes, and at times, some of their responsibilities overlap.

Fifth, the GOG has shown a tendency to use its foreign exchange receipts more for consumption purposes than for investment purposes. This course has been followed even in the light of the country's desperate need for rehabilitation of its infrastructure. Infrastructure is critical for the success of the private sector and of agriculture.

Finally, there is reportedly wide-spread reticence at all levels of the government to "open the doors to the private sector."

F.2. Business Formation and Taxes

Following is the complex procedure necessary to establish a business legally in Guinea and the major taxes to which most businesses are subject:

a. Setting Up a Business - Steps:

i. Prepare all necessary documents.

ii. Open a bank account for the purpose of depositing firm's capital; amount determined by government according to type of business activity, e.g., a bakery - 2,000,000 GF ($4,444).

iii. Deposit a security, equal to 5% of firm's capital with the Central Bank.

iv. Request license from Ministry of Commerce, and to the particular ministry under which the firm's activity may fall, e.g., Ministry of Transport if firm is engaged in transportation.

v. Receive "statute" of registration with payment equal to 2% of firm's legal capital - Ministry of Commerce.

vi. Register company with Tribunal of Commerce under the Ministry of Justice - for a fee of 1% of the firm's legal capital.

vii. If all documents (i-vi) are in order, firm receives a registration number, and documentation stating that the firm is "legal."

viii. Register with tax autorities - all direct and indirect tax administrations.

ix. Fill out questionnaire which allows tax authorities to follow firm's activities.

x. Inform Social Security Administration of firm's existence.

xi. Inform Labor Department of firm's existence.

The foregoing takes three months on average to complete. If Investment Code privileges are sought, the time increases to 6-9 months after the firm has received its license (step v).

b. Taxes

1. Patente (business license tax[d]) - yearly, at the beginning of each year:

   a- variable component - 15% of the annual rental value of firm's business premises.

   b- fixed component - 25,000 - 70,000 GF depending on the type of business. Import/export business fixed at 300,000 GF.

   The Patente is "negotiable."

2. Withholding and other taxes based on salaries:

   Employer: Apprenticeship tax[d]: 3% of gross salaries

   Fixed payment[d]: 5% of gross salaries

   Employee: Withholding:

0 - 20,000 GF/month:	5%
20,000-50,000 GF/month:	10%
50,000-100,000 GF/month:	15%
100,000+ GF/month:	20%

3. Indirect Taxes[d]: - this tax is added to invoice to purchaser.

   Tax on Revenues:

Manufacturing:	10% of gross revenues
Services:	10% of gross revenues
Merchants:	0

   d= deductible as on expense of doing business.

Only the manufacturer can recoup the Tax on Revenues which he has paid for his purchase of raw materials or intermediate goods. He deducts the amount he has paid his suppliers from the amount he owes the government on his gross sales/revenues.

4. Tax on Profits:

Corporation, Limited Partnership:	35% of gross profits
Sole Proprietor: - merchant	30% of gross profits
- professional	25% of gross profits

5. Social Security: - 18% of salaries limited to a maximum base amount of 75,000 GF/month for each employee:

   Employee rate - 3.2%
   Employer rate - 14.8%

6. Estimated Tax: - at the beginning of each year, the tax authorities require payment of a minimum estimated tax based on last year's profits. If the firm overpays, the state does not reimburse.

7. Expatriate employees: work permit - $300/year/employee.

8. Employer's registration with the National Employment Office: 30,000 GF/Year.

Guinean businessmen complain that there is no one central place/organization where one can obtain the necessary information/requirements for establishing a business. In fact, the information is available at the Chamber of Commerce. It would seem that simply more, widespread publicity is needed in the business community.

Businessmen also complain that payoffs to "speed the process" are required at two steps in the business formation process, i.e., at the license step and at registration with the Tribunal of Commerce. The amounts vary between 25,000 and 50,000 GF at both steps. For those businesses applying for Investment Code privileges, the emoluments are higher, depending on the size/activity of the business. At this stage, "negotiation" can occur, in the sense that one's busi ess proposal may be rejected in favor of another's - someone who paid off more. Business proposals can "disappear," only to reappear as someone else's project, or during the "disappearance" be used to enhance someone else's proposal.

In general, both foreign and Guinean businessmen did not complain about taxes. This is probably due to a combination of factors:

1. The multiplicity of other, more pressing problems facing businessmen.

2. The fact that many businesses are new and will only by paying taxes for the first time.

3. Tax collection is not yet very efficient.

4. Some businesses remain invisible or hire accountants who, through juggling the business' accounts will help the business evade a portion of the taxes.

5. The fact that many of the taxes are deductible expenses of doing business, and that the cascade effect of all these taxes is not yet really appreciated.

The tax system which has been developed, and which will likely continue to "develop," appears to derive from the French concept of an all powerful fiscal authority and inspectorate. The GOG's fiscal authority will be strengthened by IMF pressure, under the forthcoming SAL-2, to collect more revenue in an effort to set the economy right. French anti-private sector bias, which is best summed up as "anyone who is on their own must be cheating," will doubtless be coupled with the lingering socialist suspicion of the private sector and will further exacerbate matters.

The GOG, like most other francophone African governments, does not understand that a tax system can be used to give incentive, as well as collect revenues for the government. Moreover, the tax system, with its array of "minimum business taxes," falls heavily on the smaller businesses, especially those which are new and more fragile - those are supposedly being promoted. Various taxes are of a fixed amount or percentage regardless of the size or profitability of t e enterprise. The most onerous is the 10% tax on revenues, payable regardless of the profit (or loss) situation of the company. This tax, in particular, jeopardizes the very life of a new, struggling enterprise. New enterprises often run losses in their early years before they become profitable. The danger for a economy of such a tax system is that it either forces businesses to remain/become invisible (and thus pay no taxes), or go out of business (and thus pay no taxes!).

F.3. Economic and Market Factors

Guinea's private sector, especially the smaller enterprise, faces numerous economic and market constraints at this early stage of Guinea's economic development. Underlying these constraints is the largely undeveloped and fragile Guinean economy. The constraints range from the general - small size of the domestic market - to the specific - inability to telephone one's factory from headquarters. Following are the principal constraints facing the private sector, and in particular the SMEs, urban and rural:

- The current small size of the domestic market can only support a limited number of firms. The limited number of firms can only absorb a very small fraction of new job market entrants - including displaced civil servants. Market size is a more important problem for the larger company.

- Purchasing power in the economy is extremely low and getting lower with continuing price inflation. Salaries in the formal sector are currently static - awaiting the introduction of a minimum wage.

- The poor state of the country's physical infrastructure, especially farm to market roads, principal arteries, electricity supply and communications.

- Lack of access to credit, unless a business is successful enough to avail itself of one of the four donor lines of credit established. Lack of access to equity capital and working capital.

- The almost total lack of technical and business skills among the working age population.

- Growing competition from im orts, with little protection for infant firms (industries). Abrupt opening of an economy from controls to free importation, almost always adversely affects a nascent private sector. The local private sector simply can neither compete on the basis of price, nor on the basis of quality and delivery. A current extensive example of this import competition is the dumping of pasta products by Italy. Another example is Argentina's ability to deliver frozen broilers to Conakry for sale at a price one-half of what is now necessary for a Guinean firm to <u>produce</u> that same broiler. Processing, freezing, delivery and a profit margin are extra.

- Lack of market and supplier information constrain the SME. As a result, he misses market opportunities and finds it difficult to develop reliable supplier links to his business

- A continuing, but somewhat alleviated shortage of raw materials and spare parts.

- A general lack of linkages between businesses, principally because of the current small number of operating business and general lack of industrial capacity.

- A high degree of economic risk perceived by the business community. This economic risk stems from the uncertainty of the political/legislative environment vis-a-vis the private sector as well as uncertainty of the investment (as opposed to consumption) actions the GOG will take.

- Consumer preference for imported goods even if the local goods' prices and quality are comparable.

- The loss of large export markets for agricultural production to other countries, and therefrom the loss of agro-industrial business opportunities.

- The lack of supporting infrastructure for agriculture, namely, farm and market roads, communications, storage facilities (including cold chains), conditioning plants, processing facilities, and very importantly, establish market linkages.

The private sector thus faces an array of economic and market constraints. It behooves the private sector to organize itself and to become articulate in its discussions with the government. If it speaks with one voice, it stands a better chance of alleviating certain of the above constraints and avoid or blunt some of the others. In particular, the competition from imported goods (as well as the dumping of goods) can be the death knell for the nascent firm, for he established firm, and with the ripple effect, for their suppliers of intermediate goods. Togo's relatively well-developed private sector is undergoing just this situation today.

F.4. Administrative and Bureaucratic Factors

"Always a public function, but not yet in the service of the public."

Both Guinean and foreign businessmen consider the bureaucracy to be a moderate to serious hindrance to doing business. Habits, ingrained out of necessity from the Toure years, still persist - seen in petty and no-so-petty corruption. Socialist, anti-private sector attitudes will exist and, in fact, appear to be quite widespread. Businessmen complain of near-daily petty harassment, in part born of the necessity for civil servants to made ends meet, and in part, because of lack of organization in the government. Or, as one businessman put it- "the left hand doesn't know what the right hand is doing." This lack of organization, the "heaviness" of the government structure, and the length of time it takes in dealing with the government to get things accomplished, is more important that the petty corruption. Following are specific constraints that many businessmen voiced:

- Government decision-making power is diluted by the many steps a firm must go through in dealing with the government.

- The "disengagement" of the government from activities that are really the province of the private sector, is no more than a shifting of its unemployment burden onto the private sector and a way of collecting taxes and bribes.

- The continued presence of the "Service de Conditionnement" - a government arm somewhat akin to "Weights & Measures", but with much broader product scope - and which serves no purpose other than to extort bribes from businesses. The "tax" varies according to the "value" of the product. One businessman reports that his trucks are stopped on average six times between Conakry and Kindia with 5000 GF payments demanded at each stop. His trucks now leave Conakry at 4 a.m.

- The presence of the French firm - VERITAS - which is supposed to assure the quality of all imported goods for the GOG and the people. From the businessman's standpoint, VERITAS is expensive, arbitrary, not objective, time consuming, often without representation in exporting countries, and "negotiable". Businessmen report having missed market opportunities because VERITAS caused delays. Without the approval of VERITAS, an importer can not get foreign exchange.

- Obtaining work permits and entry for expatriate employees is time consuming, with many administrative hurdles and delays.

- Companies which have legal contracts with the GOG to be the sole operator of an activity at times find other enterprises operating in the same activity/area. The government does not enforce the legal contract in order to stop the operations of the other firms. Worse is the non-execution of certain clauses in a signed contract - especially when the GOG has poorly studied the contract and it turns out to be more disadvantageous than advantageous for the government.

- If a business proposition is large and lucrative, there is greater disrespect for the signed contract.

- Severe delays in getting imported goods out of the port, due principally to bad organization and a bureaucracy used to not working.

- Long administrative delays when trying to obtain credit locally - because of seemingly continual requests for more information, from either the bank, the Ministry of Finance or the Central Bank.

- The beginnings of a punitive attitude toward business, e.g., one company reported that there seems to be no allowance of time to straighten out errors, misunderstandings, etc., with the government. His case involved the sudden imposition of additional import duties, which he needed time to verify - only to be faced with an immediate threat of closing his factory.

- In privatization of parastatals, government officials are reported to get their "piece of the action," as the company to be privatized goes "to the highest bidder".

- The length of time it takes the government of finalize and sign contracts with private sector suppliers, coupled with lengthy times to collect accounts receivable from the government puts financial strain not only on primary suppliers, but also on subcontractors and suppliers dealing with the directly affected companies.

To summarize this class of constraints, the administrative pro lems arise from a mixture of lack of organization, lack of training/ability, corruption and 26 years of the previous regime.

F.5. Reaction to Foreign Business

For the past two months there has been sporadic criticism of various foreign owned businesses. Rumors ran that certain firms were operating "illegally," i.e., that they had not fulfilled all the legal requirements to operate in Guinea. One firm came under attack on the grounds that its product was unsanitary. Another firm came under attack for purportedly having brought "radioactive" cinders to the shores of Guinea. The commercial banks are under constant, widespread criticism for forcing their employees to work a full day and for high expatriate salaries. The labor union, employees and certain government officials are reported to be the sources of the criticism and rumors.

The reasons underlying these actions appear to be:

1. A lingering distrust of government officials toward the private sector stemming from 26 years of socialism.

2. The fact that the labor union finally has some targets.

3. The extremely low salaries paid versus a growing cost of living.

4. An inability to accept the new work conditions, i.e., one must work--an entire 7 or 8-hour day, without leaving the job to supplement income through other activities.

5. Jealousy about the large salaries paid to expatriates.

6. General lack of employment in Conakry.

The enactment of a minimum wage and salary schedules will enable business* to set its own higher schedules, which should alleviate some of the hostility. Normally, in developing countries private sector salaries are twice those of comparable government positions. Time, higher salaries, and incentives for merit will be necessary to change the work ethic, or lack thereof. Patience and building correct relationships with the labor union will also help overcome this constraint.

F.6 Access to Credit

If for no other constraint, Guinea's SMEs are legion in their complaint about lack of access to credit. Lack of access ranges from working and bridging capital to long term capital for expansion and new starts. The currently operative donor lines of credit only provide for equipment. Only ex-civil servants can qualify for short term credit under the BARAF program. Moreover, the access to credit for the SME is likely to get tighter once the expected non-repayment rates of 60-80% on BARAF loans become reality and the guarantee funds are unable to cover the losses.

The reluctance of the commercial banks to lend stems from a number of factors: their traditional aversion to risk, the lack of collateral available, the lack of legal recourse when a loan is unpaid (no legal titles to real property, no provision for liens on equipment, inventory, vehicles), and the high transactions costs of small loans. The banks also have little in-house capacity to evaluate SMEs, and lack the manpower to monitor and follow up a large number of small loans.

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*The GOG has requested businesses to await the establishment of a minimum wage and a schedule of minimum salaries, before establishing their own higher salary schedules.

On the SME side, there are various characteristics which do not engender bankers' enthusiasm for lending to this class of clients. Start-up SMEs typically have little or no capital of their own to invest, have little appropriate capital to offer, and are inexperienced in most business functions. They often offer poorly designed business plans, and see business with a commercial, "make money fast" mentality rather than as a long term investment, market-driven, gen rating increasing profits year after year.

A typical, and serious, SME constraint to getting credit is the lack of an accounting system for their enterprise. Banks require that books of account, no matter how elementary, be kept. The fact that a business has its own accounting helps "legitimize" the business in the eyes of the bank. Further, the bank feels more secure, knowing that it can see to what purpose the loan was put, how the business is performing, and therefrom how secure their loan is.

F.7. Characteristics of the Private Sector

While the Guinean private sector has more entrepreneurial spirit than given credit for, it, like many other African private sectors, lacks entrepreneurial ability. The lack of ability appears in many forms, ranging from the blind rush of new "entrepreneurs" into various business activities to their very limited understanding of what a business is all about. There is widespread understanding of what short-term trading entails, but little of what business entails, ranging from basic accounting to personal financial responsibility, and from how to organize a business to how to manage and nurture it.

New entrepreneurs, including some traders who are becoming entrepreneurs, have little if any familiarity with the various functional requirements of business. They are virtually totally untrained and are unfamiliar with training or with what training is supposed to/can do for them.

This lack of experience, especially evident among laid-off civil servants who enter private enterprise and successfully obtain a loan under the BARAF program, lead some observers to conclude that the failure rate will be extremely high. On the BARAF loans they expect a repayment rate as low as 20%.

Fortunately, the widespread fear and resentment of normal business competition has not yet occurred in Guinea as it has in other West African nations. In other countries, resentment ranges from anger to blocking and sabotaging competitors by nefarious means.

Women so far are principally engaged in "small" commerce and in traditional, cooperative activities. It is too early in the development of Guinea's private sector to tell how they will fare. Traditional roles between the sexes, however, change slowly.

Department of State

OUTGOING TELEGRAM

ORIGIN AID-00

ORIGIN OFFICE STRD-01
INFO AAAF-03 AFCO-02 AFCW-03 AFDP-06 SEOP-01 FPA-02 AFPD-04
SERP-01 AFTR-05 SEPV-01 AMAD-01 AAPF-01 GC-01 GCAF-01
PPR-01 SAST-01 AFPE-07 RELO-01 AFMG-03 STHR-01 PPE-06
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APPROVED BY: AID/ST/RD:ECHETWYND
AID/AFR/PRE:CBUCHANAN (PHONE) AID/AFR/CCWA:MMEARES (PHONE)
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TO AMEMBASSY CONAKRY PRIORITY

UNCLAS STATE 153646

AIDAC

E.O. 12356: N/A
TAGS: N/A
SUBJECT: ARIES FRANCOPHONE CREDIT MANAGEMENT WORKSHOP IN GUINEA

(A) REF.: CONAKRY 01563

1. PER REFTEL (A), ARIES ABLE TO CONDUCT CREDIT MANAGEMENT WORKSHOP IN FRENCH. BOTH MODULES OF THE WORKSHOP CAN BE CONDUCTED AT ONE TIME OR SEPARATELY. THE LATTER OPTION IS BETTER. END SUMMARY.

2. THE MODULE OF THE WORKSHOP UTILIZING THE TEACHING CASE STUDY, INCLUDING ESPECIALLY CEOP IN KAOLACK, SENEGAL; TOTOTO HOME INDUSTRIES, KENYA; AND BRAC, BANGLADESH, CAN BE TRANSLATED INTO FRENCH. THE COST FOR TRANSLATIONS OF CASE STUDIES WOULD BE A FEW THOUSAND DOLLARS. EXCELLENT CASE TEACHERS TO LEAD DISCUSSIONS ARE AVAILABLE FROM HARVARD UNIVERSITY OR THE SEEP GROUP AS WELL AS LOCAL INDIVIDUALS FROM WEST AFRICA. GOOD CASE LEADERS, MARY ANDERSON AND KATHY OVERHOLT, FROM HARVARD UNIVERSITY WOULD NEED TO BE CONTRACTED APART FROM ARIES, THROUGH PURCHASE ORDER, BECAUSE THEY ARE WITH THEIR OWN FIRM.

3. THE COST TO CONDUCT THE CASE STUDY COMPONENT OF A WORKSHOP WOULD LIKELY BE UNDER DOL. 15,000, EXCLUSIVE OF COSTS INCURRED FOR SUPPORT OF ATTENDEES. A TOTAL OF 30 TO 36 ATTENDEES COULD PARTICIPATE. FUNDS TO FINANCE THE WORKSHOP COULD COME FROM EITHER LOCAL OR REGIONAL TRAINING OR PRIVATE ENTERPRISE FUNDS. WORKSHOP COULD ALSO BE FUNDED ON A TUITION BASIS WHICH WOULD PERMIT OTHER USAID MISSIONS, THE WORLD BANK AND OTHERS TO FUND ATTENDEES.

4. THE COMPONENT OF THE WORKSHOP WHICH INVOLVES CREDIT MANAGEMENT SKILLS TRAINING WILL REQUIRE PERHAPS AN ADDITIONAL DOL. 4000. THE ORIGINAL TEACHER FOR THIS MODULE, HANK JACKELEN, CANNOT OPERATE IN FRENCH. FURTHERMORE, ACCOUNTING TRADITIONS DIFFER ENOUGH TO WARRANT SIGNIFICANT ADAPTATIONS OF MATERIAL. MIKE O'DONNELL OR TIM MOONEY OF APPROPRIATE TECHNOLOGY INTERNATIONAL, AN ARIES SUBCONTRACTOR COULD TEACH THE ADAPTED MATERIALS. THEY HAVE BEEN WORKING ON CERTAIN ADAPTATIONS OF THE MATERIAL TO INCLUDE ACCOUNTING AND MANAGEMENT NEEDS OF INTERMEDIARY INSTITUTIONS. THE TRAINING COURSE COULD BE PREPARED AND PRESENTED FOR UNDER DOL. 25,000, PLUS ADDITIONAL AMOUNT FOR

PREPARATION TIME REQUIRED OF O'DONNELL OR MOONEY AS SPECIFIED BY MISSION. FUNDING FOR THIS MODULE COULD BE HANDLED EITHER PARTIALLY OR WHOLLY THROUGH AN ARIES BUY-IN OR ON A TUITION BASIS, AGAIN TO PERMIT OTHER MISSIONS/INSTITUTIONS TO BUY-IN.

5. TO THE EXTENT THAT THERE IS INTEREST, ARIES CAN PREPARE DRAFT OF SOW'S AND BUDGETS FOR EITHER OF THESE EFFORTS.

BUDGET FOR FRANCOPHONE CREDIT MANAGEMENT WORKSHOP
CONAKRY, GUINEA

SALARIES & WAGES		
TRAINER-MOONEY (15 DAYS AT DOL. 152.04 PER DAY)		2281
FRINGE BENEFITS (34 PERCENT)		775
OVERHEAD COSTS (21 PERCENT)		642
TOTAL SALARIES AND WAGES	3698	
DIRECT COSTS		
ROUND TRIP TRAVEL (D.C. - CONAKRY)		2451
PER DIEM (18 DAYS AT DOL. 140 PER DAY)		2520
D.B.A. INSURANCE (2.57 PERCENT OF DIRECT LABOR)		59
TRANSLATION COSTS		5000
MATERIALS DUPLICATION (35 AT DOL. 25 EACH)		875
LOCAL SET-UP COSTS		5000
COMMUNICATIONS		1500
TOTAL DIRECT COSTS	17445	
SUBTOTAL PROJECT COSTS	21143	
GENERAL AND ADMIN. COSTS (11.53 PERCENT)		2438
FIXED FEE (5.05 PERCENT)		1193
TOTAL	24774	

NOTE: PAYMENTS WILL BE BASED ON ACTUAL COSTS. AMOUNTS MAY BE SHIFTED UP TO 15 AMONG LINE ITEMS, EXCEPT FOR SALARIES, TO THE DEGREE THEY ARE CONSISTENT WITH THE ARIES CONTRACT (DAN-1090-00-C-5124-00). ARMACOST

cc TAF
6/19

ANNEX 7: BIBLIOGRAPHY

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