USAID/GUINEA

Country Program Strategic Plan

FY 1992 - 1996

September 1991

LIST OF ANNEXES

I. SYNOPSIS OF USAID/GUINEA STRATEGY

The goal of the USAID/Guinea country program is the improved economic and social well-being of all Guineans in a participatory society. The country program strategic objectives are: 1) increased, sustainable private sector agricultural and value added output for domestic and export markets (SO1); 2) improved human resources for sustainable economic growth (SO2); and 3) improved efficiency of management and resource use at national and local levels for economic and social development (SO3).

The pursuit of these three specific and interlocking strategic objectives is critical to affecting meaningful change in Guinea. These objectives are within the Mission's range of manageable interest, i.e. the Mission will manage sufficient resources to be reasonably assured of producing these results in the next five years. Throughout the FY 92-FY96 planning period, USAID/Guinea will employ a closely linked set of policy dialogue and program level interventions to achieve these objectives. Throughout, emphasis will be placed on close interrelationship of activities to produce synergism that will result in concentrated impact.

The strategy is based upon a thorough analysis of the cross cutting constraints that are inhibiting the country's development. It is only by comprehensively addressing the folowing key constraints that broad based growth will occur and be sustained: inadequate macro-economic policy and sectoral policy formulation and implementation; a deficient human resource base; a world view -- cultural constraint -- which militates against decision-making, risk-taking and financial management transparency; inadequate physical infrastructure; deficient public and private sector institutions; and an alarming population growth rate.

Since independence, the fate of the Guinean economy has been dependent on the fortunes of the mining industry, particularly exploitation of bauxite deposits that are among the richest in the world. While mining will continue to be critical to the economy's well-being, it is clear that the economy must be diversified if growth is to be sustained and benefits shared by Guineans at large. Helping Guineans meet this need for economic diversification is the basis for the Mission's first strategic objective: increased sustainable private sector agricultural and value added output for domestic and export markets. This objective focuses on the agricultural sector because it offers Guinea's best hope for sustainable and equitable economic growth.

Given Guinea's natural resources, abundant rainfall and proximity to regional and overseas markets, the potential for dramatic increases in agricultural productivity is clear. Accordingly, the centerpiece of our strategy is designed to contribute to sustainable growth by promoting real increases in agricultural and value added output, through improved marketing and price incentives, private sector development and related policy reforms. To achieve its first strategic objective, the Mission will focus on increased sustainable private sector investment in agricultural production and marketing, lowered costs of agricultural marketing, and increased viable rural-based small-scale enterprise activity. Activities will include improved transport infrastructure (increased market access, lower transportation costs, increased quantities marketed, and higher farm gate prices), improved marketing (export diversification, agribusiness development and market promotion and developemnt structures), and small and micro-enterprise development. Performance indicators of achievement of SO1 are: sustainable increase in production based on market incentives; the creation of productive and self-sustaining jobs; increase in income and the generation of hard currency via export transactions.

The country program has two targets as key elements to achieve SO1: increased sustainable private sector investment in agricultural production and marketing and lowered costs of marketing are the key ingredients to fostering increased agricultural production and productivity. The Mission's efforts to attain the first target will be focused on working with the Guinean private and public sectors to improve the marketing enabling environment, provide advisory services, and make available financial resources for investment. To support these effoprrts, the Mission will bring on-line, in FY-1992, an Agricultural Marketing Investment project that will feature a decidedly private sector bias, as well as the promotion of agribusiness and overseas marketing of agricultural commodities.

The second element for achieving the first target is a natural resources management initiative which will improve management of natural resources for profitable and sustainable agricultural production for domestic and export markets. Sustainable increases in agriculture sector output can only occur if the country's natural resource base is both protected and exploited in a rational manner. Therefore the Mission, again in concert with other donors, will launch a natural resources management project early in the strategy period. This initiative will focus on three watersheds in the resource rich Fouta Djallon highlands -- the source of the three major rivers in West Africa -- and will emphasize the diffusion of resource management and production technologies as well as the application of modern marketing strategies. Our effort will not only have ecological significance for Guinea's economic future, but it will also have import for the long-term environmental viability of the West African region. After a six-year initial phase, it is envisioned that the effort will be expanded to other geographic areas of the country that are especially suitable for enhanced agricultural production for the market. The watershed management initiative will also include a land tenure policy formulation component thereby providing a nationwide dimension to this investment.

Regarding the second target, lowered costs of marketing, the Mission strategy will include a concerted effort to address the physical infrastructure constraint which currently inhibits increases in agricultural output through high transport costs and marketing inefficiencies. Three distinct yet related investments will address this issue. As a part of a multi-donor effort, USAID/Guinea is supporting a GOG initiative to upgrade the nation's trunk road system. Simultaneously, the Mission, again in conjunction with other donors, will embark on a major effort, in FY91, to improve the secondary road network throughout the countryside. Thirdly, we have undertaken an investment to improve the quality of farm-to-market roads in a prime agricultural zone of the country.

Achieving the first two targets, in turn, will serve to stimulate consumer demand within the country leading to an expanded domestic market activity. Therefore, a third, and integrally related plank in the USAID/Guinea strategy to achieve SO1, will be to increase viable rural-based small-scale enterprise activity by promoting the development of small and microenterprises to service the growing domestic market niche. The Rural Enterprise Development project obligated in mid-FY 91 will spearhead the Mission's effort in this area. It will be complemented by local currencies that will supply additional financial resources (credit) in support of small scale entrepreneurial endeavors.

These program level initiatives to stimulate sustainable growth through private sector led agricultural marketing, will be reinforced by a policy dialogue demarche. The Mission intends to leverage a $30 million multi-year Title III food aid program to affect changes in the Government's position so as to facilitate a wider, more active participation of the private sector in the conduct of the economy. Throughout, attention will be given to carefully target the conditionality items so that they compliment the agenda of the principal donors in the policy dialogue arena, viz., the World Bank, on issues related to the promotion of the private sector.

The Mission's second strategic objective is to improve the human resource base to contribute to sustainable economic growth. Current data indicate that 80 percent of Guinea's population is illiterate, a fact which seriously inhibits the country's ability to efficiently manage and utilize the resources available to it and presents a barrier to the society's ability to take advantage of opportunities presented in a market based economy. The Mission strategy will employ a two track approach to address this constraint. First, we have recently initiated, in concert with the World Bank and the French Assistance Program, a major effort to restructure the country's primary education system in order to improve the quality and increase enrollment in primary schools with special emphasis on rural and female participation. Key elements of this investment include balance of payments support through non-project assistance (NPA) to leverage policy reform in the education sector and technical expertise to affect administrative improvements. While this project will have a long term payout, it is crucial that it be undertaken immediately in order to create the human resource base required to continue the growth process into the 2lst Century. Simultaneously, the administrative reform element will address the institutional constraint to enhance efficiency within the education system.

The second track of our human resource development strategy is designed to have a more immediate impact as it seeks to strengthen public and private sector human reources. It is a large participant training effort geared to upgrade technical and administrative skills of the country's current generation of public and private sector managers and entrepreneurs. With respect to the former, our initiative is designed to assist public servants to facilitate an enhanced participation of private enterprise in the conduct of this economy. Concerning the latter, the initiative is helping private enterpreneurs to more readily take advantage of economic opportunities that arise.

It has been documented that since the advent of economic reforms in 1986, the Guinean economy has grown at an average of approximately 4.5 percent per annum. While this performance is impressive, the annual population growth rate is currently measured at 2.8 percent. Unless this pace of demographic expansion is curtailed, the net benefits to the society of economic growth will be undermined and the sustainability of such growth will be threatened. Accordingly, the Mission's strategy includes a significant family planning initiative designed to attack the critical population growth rate constraint by increasing the ability of families to determine household size. As with the case of primary education, the family planning initiative will have a long term payout and requires a long-term commitment. However, for that very reason it must be undertaken immediately if the country's past and future economic gains are to be sustained.

In addition to undertaking the economic liberalization program, the GOG has simultaneously embarked on an effort to liberalize the political system and move toward a democratic form of government. To be sure, this twin demarche is a heroic undertaking. Even though the political reforms could tend to make the process of structural adjustment more delicate, the fact that these two fronts are being addressed in lock step, presents a unique opportunity to build a solid basis for sustained economic growth.

The Mission's third strategic objective supports the GOG's commitment to improve efficiency of management and resource use at national and local levels for economic development. Our efforts are designed to capitalize on the opportunities that have arisen, namely the GOG politico-economic liberalization agenda. USAID/Guinea's response to local level governance-related issues is to work to achieve improved grass roots revenue generation and financial management and increased accountability and legitimacy of development efforts at the local level through improving financial and technical management and supporting increased participation at local levels. Both these elements directly reinforce the efforts to assist in the economic liberalization process.

Early in the country program strategy period, the Mission will embark upon a public sector decentralization initiative to improve and democratize local development planning and to increase local level revenue generation and management. The initiative supports GOG efforts to enhance public participation in social and economic decision-making. The new Decentralization and Participation Project, scheduled to come on line in FY 1992, will provide technical and financial assistance directly to local government institutions to improve their capacity to plan and manage grass root investment activities. This initiative will also promote expanded public participation in local level political life by requiring that the investments selected by local authorities will be on the basis of open "town meetings." The local revenue generation schemes and improved financial management will, in the Mission's judgment, reinforce the structural adjustment program by removing some of the cost burdens from the central government, particularly those related to the maintenance and service delivery costs.

To address the governance constraints at the national level, (e.g. poor management capacity, need for technical training and assistance, overly centralized and inefficient government administration, and insufficiently transparent financial accounting system), the Mission will build on an on-going effort <u>to improve performance of public sector to promote private sector growth and manage public sector functions</u> by focusing on upgrading Guinea's capacity to manage financial resources in a more efficient and transparent manner. In the amended Economic Policy Reform Support Project, we will also provide assistance to enhance public sector capacity to effectively undertake rational economic planning, management and analysis. The principal beneficiaries of this assistance will be the Ministry of Agriculture (technical assistance), the Central Bank (public administration advisor; monitoring system for balance of payments and for commercial banks), the Ministry of Planning (analytical capacity support), and the Ministry of Finance (treasury and budget departments) to improve on budgetary planning and fiscal transparency. This multifaceted and mutually reinforcing strategy plank will contribute to improved planning and improved efficiency of use of public sector resources.

II. OVERVIEW OF THE ENVIRONMENT FOR SUSTAINABLE, BROAD-BASED, AND MARKET-ORIENTED GROWTH

A. Social Environment

1. Population Distribution: Guinea's Eight Zones

To understand how Guineans organize themselves to use their resources, the country can be divided into eight agro-ecological zones. These zones are distinguished on the basis of: geomorphology and resource base; community organization and ethnic composition; and production systems and family economic strategies. Each agro-ecological zone presents a distinctive pattern of socio-economic behavior according to its particular resource mix.

a. The **Coastal Zone** is an ethnically diverse area of islands and estuaries where people practice mangrove rice agriculture and fishing in the lowlands giving way to rainfed rice and other cereals farther inland; much of this area was in the banana triangle of colonial times; it still produces large quantities of fruit and vegetables for the Conakry market and for export.

b. The **Southern Foothills** zone, inhabited by Fulbe and Sousou, is an area of plateaus and hills where relatively active commerce and industry are fostering a market orientation in agricultural production; this area is the largest supplier of commercial fruit and vegetable production; private firms and farmer cooperatives are the main producers.

c. The **Central Highlands** is the classical mountainous home area of the Fulbe; this hierarchical society juggles livestock management, different forms of rainfed and flood recession agriculture and heavy rates of male outmigration to make household ends meet.

d. The **Northern Savannah** zone is an ethnically diverse lowland plain dominated by Fulbe and related peoples with an active livestock economy and commercial links across its borders with Senegal and Guinea Bissau.

e. The **Upper Niger** is an area of plateaus and hills in which Malinke villagers extensively farm rainfed plateau fields, intensively work rainfed village fields and supplement these rainfed fields with flood recession agriculture and livestock; cross-border trade is also important in this region.

f. In the **Eastern Savannah**, also a Malinke area, people settle along perennial rivers to take advantage of flood plains for wet rice cultivation; they derive cash income mainly from gold mining and cotton production;

g. The **Forest** is lush and ethnically diverse; households produce rice for subsistence and a range of tropical products such as coffee, palm oil, rubber and fruit for market; the area has been heavily affected by the influx of refugees from conflicts in Liberia and Sierra Leone.

h. **Conakry** is a distinctive zone, a metropolitan area which is home to a sixth of Guinea's population and a large share of its industrial, commercial, financial and informal sectors.

2. Ethnic Dynamics

There are over twenty ethnic groups in Guinea, but three of them, the Malinke, Fulbe, and Sousou are predominant. Estimates made in the 1970s place the Malinke and Fulbe each at close to 2 million members or each about 30% of the national population. The Sousou have close to a million people or about 16% of the national population. Another million, 18% to 20% of the population, is covered by the peoples of the Forest Region. Throughout Guinean history, the three major groups have vied for control of the country's resources and its decision making institutions.

During the colonial era, the Sousou and some Fulbe benefitted from collaboration with French authorities to enhance their relative power base. The First Republic saw the ascendency of the Malinke under Sekou Toure leading to domination of Fulbe and Sousou. The Second Republic has seen ethnic tensions exacerbated as different ethnic groups perceive government favoring the Sousou. The Malinké have lost out since the fall of the First Republic because of their association with Sékou Touré and a 1985 coup attempt. The Fulbé, the main losers under the Touré regime, have regained economic power but have not gained much political power despite their wealth and numbers. The army claims to be the main unifying force in the country and the bulwark against inter-ethnic warfare because it incorporates elements from all of Guinea's ethnic groups. Nonetheless, it is taking a delicate balancing act within the army to keep all groups satisfied. Establishment of political parties as part of Guinea's democratization may well lead to divisions along the lines of the three major ethnic groups. Disquieting indications of how ethnicity could effect political process were seen in recent outbreaks of ethnic-based violence during communal elections in various parts of the country.

3. Marketing Systems and Social Reality

Marketing systems cut across the different agro-ecological regions to channel surplus rural production of food staples to urban consumption centers and the flow of imported and other goods to the rural population. Local women are the main actors in collecting and retailing local commodities. Most women, though, do not reach significant levels of income or resource control due largely to the limited production and consumption levels of a generally poor population. Assembly and long distance trade are in the hands of men who are disproportionately of Fulbe origin. The marketing system functions on interpersonal relations built up over long periods of exchanges between actors at different levels of the system.

The marketing system has been rebuilt since its destruction during the First Republic when the state apparatus displaced market mechanisms and drove marketing underground, but it still suffers from serious constraints. Rent seeking authorities throughout the system, high transport costs, poor information on prices and changing demand, and scarcity of credit result in high transaction costs within the system. Vitality is evident in spite of those constraints, as interregional and international trade of commodities such as palm oil, kola, fruits, vegetables, fish, salt and locally processed goods has increased during the Second Republic.

4. Rural Production: Responding to New Conditions

Small farmer households from all regions have responded to liberalization of markets by increasing the production of staple foods and cash crops for market sale. The economic reforms of the Second Republic have also sparked investment in commercial production and marketing of fruits and vegetables in the Coastal Zone and the Southern Foothills Zone and of coffee and palm oil in the Forest Zone. Independent producers are trying to achieve economies of scale by organizing into effective cooperatives in these zones. In other cases, foreign and Guinean-owned private firms are creating linkages to the local population by organizing farmers near their enterprises to produce commodities according to their requirements. The firms process and market the commodities.

Local communities have recently acquired the statutory right to manage natural resources. Until now people have treated natural resources as a public good open to private use on a first come- first serve basis. Lack of sustainable management of natural resources has led to deterioration of the resource base. Communities may now legally constitute local resource management bodies to administer rights to local resources to sustain local resource production.

5. Gender in Education and Family Size

Gender differences in schooling are particularly pronounced in rural areas. Female attendance rates in primary school are considerably less than male rates. In part, fewer girls go to school because of the scarcity of jobs for female graduates. Girls' labor in the household is often needed to free their mother's time for economic activity outside. Well-off families, such as those in the Fulbe elite, have a high rate of female education, however, and may be leading the way for others.

Attitudes toward family planning, in part, are a function of residence. In rural areas, men want children because family welfare is often a function of the amount of labor it can provide for agricultural production. Women want children because they derive their long-term security more from their children than from their spouses. In urban areas, children are more a drain on cash resources than a source of family welfare. Couples in urban areas may, therefore, be more susceptible to arguments for family planning than their rural counterparts.

B. Institutional Environment

The evolution of national political, administrative and legal systems in Guinea began with the gradual establishment of colonial rule in the last decade of the 19th century. The colonial period, one of autocratic rule lasting more than half a century, has left an indelible mark on Guineans. They regard colonialism as a largely negative experience. The colonial state and bureaucracy governing the colony were repressive institutions which provided few benefits for people. The colonial experience generated suspicion of and hostility to the colonial state and gave birth to anti-colonialist sentiments which took political form during the Post-World War II era. It left a legacy of popular suspicion of the State and administration and of traditions of bureaucratic havior which still prevail such as overcentralized command structures, an inability of lower level civil servants to take initiative and a dependence on the State structure for social benefits and economic planning.

a. The First Republic

During the First Republic, 1958 to 1984, external factors effected political and economic development in Guinea. France punished Guinea immediately after the September 28, 1958 referendum by withdrawing technical assistance and financial aid and isolating Guinea diplomatically. It left Guinea without competent personnel to run the administration and pushed it into close ties with the Eastern Bloc. Internal factors were also important as Guinea chose to pattern its economy on the Marxist model with central planning and collectivization of agriculture.

Politically Guinea organized a one-party state based on democratic centralism and socialist principles. Various plots to overthrow the regime and the 1970 invasion from Portuguese Guinea reinforced the regime's tendency towards paranoia, repression, tight control of its people and isolation from the West. The First Republic dismantled institutions established under French colonial rule and left the country in the institutional void of a Party-State which was not able to survive Touré's death in 1984.

The First Republic left an onerous legacy. When it fell its economy was in a shambles. Its once prosperous agricultural export sector had disappeared. Many other rural sectors had retreated into a subsistence mode. State industries were operating at a loss. State regulation had all but destroyed private sector activities and initiatives. State bureaucracy was overblown and unproductive. The educational system produced poorly trained teachers, civil servants, and technicians who could not efficiently manage the economy or the government bureaucracy. Centralized party-state rule had stifled development of autonomous voluntary associations and local initiative. The absence of a legal framework and court system for resolving institutional disputes combined with arbitrary one-party rule made justice unpredictable. The dominance of the personality of the President undermined people's confidence in public institutions and administration. All these factors contributed to the dissolution of Guinean institutions, perhaps the most serious constraint to Guinean development under the Second Republic.

b. The Second Republic

Since the advent of the Second Republic following the military coup of April, 1984, Guinea has undergone radical institutional changes. The party-state was dismantled and the socialist orientation of the Touré regime reversed in favor of a commitment to a liberal market economy. The Economic and Financial Reform Program (PREF) transformed the banking and monetary systems, reduced state intervention, privatized or liquidated most state enterprises and sharply reduced the size of the civil service. At the same time, it disrupted the distribution system and lowered living standards of civil servants and urban dwellers whose families depended on the food and housing benefits the Touré regime provided its supporters. They have been the big losers.

Despite macro-economic and administrative reforms and progress toward legal and regulatory systems, the institutional and legal foundations are not yet established to sustain a liberal economy. Major obstacles to implementing administrative and economic reforms include: 1) the dissolution of Guinean institutions during the Touré years; 2) the lack of precedent for an economy based on titled property, contractual relationships and courts; and 3) the bureaucratic inexperience and inadequate management qualifications of state officials.

Consistent with the political tradition of the colonial era and the First Republic, most institutional reforms of the Second Republic have been initiated from above with little popular consultation. They have little deep popular support, particularly among the predominantly urban-based groups that have lost ground economically. The donors have been major proponents of financial, economic, administrative and legal reforms and have provided the government with financial and technical assistance to implement reforms. If not orchestrated judiciously, conditionality of most donor aid coupled with its negative social consequences on key groups in the population risk touching off a nationalist reaction.

While top echelons of the civil service have been shaken up and revitalized and new rules based on sound management practices introduced, the old guard and the rank and file have not necessarily internalized and accepted these new rules. Reformers complain that most civil servants do not know the new texts and still do business the old way. Many are also unqualified to carry out their new job descriptions. Donors are providing assistance to improve the functioning of the public sector.

In the political realm the military regime has dragged its feet in establishing national democratic political institutions such as political parties, a national press, and a representative national assembly. Instead, the regime has initiated a program of reorganization of the territorial administration from the ground up. Within its decentralization program, it is replacing centrally run sub-prefectures with popularly elected local government, Rural Development Communities (CRDs) in the rural areas and urban communal councils in the urban areas. A new constitution, approved by referendum in December, 1990, calls for a democratic regime to be installed by 1995. Municipal elections took place in June, 1991 and were generally well-managed and legitimate. Popular forces are pressuring the current regime to move up the date of national elections, to establish a multi-party system and to promulgate legislation to advance the return to civilian rule sooner than anticipated in the new constitution.

Although the 1985 military coup was popular, the military, as an institution, still has little legitimacy with the population. Military men continue to hold key posts in government. Government has allocated resources to make the military the big winner under the Second Republic. Although President Conté is the most powerful person in the country, he does not have full control over the military and has had difficulty in checking waste and corruption in it. This is undermining his legitimacy and may become a major problem in the future if the military refuses to give way to civilian rule or to accept a reduction in its privileges. Recent strikes and demonstrations by university professors, students and market women point to a potentially explosive situation.

C. Macroeconomic Environment[1]

Guinea's mineral potential makes it one of Africa's resource-rich countries. Guinea has one-third of the world's known bauxite resources and considerable reserves of gold, diamonds, iron ore, and granite. Guinea also has an abundance of water resources, a rich ecological diversity, and a favorable climate which gives it the potential to have a comparative advantage in several agricultural commodities including: coffee, cocoa, tropical fruits, rubber, oil palm products, and cotton. Unfortunately, largely as a result of the economic policies of the First Republic under Sekou Toure, the agricultural sector (agriculture, livestock, fisheries, and forestry) represents only 30 percent of GDP even though nearly 80 percent of the rural population is engaged in this sector (at least on a part-time basis).

Guinea overwhelmingly rejected membership in the French Community in 1958. As a result, the French colonial administration abruptly severed its ties and left, taking everything with them, including most of the country's economic management capacity. Guinea's macroeconomic performance since independence can be divided into two distinct periods: 1) the First Republic (1958-1984) and the following year of transition in 1985; and 2) the Second Republic (1985 - Present) when the economic reform process began.

The First Republic (1958-1984/85)

As related above, after independence in 1958, Guinea adopted a dirigiste development strategy supported by Eastern Bloc countries. This strategy essentially sought to modernize

---

1. For a more detailed macroeconomic overview, see the 1991 CPSP.

and industrialize the predominantly agrarian economy under the guidance of the State. The private sector was permitted to coexist with the rapidly expanding public sector until the Loi Cadre of 1964 when the Government adopted a centrally-planned development model and nationalized all private sector activity outside of mining. The only legal private sector activity that was allowed was small-scale rural production and minor services. However, this activity was severely constrained by price and wage controls, marketing quotas, lack of credit, the predominance of inefficient collective farms, and persistent official harassment. Not surprisingly, private producers moved increasingly toward the parallel market and smuggling. Foreign investment over this period was confined to enclave mining and related transportation infrastructure with almost no linkages to the rest of the economy except for minor employment of labor. The GOG attempted to organize state-owned collective farms with highly mechanized production as models for future agricultural development.

The First Republic's economic policies radically altered traditional production patterns (see Figure 1). At the same time, these policies dramatically failed to bring about the anticipated industrialization, sustained economic growth, or social development. During the First Republic, GDP is estimated to have grown an average of 0.8 percent per annum, substantially below the corresponding population growth rate of 2.8 percent. By 1985, annual per capita income was estimated at $250 which placed Guinea among the poorest countries in the world. Agricultural output declined substantially over this time period and the growth in food crop production also fell below the rate of population growth. Indicators of the poor quality of life in Figure 3 show the picture between Guinea and the rest of low-income sub-Saharan Africa.

FIGURE 1

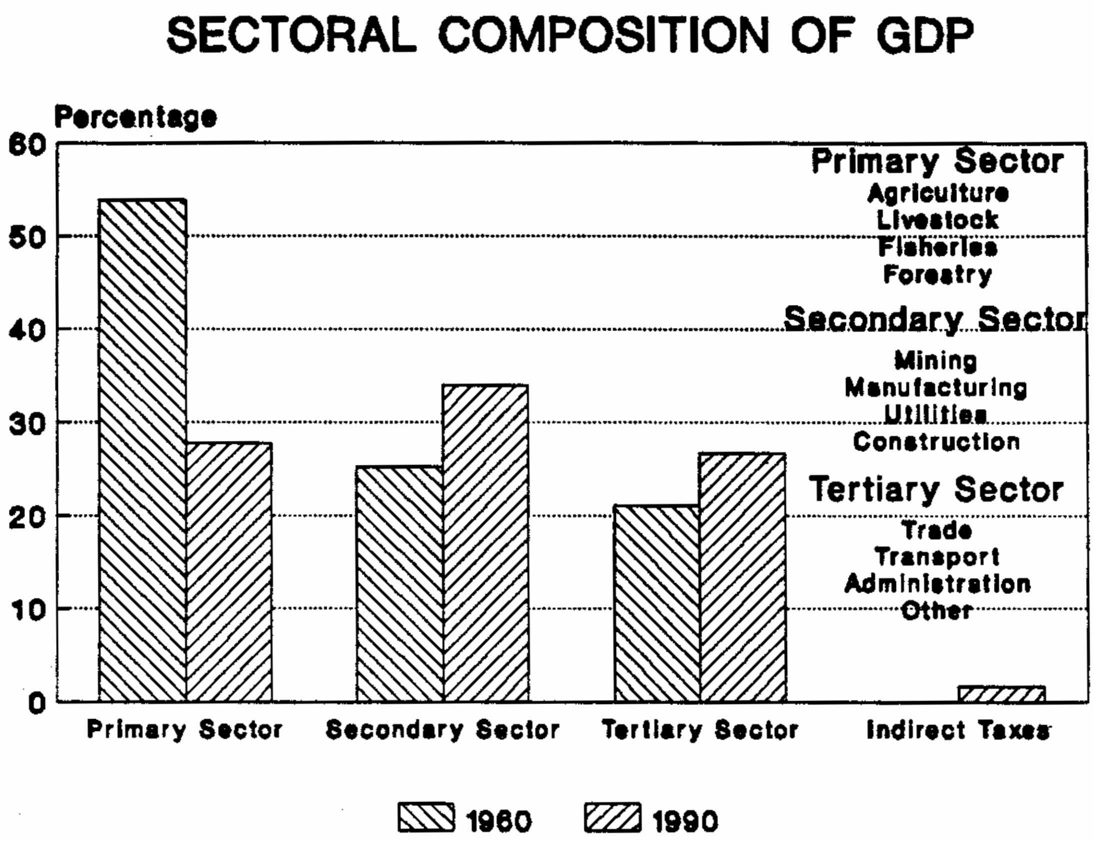

SECTORAL COMPOSITION OF GDP
Percentage
60
50
40
30
20
10
0
Primary Sector
Agriculture
Livestock
Fisheries
Forestry
Secondary Sector
Mining
Manufacturing
Utilities
Construction
Tertiary Sector
Trade
Transport
Administration
Other
Primary Sector
Secondary Sector
Tertiary Sector
Indirect Taxes
1960
1990

FIGURE 2

COMPARATIVE SOCIAL INDICATORS: 1980

	Low-income sub-Saharan Africa	Guinea
Life Expectancy at birth /1	49	39
Gross primary enrollment	76	31
Crude birth rate per 1000	48	46
Crude death rate per 1000	18	23
Infant mortality per 1000 /1	129	176
Daily calorie intake	2132	1806

/1 1984 data.

Source: World Bank, Republic of Guinea Country Economic Memorandum, Volume 1, November 1990.

The steady decline in agriculture production and exports was the result of the First Republic's disabling incentive environment which was created by: 1) a massively overvalued exchange rate; 2) administratively fixed producer prices (which declined in real terms); 3) exploitative marketing quotas; 4) barriers to domestic private trade (including State marketing monopolies); 5) misguided investments in inefficient public enterprises and state support of inefficient collective farms at the expense of investments in more productive activities; 6) underinvestment in infrastructure; 7) numerous barriers to private domestic trade; 8) neglect of agricultural research and extension; and 9) a relatively low level of technology. Smallholders, the vast majority of rural producers, were forced into self-sufficient production and into clandestine exports to neighboring countries. The decline in domestic production led to increased food imports to supply the growing urban population.

As a result of inappropriate fiscal and monetary policies, Guinea financed much of its investment through external borrowing. This reliance on external borrowing raised the country's disbursed and outstanding debt stock from about 25 percent of GDP in 1965 to an average of 62 percent of GDP in 1975-1985. Private debt was essentially limited to the financing needs of the mining companies. Guinea's external position had become untenable by the early 1980's. Payments arrears had accumulated to over US$ 300 million by the end of 1985. As a result of the increasing burden of public debt service obligations and private factor payments from the mining sector, Guinea consistently had a current account deficit throughout the First Republic.

By the end of the First Republic, Guinea's political and economic system was virtually bankrupt. By the time of President Sekou Toure's death in early 1984, the Guinean welfare state was in urgent need of fundamental reform. The military cadre that took power shortly thereafter required 18 months to consolidate their power before they could turn their attention to the overwhelming economic problems that faced the country.

The Second Republic (1985-Present)

The Economic and Financial Reform Program (PREF) was launched in late 1985 with the assistance of the IMF, World Bank, and other donors. The overall objective of PREF was to radically restructure the Guinean economy by drastically reducing the interventionist role of the State in order to allow the private sector to become the engine of growth. The PREF can be divided into two phases: 1) radical shock treatment (1985-1988); and 2) fine-tuning (1989-to the present).

In response to virtual economic collapse, the GOG, with the assistance of donors, undertook a series of radical economic reforms in 1985, including a massive devaluation, liberalization of pricing and marketing, extensive privatization (including the entire banking system), a fundamental trade reform, and large-scale layoffs in the civil service.

At the end of 1985, the official exchange rate was converted to the Guinean Franc (GF) which was devalued fifteen-fold. A foreign exchange auction was implemented and a managed float policy was established. Gross foreign exchange sold by the Central Bank at the auction expanded by nearly 60 percent per annum between 1986 and 1988 (from $US 90 million to $US 222 million). Auction sales to finance imports of goods grew from US$ 88 million in 1986 (99 percent of total Central Bank sales) to US$ 195 million (89 percent of sales) in 1988. The composition of these import goods financed by the auction were foodstuffs (40 percent), non-food consumer goods (31 percent), capital and intermediate goods (19 percent), and 10 percent of which is undetermined. Although the availability of foreign exchange to the private sector increased, inappropriate fiscal and monetary policies as well as ineffective management resulted in a consistent deficit in the private and public sectors in the foreign exchange budget. The sustainability of the system has depended heavily on the availability of significant amounts of balance of payments assistance, debt rescheduling, the accumulation of arrears on external debts, and the occasional depletion of foreign exchange reserves.

On the day the PREF was launched, banks were closed down and their liquidation commenced. A new banking law was enacted which allowed the creation of a private banking system. New Central Bank legislation was passed which returned the right of currency issue to the Central Bank (this was particularly important for monetary policy in an economy where currency continues to represent an extremely high proportion of the stock of money). Unfortunately, neither law provided for bank supervision nor prudential ratios. The GOG was able to successfully negotiate with three French banks to open banking operations in Guinea. This was a notable achievement on the part of the GOG, given the unsure operating environment in Guinea.

The trade regime inherited by the Second Republic was highly protectionist, with tariff rates ranging from 0 to 1000 percent. With the massive devaluation of the GF, such high tariff rates became prohibitive and had an adverse effect on the cost of living. A transitional basic tariff rate of 10 percent was introduced with adjustments for some essential commodities (5 percent), agricultural inputs (5 percent), and some luxury commodities (20-30 percent). The import licensing system was replaced by a simple system of import declarations available to all registered traders.

The GOG dismantled the pervasive system of price controls and official marketing agencies (as well as the State monopoly on long-distance freight transport, storage, and handling). The short-term economic impact was minimal because most trading took place in the informal sector at market prices anyway.

A major focus of the PREF was the privatization, liquidation, or restructuring of state-owned enterprises (SOE's). However, many of these enterprises were already defunct and the most important enterprises were not privatized or liquidated. In addition, little progress was made on the restructuring of those enterprises which were retained by the GOG.

The First Republic basically did not have a budgetary framework. Budgets merely constituted listings of desired expenditures without any concomitant binding legal implications. These listings were not formulated into a macroeconomic framework where their affordability or sustainability could be analyzed. The GOG undertook a series of reforms to rationalize public expenditure management. An inventory of ongoing investment projects was drafted and the first public investment program (PIP) was introduced. An attempt was made to situate the PIP within a macroeconomic framework and the concept of incorporating recurrent cost implications into project appraisal was introduced. Unfortunately, indigenous economic management capacity was relatively weak. A formal budget was not introduced until 1988 which incorporated significant procedural provisions.

The new economic role of the GOG dictated that the state provide the regulatory framework within which the private sector could function efficiently and equitably. New legislation was passed relating to various activities: commercial (1985), banking (1985), mineral exploration and exploitation (1986), investment (1987), public procurement (1988), labor conditions (1988), and accounting standards (1988). Even though the passage of this legislation was significant in itself, there was not widespread dissemination of the new legislation and application of the legislation lagged considerably behind its adoption.

The second phase of the PREF (1989-to the present) focused, after the initial shock treatment, on the more complex and difficult process of reforming institutions and changing attitudes both within the GOG and the private sector.

Civil service reform has continued during this phase. Salary payments to former civil servants were terminated. The comprehensive testing program has continued but delays have been experienced due to administrative and bureaucratic bottlenecks. The computerization of a centralized personnel file and a corresponding payroll file were delayed. The pay reform implemented in 1989 explicitly linked promotions and pay increases to staff performance but implementation was delayed.

Further devaluation of the Guinean Franc has also continued. Net sales of foreign exchange declined from 1988 levels which represented a decreasing level of dependence by the non-mining sector on the public and mining sectors to finance its foreign exchange deficit. However, the relative magnitude of the level of dependence remained an area of concern as it reflected the slow growth of non-mining exports and the degree of dependence on temporary balance of payments assistance. Agricultural exports as a percentage of GDP only accounted for 5 percent of total export earnings. The composition of goods financed by the auction remained broadly unchanged, reflecting the general failure of the rural sector to achieve substantial increases in food production.

Lessons Learned and Future Directions

Although significant problems remain, the PREF made remarkable progress considering the point of departure. The economy grew by 3.1 percent in 1987, 6.0 percent in 1988, 4.1 percent in 1989, and 4.3 percent in 1990. The fiscal deficit (including grants) as a percentage of GDP declined from 8.0 percent in 1988 to 5.6 percent in 1990. Inflation was reduced from 72 percent in 1986 to 22 percent in 1990. The differential between the official and parallel exchange rate declined from 19 percent in 1986 to 4 percent in 1990. Net foreign assets increased from GF -800 million in 1986 to GF 52 billion in 1990. Net domestic assets increased from GF 51.3 billion to GF 82.6 billion in 1990. In addition, the average annual money supply decreased from 72.5 percent in 1986 to 24.5 percent in 1990.

Two clear lessons emerged from the second phase of the economic reform process of the Second Republic: 1) for the right prices to have the desired effects on supply, the GOG has to significantly improve its policy formulation and implementation capabilities; and 2) maintaining right prices requires careful management of one key price - the exchange rate - particularly because of its importance for competitiveness and its relationship with all other prices through the inflation mechanism. This control will require a major and sustained increase in domestic revenue mobilization and the avoidance of excessive monetary financing, especially given projected declines in the availability of external financing. The control of the budget deficit will play a crucial role because of its major impact on the level of aggregate demand.

Interrelated issues which have also emerged from the second phase of the PREF include: 1) an overriding need to deepen and widen the skills base both in the private sector and in public administration; 2) a need to substantially improve domestic revenue mobilization if the GOG is to be able to fulfill its responsibilities; 3) an urgent need to eliminate the widespread and pervasive corruption in Guinea; 4) a need to greatly increase the efficiency of the GOG's provision of those services it should retain in order to promote private sector development; and 5) a need to foster an environment of confidence which encourages private savings and productive investment, particularly in the agriculture sector which creates income and employment opportunities for the mass of Guinean people.

With the failure of the IMF Structural Adjustment Facility (SAF) in 1990 and the currently stalled negotiations for an Enhanced Structural Adjustment Facility (ESAF), Guinea is at a crossroads. Significant action needs to take place in: 1) management of the budget; 2) management of the exchange rate; and 3) the role and performance of government (in particular, continued civil service reform and the privatization and restructuring of SOE's). The implementation of economic and financial reforms has become a crucial issue in Guinea. With the recent doubling of civil service salaries and an increasing differential between the offical and parallel exchange rate, inflation has become a major concern again.

The increased importance of the agricultural sector and the role of the private sector within the overall macroeconomic framework will depend on the GOG's ability to implement reforms and provide a framework to address the constraints to increase private sector agricultural production for domestic consumption and for export.

III. ANALYSIS OF KEY CONSTRAINTS TO A BROAD-BASED SUSTAINABLE MARKET-LED ECONOMIC GROWTH

A. Introduction

In this section, the principal constraints to achieving broad-based sustainable market-led economic growth will be discussed and analyzed for their implications for the country program strategy. There are key cross-cutting constraints which affect all sectors and aspects of development in Guinea. By cross-cutting constraints, we mean the critical underlying factors that are inhibiting economic development in Guinea and that apply to more than one sector and program area. These constraints are: 1) uncompleted macro-economic policy and sectoral policy formulation and implementation; 2) a culturally defined world view which militates against decision-making, risk-taking, and financial management transparency; 3) deficient public and private sector institutions; 4) an alarming population growth rate; 5) inadequate infrastructure; and 6) a weak human resource base.

B. Policy Constraints

As detailed in Section I. and II., the Government of Guinea has made profound progress in policy reform since the economic and social liberalization process began in 1985. Nonetheless the task is far from complete and further measures need to be taken as the GOG moves on implementing reform. With limited, notable exceptions (eg. an electoral code, freedom of the press legislation), the policy concerns are macro-economic in nature. On balance, the challenge for the future is the difficult one of making operational already-adopted policies rather than formulating new positions.

1. Management of the Budget

Concerning the expenditure side of the budget, most of the basic procedures necessary for sound fiscal management have been established. However, these measures must be internalized and consistently applied. In addition, there is room for improvement in the allocation process of public investment expenditures. On the revenue side of the budget, substantial public investments and increasing civil service salaries will put pressure on revenues through increasing recurrent costs. Diversification of revenue sources and strengthening revenue collection and administration efforts must occur.

2. Implementation of Exchange Rate Policy

Management of the exchange rate is another crucial policy matter which needs to be addressed. Foreign exchange must continue to be made available without quantity restrictions in order to promote economic growth. Foreign exchange must be available at an exchange rate which maintains the competitiveness of Guinea's economy. The implementation of certain technical measures would improve management of the exchange rate, such as: announcing in advance the amount of foreign exchange that is to be made available through the auction and further refining the process to make it approximate a true auction; setting the base auction rate against a payments-weighted currency basket, rather than against the U.S. dollar (in order to dampen the impact of movements in trading partner currencies having nothing to do with changes in inflation differentials); and stabilizing foreign exchange revenues or expenditures.

3. Private Sector Promotion

The Second Republic's decision to redefine and reorient the role of the state and simultaneously enhance the role of the private sector in the conduct of the economy, has proven extremely difficult to implement. A primary example of this is the difficulty in privatizing or liquidating key state-owned enterprises (SOE's), most notably ONAH, ENELGUI, and Air Guinea. In addition, the GOG has failed to prevail over special interest groups who stand to lose from public enterprise restructuring.

The legal and regulatory framework related to private investment requires serious alteration. Although several legal and regulatory codes have been adopted, implementation of these measures has lagged considerably. Onerous requirements, fees, and authorization procedures lead to costly delays, especially for marketing agricultural products. Commercial activity and productive investment are hampered by: the lack of clear procedures to establish private businesses; the non-existence of land titles and lack of property ownership legislation and registration procedures; the absence of a functioning judicial system and therefore the lack of clear guidelines on contractual obligations; the ambiguous status and rudimentary capabilities of private producer and trader associations and agricultural cooperatives; and nebulous guidelines for promoting commercial lending especially in the agricultural sector. Finally, Guinea lacks public procurement, commercial, and labor codes necessary for ensuring that competition is fostered and access to resources is fair and unbiased.

4. Uncompleted Financial Sector Reform

The defunct state-owned banking system was replaced by a private commercial banking system in the early stages of the PREF. However, the financial sector's contribution to economic development has lagged. The current banking system limits itself to short-term, self-liquidating loans, and financing imports of food and consumer goods. Loans are generally not available to manufacturing or other productive enterprises because only a few of these are or have been profitable.

For the vast majority of savers in Guinea, there is no formal institution which will accept their savings because of the high administrative costs associated with small savings. The GOG has an important role in maintaining an appropriate interest and exchange rate policy. Interest rate policy, in particular, needs to be strengthened. Banks in the past only offered negative real interest rates on deposits. This policy needs to be modified in order to stimulate competition in the savings market as well as to remove the resulting distortions in the lending market. In addition, the banks' failure to mobilize savings is due to the lack of profitable lending opportunities. A high proportion of non-performing loans in existing portfolios restricts banks from lending except for short-term trade credit with low expected levels of risk. This is exacerbated by the very restricted range of acceptable banking collateral available, which itself is a result of the failure of the land tenure system to ensure transferability of land rights.

C. Cultural and Institutional Constraints

The principal cultural constraint to building a Guinean nation and achieving equitable, private sector led economic growth in a participatory society is the absence of a view of the world on the part of most Guineans which could enable that building and growth to happen. The vast majority of people retain a hierarchy of loyalties in which loyalty to the Guinean nation only comes after loyalty to family, loyalty to village and loyalty to ethnic group and religious group. Results from this cultural constraint are manifest in: pervasive corruption; institutional inertia and poor performance seen in inability to make decisions; inability to collaborate, particularly exacerbated by inter-ethnic rivalry; inefficient use of scarce resources; and lack of confidence necessary to become private sector actors and to make long-term investments.

People must daily confront ineffectual institutional structures and procedures to enlist administrative support for their initiatives. To actually achieve results, they must rely on their network of personal relations to achieve goals that require support from the administration. Various levels of gifts are often required to assure a favorable outcome from such personal relations. Pervasive corruption causes a general lack of confidence in the institutions. Corruption has not only led to the misallocation of public resources; it has also raised the transaction costs of doing business in Guinea to the extent that many foreign and domestic investors no longer want to invest in Guinea. The certainty of random and repeated demands for bribes and payoffs creates unacceptable risks for many investors.

Guinean bureaucratic culture, evolved from the total domination by the top levels during the colonial and First Republic eras, has socialized officials to await directives from higher authority rather than take initiative. Instead of taking the risks to make decisions that commit the administration, officials have been trained to respect the political agenda of the Party-State, however arbitrary. Officials will, however, take risks in rent-seeking because they feel the short-term benefits far outweigh the long-term costs of losing their jobs.

Bureaucratic efficiency has also been marred by frequent changes in personnel and command structures which undermine bureaucratic authority and consensus, blurred authority lines between civil servants and the military, and poor comprehension by civil servants of their job descriptions. Moreover, public sector salary schedules are pitifully low (e.g. eight times lower than pay schedules in Ghana), a fact which obviously militates against attracting and retaining quality professionals and contributes to widespread corruption.

Social tension between different ethnic groups is another constraint to development. These

tensions are born of historical struggles between different groups from pre-colonial times through the First Republic. The advent of the Second Republic heralded the eclipse of Malinké political domination in favor of the Sousou. Fulbe are important commercially and economically, but do not have commensurate political clout. Despite government efforts to overcome ethnic rivalry, it continues to be expressed in social tensions and occasional violence in urban areas. Voting patterns in recent municipal elections showed the importance of ethnic divisions. People are quick to interpret government actions, from selection of ministers to award of scholarships for overseas study, according to which ethnic groups are favored and which are not.
Inter-ethnic rivalries, exacerbated by competition for power and greater access to state resources, pose a potentially dangerous threat to Guinean political stability and social peace. Both political stability and social peace are needed to create a favorable climate for foreign and domestic investment and the mobilization of national energies and resources.

Finally, a cultural constraint exists which directly inhibits growth of the Guinean private sector. This is the general mistrust of profit making activity and the preference for public sector employment on the part of many Guineans. This is another part of the legacy of mistrust from the colonial epoch when private enterprise was in the hands of French colonials who exploited the local population in general and the First Republic when Sekou Toure established central planning and public sector domination of the economy.

During the First Republic, the GOG repeatedly attacked private economic activities and actors. At the same time, all university graduates, who arguably represented much of the country's future human resources, were guaranteed public sector employment. Despite the collapse in earning power of those jobs by the end of the First Republic and the elimination of almost half public sector jobs to date under the Second Republic, for many Guineans the public sector remains the preferred and more secure option to private economic activity. The antipathy of public sector officials in general towards private sector actors remains an underlying motif which makes public sector support for private sector growth problematic to effectively obtain.

D. Population Constraints:

There are approximately 5.7 million Guineans and about 45 per cent are under the age of 15. Thus, the country's population pyramid is alarmingly unbalanced featuring a disproportionately large base, resulting in a very young population. Consequently the reproductive age group will grow larger and comparatively faster than the mortality rate. Even in a best case scenario, i.e. the immediate adoption of family planning programs and methods with a concommittant slowing of population growth, the drain of this growing population on the economy is tremendous. While economic growth rates have been hovering around an average of 4.5 per cent in the past four years, Guinea's population is estimated to be growing at the alarming rate of 2.8 per cent per year, thus offsetting much of the benefits of economic growth. At the present rate, Guinea will have twice its present number of people in 24 years. Population growth offsets those benefits because it inhibits equitable distribution of any increases in households' economic wealth. Burgeoning demand for social services inhibits the efficiency of their delivery.

The drag effect of this demographic expansion has multiple dimensions. In the first instance, it is undercutting the potential for increases in real economic growth in its high priority sector, agriculture. The rapidly expanding population is producing excessive pressure on Guinea's natural resource base which, at present levels of technology, is unable to meet domestic food needs. As population expands, tracts of arable land for agriculture production decrease, prompting farmers to employ non-sustainable and inefficient production methods in an attempt to satisfy immediate needs. Other manifestations of the damage to the ecology include deforestation, shorter fallow periods, and increased use of marginal lands. The combination of these practices will lead to decrease in the fertility of soils over the long term, and thereby negatively affect agricultural productivity. The inferior quality of goods produced could potentially encourage a shift in demand away from locally produced goods towards imports for products for which Guinea should otherwise be competitive.

As incentives for using resource sustaining technologies to maintain rural farms and employment decrease with accelerating population growth, rural migration to urban areas, particularly by young people, rises sharply. Indeed, urban areas in Guinea are experiencing rapid growth, estimated minimally at five per cent per annum. Unable to find jobs, unmotivated to stay in school (especially for females), the massive illiteracy problem only becomes more acute, multiplying the pool of unqualified human resources. Furthermore, increased city populations tax an already excessively pressured weak transportation network, water and energy supplies, and waste disposal services. Ultimately both private and public sectors are afflicted with inefficiency as the pool of uneducated and/or under-educated human resources grows. The unfortunate result is limited progress in both urban and rural areas.

Two sectors directly affected by excessive population growth are education and health service delivery systems. The current educational system's inadequacies are accurately reflected in an illiteracy rate of 80 per cent. The impact of ambitious donor supported improvements in the education sector will be greatly diminished as schools are forced to provide services for overwhelming populations. Adequate health services are currently accessible to less than 25 per cent of the population. Increased birth rates, particularly high risk births resulting from closely spaced pregnancies, will necessitate higher public and private expenditures. The rate at which additional health services are provided will be insufficient to deal with the growing population.

E. Human Resource Constraints

Guinea is hampered in its economic growth by the lack of an educated and trained workforce, both in the public and private sectors. As an example, when the World Bank administered its literacy tests in Guinea in the late 1980s, half of the civil servants failed! In fact, 80 percent of Guinea's population is illiterate. Less than 30 percent of the age-eligible population is enrolled in primary school. Repetition and droput rates throughout the system are among the highest in sub-Saharan Africa. The percentage of the national budget aloocated to formal and informal training is far behind other countries in the region. Allocations and efforts to improve rural and female participation in the educational system are minimal. Training opportunities for job-oriented skills are conspicuous by their near complete absence. Finally, higher education in Guinea is limited to the University of Conakry, an institution whose performance in preparing professionals for the labor force is characterized by most informed observers as being poor to abysmal. To state the obvious, a key ingredient to achieving and sustaining economic development is a well-founded human resource base that is broadly spaced throughout the society. Clearly, the deplorable status of Guinea's human resources severely impedes the pace at which change can occur.

The impact of the country's deficient human resource base has many different dimensions. For example, despite theoretically appropriate GOG policy reforms to streamline and adapt the state bureaucracy to its new mission of fostering a liberal market economy, the public sector is far from reaching the level of efficiency required to effectively implement and sustain those reforms. Most civil servants lack the training, experience, and qualifications to manage the complex, modern bureaucratic structures. The few Guinean public servants with the requisite skills are sorely overextended and not able to meet the demands placed upon them to effectively carry out the reform program, not to mention their myriad other duties. While the quality of civil servants in the upper echelons of the state bureaucracy has improved markedly, little has been done to upgrade the performance of middle and lower level functionaries responsible for implementing policies. In short, the severely deficient human resources in the public sector seriously limit the GOG's capability to use the scarce financial and other resources available to it.

The human resource capability in the private sector is almost a mirror image of that found in government. The universe of adequately prepared managers capable of effectively directing investment initiatives is woefully small. The capacity to identify opportunities, plan and organize for their initiation, and, perhaps most importantly, furnish the vision and follow through to see projects sustained to successful conclusion is woefully limited. As in the case of the public sector, human resource capacity of private enterprise declines as one passes from senior management to lower levels. With respect to virtually every aspect of commercial endeavor, (e.g. market penetration, production scheduling, product quality control, customer services, and financial management) the pool of qualified and competent individuals is extremely limited. Clearly the human resource constraint strictly curtails the private sector's ability to capitalize on investment opportunities that are presented as the economy liberalizes -- a fact that retards the pace of growth as Guinea's formidable potential goes untapped.

There are other dimensions to the human resource deficiencies which afflict the country's development. The low level of sophistication of the population in general, and especially the rural population, limits the rate at which modern agricultural technology can be absorbed and applied -- a circumstance which inhibits improvements in production and productivity of this key sector of the economy. Similarly, the near ubiquitous illiteracy limits the understanding and application of advances in health science and services. Finally, the dearth of formal training and understanding of democratic process limits the pace of political liberlization. Democracy is based on the principles of popular participation and representation in the political process. However, this participation, to be effective, entails a minimally acceptable level of sophistication provided by at least basic literacy skills. Therefore, human resources constraints are multiple. Educational system constraints will require a generation-long process at least to be resolved. Those constraints which can be resolved through training will demonstrate short-term impacts.

Within education, the key constraints are weak planning; inefficient systems management; weak evaluation capability; low percentage of the national budget devoted to education; low percentage of the inadequate education budget devoted to basic education; high repeater rates; poor pre-service and in-service training; and inequity in access to schooling, especially for rural children and girls in general.

Within training, principal constraints are lack of skills in planning and analysis; management; and marketing. Another constraint is the anti-private sector sentiment within the civil service.

F. Infrastructural Constraints

A forbidding constraint to increasing agricultural and value added output in Guinea is the poor state of the country's roads, especially secondary and tertiary roads. Only 1,300 of 12,000 km of roads in the country are paved, and 6,500 km (and many bridges) are impassable during the rainy season. In 1987, only two of Guinea's 28 ferries required for river crossing operated.

This situation has improved in recent years, as the GOG has made improvement of physical infrastructure one of its development priorities, but the inadequate condition of Guinea's roads, bridges, and ferries seriously inhibits the movement of goods within the country. The bad state of Guinea's roads also contributes to the high unit cost of transport, as few vehicles are willing to attempt the roads. Those which do undertake commodity transport are old and in poor condition. Transport vehicles generally have limited capacity, most trucks have only a five to eight-ton capacity.

Guinea once had rather extensive railway lines, including an 800-km linkage between Conakry and Kankan in Upper Guinea which used to transport agricultural commodities. Unfortunately, this line has not been maintained and has not been in working order for over five years. Three other railway lines totaling 385 km are functional; however, these are used only for the transport of alumina and bauxite.

A regular water supply is a prerequisite for productive agriculture and most manufacturing activities. However, although Guinea is well endowed with annual rainfall and has abundant surface water, water supply remains a problem in many areas of the country. Many irrigation systems are in severe disrepair or are very underdeveloped. A total of 210,000 hectares were identified in 1990 as potential sites for drainage or irrigation improvements.

Limited storage facilities present another obstacle to increasing output. Much agricultural production spoils before it can be processed or transported to urban or international markets due to lack of adequate rural storage facilities. In addition, farmers are obliged to sell production immediately after harvest, instead of waiting until market demand and prices offered for crops are higher.

Storage capacity in Conakry for agricultural production destined for export is also lacking. The Port of Conakry has little of the cold storage space needed for perishable goods. Port loading capacity is also limited, at approximately 84 tons a day. Shipping schedules combined with limited port facilities make it virtually impossible for exporters to count on ship transport. Like the Port, the airport also has little cold storage space. The 70 tons of air cargo space per week currently allocated Guinea on 10 flights to Europe is sufficient for current levels of agricultural exports, but could well be insufficient in the future if exports rise.

Guinea rates among the most poorly served countries in the world as far as supply of energy is concerned. Per capita energy consumption is well below that of its neighbors. Energy supply bottlenecks have now become one of the most serious constraints to economic development and a major cause of environmental degradation. Transport fuels are unavailable in many areas, and industry has to provide its own power if it wishes to obtain access to electricity at acceptable levels of service. Domestic needs cannot be satisfied by modern forms of energy which causes consumers to utilize biomass (wood and charcoal) almost to the exclusion of other fuels. Indiscriminate exploitation of fuelwood resources and deforestation are results.

The public electric power system in Guinea is comparable to those of neighboring countries thirty years ago. Only one percent of Guinea's hydropower potential has been developed. Less than 2% of the population has access to electrical utility services, abysmal even by sub-Saharan African standards. What there is of public utility electrical services is unacceptably poor in quality, lacking in continuity, widely variant in voltage output, and suffering from prolonged daily outages. This poor service is produced at high cost and at extremely low efficiency.

Guinean telecommunications infrastructure and services are as bad as those of its energy sector. The poor management of the deficient installations means that income is a fraction of that which should be captured and which is needed for adequate or expanding services.

Another indicator is that density of coverage of the telecommunication network is one the lowest in the region and less than half of the average for sub-Saharan Africa. Due to such shortage of coverage and lack of maintenance and repair of what exists, unsatisfied demand for services is estimated about 100% of current levels.

The social service sector suffers from inadequate infrastructure. Hospitals and health posts are in tremendously short supply and most which do exist are not adequately built, maintained, or equipped. For the educational system, infrastructure constraints include an insufficient number of primary schools in remote areas, crowded classrooms in urban primary schools, and sub-standard quality of construction in schools and teacher training institutions, due mainly to lack of maintenance.

IV. GOG AND OTHER DONOR'S EXPERIENCE IN ALLEVIATING CONSTRAINTS TO DEVELOPMENT IN GUINEA

A. GOG and Donor Budget and Sector Priorities

The GOG's first development budget was compiled in 1986, starting a process that has become increasingly disciplined although much refinement is still necessary. In response to the GOG's positive stance on liberalizing both the economic and political systems, donor assistance has experienced steady increases. Table 1 indicates mulilateral and bilateral donor contributions in 1988-89.

The 1989 Policy Framework Paper written in collaboration with the World Bank and IMF outlines GOG's plans, programs, and objectives for the next several years. A revised PFP will be presented to the World Bank and IMF at the end of 1991 or beginning of 1992. The Public Investment Program (PIP), which is reviewed and approved annually by the Bank, is essentially a rolling three-year development program. The PIP includes annual contributions per project by the GOG and multi-national donors. The PIP is then reflected in the annual Development Budget ensuring the GOG that donor contributions are consistent with national budget priorities.

The GOG's 1991-93 development program before grants is 124.016 billion GF (about US$ 165.355 million). The development budget indicates GOG's priorities through its budget increases in allocations for infrastructural development. About 60 percent of the 1991-93 PIP is financed by donors, indicating the GOG's heavy dependence on donors to achieve its development objectives and ameliorate its constraints.

TABLE 1

DONOR ASSISTANCE TO GUINEA[2]

DONOR	1988(in millions of $US)	1989(in millions of $US)
Multilateral		
World Bank	39.20	63.95
EEC	7.93	28.34
ADF/IDF	14.84	26.34
UN Agencies	19.45	24.48
IMF	---	23.11
BID	---	4.25
Subtotal	81.42	170.47
Bilateral		
USA[3]	28.3	23.8
France	77.50	63.61
Japan	24.25	3.86
RFA	11.67	14.53
URSS	2.3	16.11
Canada	4.725	6.57
Other	16.115	44.08
Subtotal	136.56	148.73
Other Donors/ Organizations	82.50	16.50
TOTAL	328.780	359.05

2. UNDP Guinea Report 1988 and 1989

3. Includes DFA, Food for Peace, and Peace Corps

Table 2 denotes donor activities by sector (see attached data). Agriculture, natural resources/forestry, infrastructure, finance/planning, energy, and political reform are sectors which are considered to be priorities by their predominance in donor activities.

TABLE 2

OTHER DONOR ACTIVITIES BY SECTOR

		Bilateral				Multilateral		
Sector	USAID	France	Germany	Canada	USSR	IBRD	UN	EEC
Agricul.	X	X	X	X	X	X	X	X
Health/ Population	X		X			X	X	
Education	X	X			X	X	X	
Infra- structure	X	X	X	X	X	X		
Natural Resources/Forestry	X	X	X	X	X	X		
Mining			X		X	X		
Finance/ Planning	X	X	X	X		X		
Energy						X		
Industry						X	X	
Political Reform		X						

B. Other Donor Activities/Experience

The following is a compilation of available data on other donor activity/experience in Guinea. To be sure, the information base is incomplete. However, during the planning period, the Mission will improve its knowledge of other donors' experiences in Guinea and its tracking of on-going achievements and shortcomings of other donors' programs. This will be undertaken with eye toward increasing our understanding of how their problems and accomplishments are linked to the achievement of our country program objectives.

From our review of the existing information, several trends in foreign assistance to Guinea are evident. Since 1985, most donors have emphasized the same principal sectors: agriculture, infrastructure, and human resources. This emphasis is, to a large extent, integral to the support given by donors to the economic reforms of the Second Republic. Clearly there is a general consensus among donors that Guinea can no longer rely on the mining sector for economic growth and must therefore develop its very rich agricultural resource base as well. To that end, the majority of donor project and finance activity addresses the need to expand agricultural production by introducing improved agricultural technologies for long-term, sustainable growth and by improving access to credit for agricultural producers. The infrastructure sector, insofar as it increases access to both domestic and export markets, is undoubtedly a necessary element of this equation. Human resource development with its focus on training (both private and public sectors) and providing technical assistance directed toward enhancing Guinea's institutional capacity is also very important for most donors. The remainder of this section attempts to illustrate the experiences of different donors in alleviating those constraints.

BILATERAL DONOR ACTIVITY

1. FRANCE

Fonds d'Aide et Cooperation(FAC) The level of French assistance through both the FAC and the Caisse Centrale has increased steadily since the French renewed their efforts in 1979. In 1989, the program more than doubled the 1986 level. While both the FAC and the Caisse are active in nearly every sector in Guinea, they both place particular emphasis on rural development and education. From 1984 to 1989, 30 percent of total FAC assistance went to rural development projects while 23.5% was directed toward the education sector.

CAISSE CENTRALE de COOPERATION ECONOMIQUE (CCCE) The Caisse is primarily a financial/lending institution. In 1989, its level of lending reached a high-point with primary emphasis again given to rural sector development/agro-industry/fisheries 37.7 percent, infrastructure/transport/telecommunications 30.6 percent, industry/energy 11.42 percent and structural adjustment loans 4.8 percent. In short, the Caisse gives priority to the private sector, rice production in the agricultural sector, and to providing rural sector credit.

In addition to the FAC and the CCCE, French assistance supports the education sector (with an emphasis on communication and cultural exchange) and the agricultural sector by financing scientific research (Agronomic, Geological, Mineral).

2. GERMANY

German assistance places emphasis on the public health sector followed by agriculture, infrastructure, and mining with minor assistance to the Ministry of Planning and International Cooperation. In 1990, the level of German assistance was slightly in excess of $20 million.

3. CANADA

Canada's assistance is concentrated in the energy and agricultural sector, with an emphasis on food assistance. They are also providing budgetary support. It has fluctuated from $7.46 million in 1987 to $9.35 in 1988 and $3.71 million in 1989.

4. THE SOVIET UNION

The Soviets are principally involved in the mining sector, including research, recovery and exploitation. Their involvement with the Bauxite Office of Kindia (O.B.K.) has been the basis of Soviet-Guinean cooperation for nearly thirty years. They have minor activities in agriculture, education, infrastructure, and oceanographic research.

MULTILATERAL DONOR ACTIVITY

1. The World Bank

The World Bank has the largest of the donor portfolios. The following is a synopsis of the Bank's program as well as a review of key lessons learned from their experience (see Table 3).

Macro-Economic Operations: Amount programmed: US$ 134.6 million. Projects include: Structural Adjustment II ($62.5m), Credit for Private Sector Promotion ($51.5m), and Education Sector Adjustment ($20.5m).

Agricultural Sector: Amount programmed: US$ 109.5 million. Projects include: Agricultural Services ($10.1m), Renovation of Animal Resource Sector ($11.3m), Research and National Extension ($18.9m), National Seeds Project ($9.4m), Management of Forests and Fish ($8.4m), Rural Infrastructure ($41.2m), and Agricultural

Development in Gueckedou ($6.6m).

Industry & Energy Sector: Amount programmed: US$ 52.8 million. Projects include: Renovation of Industrial Promotion ($22.0m), Management of the Mining Sector ($4.0m), Electricity Production and Technical Assistance ($8.0m), Promotion of Petroleum Exploration ($10.2m).

Infrastructure: Amount programmed: US$ 233.5 million. Projects include: Road Project III ($34.5m), Urban Development - Conakry ($4.8m), Transportation Sector ($56.9m), Urban Development II ($57.1m), Water II ($26.6m), and Supplementary Credit ($4.5m).

Human Resources: Amount programmed: US$ 57.9 million. Projects include: Education Project II (US$ 13.6m), Development of Health Services (US$ 20.1m), Economic Management (US$ 15.0m), and Socio-Economic Development ($9.2m).

Lessons from World Bank Experience

To be sure, the IBRD is the major donor in balance of payments and structural adjustment lending. Moreover, as suggested by the prededing paragraphs, the Bank is actively and heavily involved in sector programming as well. A principal lesson to be learned from the Bank's experience devolves from the fact that the program is currently saddled with a considerable pipeline. As of September, 1991, the IBRD's unexpended balance of funds obligated since 1986 exceeds $500 million. Moreover the problem is present throughout all aspects of their portfolio. To wit, a $38 million seconc tranche of a Structural Adjustment loan is undisbursed awaiting GOG compliance with conditions precedent especially related to rationalization of the public payroll. In addition, the majority of the agricultural sector projects are stalled for the lack of counterpart cash contributions. The infrastructure, industry, and energy sectors have also suffered from the absence of counterpart as well as inordinate delays by the GOG in the contracting processes for goods and services.

In effect, the Bank is encoutering the effect of the cross-cutting constraints (e.g., limited human resource capability, institutional deficiencies, culturally defined world view risk taking, decision-making, and transparency) that has been identified by this Mission as the root causes affecting Guinean development. Under the able leadership of the IBRD's Resident Representative in Guinea, the Bank is taking steps to address its pipeline problem. But the lesson is clear, care must be taken to not overtax the country's current limited absorptive capacity to efficiently use resources.

TABLE 3

WORLD-BANK: PROGRAM SUMMARY AS OF APRIL 30, 1991

SECTOR	PROJECT NUMBER	PROJECT NAME	CREDIT AMOUNT	AMOUNT DISBURSED	BALANCE TO BE DISBURSED	PERCENUNDIS-BURSED
Macro-Economic Opera-tions	1926-GUI	CAS II	62.5 million	27.9 million	34.6 million	55%
	2155-GUI	PASE	20.5 million	4.1 million	16.4 million	80%
	2148-GUI	Priv. Sector Promotion	51.5 million	-0-	51.5 million	100%
	G111-GUI	Infl. St.	100,000	-0-	100,000	100%
Subtotal			134.6 million	32 million	102.3 million	76%
Agricul-ture	1636-GUI	Ag. Services	10.1 million	7.0 million	3.0 million	30%
	1725-GUI	Animal Res.	11.3 million	2.9 million	8.4 million	74%
	1955-GUI	PNVA	18.9 million	5.4 million	13.5 million	71%
	1864-GUI	PSN	9.4 million	5.2 million	4.2 million	45%
	1838-GUI	PAG	8.9 million	8.7 million	222,099	2%
	2068-GUI	Forest/Fish	8.4 million	1.1 million	7.2 million	87%
	2106-GUI	PNIR	41.2 million	2.0 million	39.2 million	95%
	G077-GUI	PAE	250,000	218,243	31,756	13%
	P557-GUI	Ag Ex. Prom.	1.0 million	536,042	463,957	46%
Sub-Total			109.5 million	33.0 million	76.5 million	70%
Industry & Energy	1234-GUI	Indus Rehab.	22.0 million	20.4 million	1.7 million	8%
	1559-GUI	Energy II	11.1 million	10.9 million	227,954	2%
	1637-GUI	Mine Sect.	4.0 million	4.7 million	171,227	3%
	1595-GUI	Energy II	2.9 million	2.1 million	763,530	27%
	1438-GUI	Petro Explo.	10.2 million	10.2 million	49,396	0%
	P631-GUI	Energy II	750,000	72,414	677,586	90%
	P598-GUI	TELCOM	750,000	-0-	750,000	100%
Sub-Total			52.8 million	48.5 million	4.3 million	8%
Infra-structure	1457-GUI	Route III	35.2 million	34.8 million	450,840	1%
	1466-GUI	Urban I	4.8 million	4.4 million	424,867	9%
	1915-GUI	Route IV	52.8 million	2.5 million	50.3 million	95%
	1815-GUI	P.S. Trans.	56.9 million	17.0 million	40.0 million	70%
	2112-GUI	Urban III	57.1 million	1.2 million	56.0 million	98%
	1989-GUI	Water II	26.6 million	7.8 million	18.9 million	71%
Sub-Total			233.5 million	67.7 million	165.9 million	71%
Human Resources	1341-GUI	Ed. II	13.6 million	11.8 million	1.7 million	13%
	1837-GUI	Health	20.1 million	7.2 million	12.9 million	64%
	1963-GUI	PAGEN II	15.0 million	7.3 million	7.7 million	52%
	1995-GUI	PADSE	9.2 million	545,340	8.6 million	94%
Sub-Total			57.9 million	26.8 million	31.0 million	54%
Total			588.3 million	208.0 million	380.2 million	65%

2. International Monetary Fund

In 1987, the IMF approved Guinea's request for a three-year arrangement under the structural adjustment facility (SAF) for a three-year period, 1987-89 in an amount equivalent to SDR 36.8 million. The first and second SAF arrangements were approved in July 1987 and March 1989 for SDR 11.6 million and 17.37 million respectively. Discussions held in 1990 between the IMF and GOG did not lead to a mutual understanding for a comprehensive 1990 economic and financial program; hence, it was not possible to proceed with the third annual SAF arrangement of SDR 7.82.

In February 1986 and June 1988, the World Bank approved SAC I and SAC II for 38.5 million and 33.0 million respectively. Conditionalities included the rationalization of the civil service; domestic resource mobilization, expenditure and control; public enterprise reform; and improvements in the legal and institutional framework. Although the conditionality of a civil service reform has been met, it appears unlikely that the necessary reduction of the civil service rolls to 49,000 by the end of 1991 will occur. In the meantime, the IMF was willing to approve an ESAF for SDR 40.0 million. However, in recent discussions with other donors, principally the IBRD, the IMF has decided to wait on approving the ESAF until the Bank's conditionality is met. This is an important step in terms of donor's efforts to convince the GOG of the seriousness of policy reform and the concomitant results if the GOG does not take conditionalities seriously.

3. United Nations Development Program (UNDP)

The total resources allotted by UNDP for its Guinea Country Program for 1987-1991 include those of the CIP ($37 million US), as well as those administered by the other UN affiliated agencies and the Third International Conference for the Assistance of African Refugees (ICARA III - $66.14 million US). The focus of the CIP is consistent with that of the other major donors in its three "Axes": rural development, improved economic management and an enhanced role for the private sector, and the development of human resources.

UNDP also places great emphasis on its efforts to provide integrated assistance by requiring that all projects involve participation from UNDP, the implementing agency, and the GOG.

3. The European Economic Community (EEC)

With 32 projects, the EEC plays an extremely important role in rural development in both Upper and Lower Guinea as well as supplying essential financial and trade assistance through Lome III. Sectors covered in their portfolio include: agriculture, education, natural resources, finance and microenterprise.

V. AID'S ROLE AND EXPERIENCE IN GUINEA

A. The First Republic

The U.S. government initiated economic assistance to Guinea in 1959, and the program in the 1960s was one of USAID's largest in Africa as the newly independent republic energetically launched development plans in a brief period of open and democratic national growth. Between 1963 and 1966, AID's portfolio totaled $57.8 million in Development Assistance resources and involving activities in a number of sectors (e.g. agriculture and health).

However, by 1966 as a reaction to Guinea's increasingly repressive state control of the economy and of political processes under the Sekou Toure regime, the AID program was halted, except for the PL-480 Title I program and some token technical assistance. Bilateral assistance was not resumed until FY 1975 with the intiation of several Recovery & Rehabilitation projects, most notably in infrastructure.

In FY 1976, the scope of the Mission program was broadened with the initiation of the Guinea Agricultural Production Capacity & Training Project (Guinea Ag I). The purpose of this ambitious undertaking was to upgrade the quality of agricultural research, education, and extension, as well as the quantity and quality of agricultural technicians. From the beginning, this effort was beset with difficulties (e.g. poor technical choices, Mission resource deficiencies, procurement delays) and its achievement fell far short of its original expectations. With the failure of this project, the AID program in Guinea again contracted.

From 1982 to 1986, AID's strategy consisted of funding several relatively small pilot activities governed by a basic rationale of maintaining a "holding pattern" in the ferment of the last period of the First Republic and the the first period of the Second Republic. In 1982, the Mission mounted two small pilot projects in Middle Guinea under AID's Accelerated Impact Program (AIP). The Mother-Child Health project strengthened the delivery of maternal and child health care in the Mamou area and set the stage for the Combatting Childhood Communicable Diseases (CCCD) project AID undertook in 1985 and which concluded in September, 1991.

The second pilot project was a three-year activity designed to create communal village woodlots for fuelwood production near Pita in the Fouta Djalon. Tree planting and soil conservation activities begun by the Community Foresty Project, the first natural resources management project in Guinea, have continued since the project ended in 1984 and the experience was crucial for the development of the multi-donor Fouta Djalon Highlands Integrated Regional Development Project, including AID's recently launched Natural Resources Managment Project.

The Guinea Appropriate Technology VITA Project extended from 1983 to 1986 was another pilot scale effort as Volunteers in Technical Assistance introduced Cinva Ram brick production (providing low-cost housing materials) and improved wood and charcoal burning stoves. The improved stove program was considered an unqualified success, and project activities greatly increased community awareness of the implications of deforestation.

The Smallholders' Preparation Project, started in 1983, furnished and equipped the infrastructure built under Guinea Ag I at Foulaya Training Laboratory, Faranah Agricultural Training Institute, Faranah Demonstration Farm, and Tindo Agricultural Extension Training Center. However, this project was terminated before implementing smallholder outreach, due to a revision of Mission strategy in 1985.

In addition to project activities, USAID financed academic and technical training throughout the 1960s, 70s and 80s. Between 1959 and 1985 approximately 275 Guineans received short- and long-term training in the United States and third countries in agricultural, health, business, engineering, economics, administration, and other fields through the African Manpower Development Programs I and II and the African Graduate Fellowship Program (AFGRAD).

B. <u>The Second Republic</u>

As noted before, the death of Sekou Toure in March 1984 marked the end of the First Republic. It was followed during the rest of 1984 and 1985 by strong and rapid reform performance by the new government which set the stage for a new era of growth and development in Guinea. This performance, the improved policy environment resulting from the initiation of the GOG's economic and administrative reform program in December 1985, and the signing of agreements with the IMF and IBRD were positive steps the U.S. had been waiting for. At this time, the U.S. increased levels of bilateral assistance and redirected its strategy.

In FY 1986, Guinea became one of four countries to receive funds under the African Economic Policy Reform Program when it received a $10 million cash transfer, as well as one of only two countries to implement a P.L. 480 Title II, Section 206 Food for Progress Program for the supply of rice (100,000 MT over three years), along with the continuation of PL 480 Title I rice shipments. These two major additions to AID's resources, along with an increase to $3,370,000 in development assistance, resulted in a tripling of U.S. economic assistance in the space of one fiscal year.

Between 1985 and 1991, the Mission's development strategy was characterized by support for GOG policy reforms leading to liberalization of agriculture-related markets and the development of private enterprise. A liberalized policy framework and an environment more conducive to private sector growth was expected to stimulate a significant production response as farmers increased the amount of land under production and channeled more output into Guinean markets. Therefore, between 1985 and 1990, USAID invested in a number of projects and policy reform activities which focused on reducing the role of government and promoting the private sector.

The Private Agribusiness Promotion Project started in early 1985 and continued through 1988. During this time the project helped promote domestic and foreign agribusiness investment by establishing the National Center for Private Investment Promotion (CNPIP) and preparing profiles of various potential agribusiness ventures. Although no specific ventures or enterprises were initiated as a direct result of this project, awareness of Guinean agribusiness investment potential was heightened, and CNPIP became an acknowledged point of Guinean investor interest and support for foreign investors when visiting Guinea.

In 1986 the $18.5 million African Economic Policy Reform Project (AEPRP) was initiated in Guinea as $10 million in non-project assistance and $8.5 million in project assistance to support the liberalization of private market operations in rural areas. One component of the AEPRP consisted of a $10 million cash transfer to be distributed in two tranches. The first tranche of $5 million was released in 1987 when the government met conditions relating to liberalizing agricultural pricing and marketing policies. Guinea saw a dramatic increase in the availability of consumer goods throughout the country as state trading companies closed and private investors stepped in to replace them.

Other components of the EPRP were less successful, however. The extension of credit to rural private enterprise for agricultural marketing will not begin until late 1991.

The second $5 million tranche of the AEPRP was never disbursed because the GOG did not fulfill the necessary conditions related to the closing of four parastatals. After three years of repeated negotiations, USAID in March 1990 notified the GOG of its decision to terminate the program and deobligate the funds.

The Agricultural Infrastructure Project, authorized in 1988 for $23.8 million is financing the rehabilitation and construction of 104 km of all-weather roads linking the major coastal rice production areas with Conakry.

One of the mission's major achievements between 1985 and 1990 in the area of private sector promotion was the use of PL 480 Title II, Section 206 rice, with annual levels averaging $10 million, to help the GOG abolish its state-run system for distribution of imported rice, thus eliminating state monopolies responsible for rice distribution. The government went from selling all rice at subsidized prices in 1985 to allowing the private sector to import rice for the first time in 1986, to letting the private sector assume complete responsibility for the import, storage, distribution, and sale of all imported rice in 1988.

The Mission buy-in to the regional Human Resources Development Assistance (HRDA) Project, as well as financing of older training projects (AFGRAD, AMDP, and others) has done a great deal to promote private enterprise by providing technical and managerial training to a broad range of private sector and GOG personnel. Between 1985 and 1991 more than 2,000 Guineans from the private and public sectors participated in short- and long-term training. Over 50% of these participants were women owners of micro-enterprises.

C. Lessons Learned

The lessons learned by the Mission in implementing its program, especially in the period of the Second Republic, are reflected in the constraints identified in Section III. Basically, they are that:

1. Guinea has a comparatively great potential in terms of its untapped physical resources. Agricultural production for external and domestic markets, in particular, is Guinea's best chance for diversifying its economy.

2. Guinean human resources and institutions are extremely weak and undeveloped. While a vital entrepeneurial spirit is generally apparent in Guinean society, all levels of education are woefully lacking. Institutions in the public sector, both civilian and military, are, almost without exception, inefficient and essentially parasitic, living off rent-seeking which drives up transaction costs throughout the economy and discourages foreign and domestic investment. Private sector actors and institutions are generally ill-prepared to perform in a market system and often exhibit dependence on the public sector.

3. The demography of Guinean society shows that the population growth rate can easily outpace economic growth and contribute to stagnation or worsening of the quality of life. Given cultural perceptions and adaptations based on household level reality, Guineans do not yet demonstrate understanding of the need to use family planning methods to slow that growth.

4. Guinean society seems to be nearing a point at which the populace ar large will be empowered to participate in decision-making and management of economic and social development. Building capacities at local levels appears to be both possible and timely to allow such changes to have positive results. Reform of the public sector institutions is also crucial in order to provide efficient services within transparent and accountable systems.

TABLE 4

U.S. OFFICIAL DEVELOPMENT ASSISTANCE TO GUINEA

YEAR	TOTAL US ASSISTANCE	DEVELOPMENT ASSISTANCE	SECURITY SUPPORT ASSISTANCE	FOOD FOR PEACE	OTHER, I.E. PEACE CORPS
1959	1.7	-	-	1.7	-
1960	2.1	2.1	-	-	-
1961	0.2	0.2	-	-	-
1962	10.4	2.6	3.5	4.3	-
1963	15.9	6.1	6.2	3.3	0.3
1964	16.7	2.7	7.2	6.2	0.6
1965	20.8	7.0	7.1	5.7	1.0
1966	7.3	4.4	-	1.8	1.1
1967	1.3	1.1	-	-	0.2
1968	4.5	1.1	-	3.4	-
1969	8.4	0.8	-	7.4	0.2
1970	0.5	0.1	-	-	0.4
1971	12.5	0.1	-	11.7	0.7
1972	0.7	-	-	0.7	-
1973	4.8	-	-	4.8	-
1974	5.7	-	-	5.7	-
1975	11.5	0.5	-	11.0	-
1976	6.6	0.2	-	6.4	-
1977	1.9	0.8	-	1.1	-
1978	13.6	1.8	-	11.8	-
1979	8.4	2.7	-	5.7	-
1980	11.4	5.2	-	6.2	-
1981	10.5	2.8	-	7.7	-
1982	5.9	1.1	-	4.8	-
1983	6.9	2.0	-	4.9	-
1984	6.6	1.7	-	4.9	-
1985	9.7	4.0	-	5.7	-
1986	19.6	3.2	10.0	6.1	0.3
1987	14.4	2.4	-	11.5	0.5
1988	28.3	17.6	-	10.0	0.7
1989	23.8	15.6	-	6.8	1.4
1990	16.4	15.0	-	0.2	1.2
1991	33.0	25.0	-	7.0	1.0

Notes:
(a) U.S. fiscal years in millions of dollars;
(b) - = less that $50,000;
(c) TQ = transitional Quarter;
(d) 1991 is estimated obligations.

VI. USAID/GUINEA COUNTRY PROGRAM STRATEGY

A. Program Goal and Sub-Goals

1. Program Goal Narrative

The discussion of the social, economic, and political environment for sustainable, broad-based and market-oriented growth, the constraints to that growth, and the experiences of the GOG, other donors, and AID provided the crucial information needed to understand AID's strategic choices below. As those elements are defined, it is important to remember that there are close linkages between them and that these linkages reinforce the achievement of AID's objectives.

USAID/Guinea is working with the Government of Guinea and the Guinean private sector to consolidate, accelerate, and deepen the progress made in reestablishing economic growth and social well-being since the beginning of the Second Republic in 1984. The changes in Guinean society and economy since that time are truly remarkable given the abysmal conditions which resulted from the despotic rule and gross economic mismanagement by the First Republic from 1958 to 1984.

The goal of the USAID/Guinea country program for the period FY91-96 is to contribute to the achievement of improved economic and social well-being of all Guineans in a participatory society. This would be the highest level of impact to which the country program would contribute. Achievement of this goal and the lower order objectives will result in measurable improvement in the lives of Guineans and, at the same time, in their greater participation in decision making about the directions of their own development. This goal is consonant with GOG policy and programs, as well as with those of the other major donor organizations.

Indicators:

1. GDP per capita increases from X in 1991 to Y in 1997

2. Infant Mortality Rate decreases from X in 1991 to Y in 1997

3. Consumption Per Capita increases from X in 1992 to Y in 1997

4. Participation of Electorate in Elections increases from X in 1991 to Y in 1997

2. Program Sub-Goal One - Narrative

The first sub-goal (SG1) of the program is to contribute to the achievement of increased household income from non-mining activities. As stated throughout this document, diversification of the Guinean economy is mandatory because overdependence on bauxite and other mineral exports to create national wealth and generate foreign exchange is neither sustainable in the long term nor equitable in the distribution of its benefits. Growth in income will only be sustainable and reach the majority of the population if it derives from other sectors than mining.

Indicators of Sub-Goal One Achievement:

1. GOG tax revenue from non-mining sectors increases from X in 1992 to Y in 1997

2. GDP per capita from non-mining sectors increases from X in 1992 to Y in 1997

3. Program Sub-Goal Two - Narrative

The second sub-goal (SG2) which contributes to the achievement of the overall program goal is to achieve increased participation of all Guineans in defining and managing social and economic development. The momentum in recent Guinean history is towards a more open, accountable society in which individuals and groups have an ever-increasing say in how the most important decisions concerning their development are made. At the same time, there is a great need for improvement of the abilities of Guineans to make such decisions related to economic and social development. Only when such participation is achieved will the benefits of sustainable economic growth accrue to more Guineans.

Indicators of Sub-Goal Two Achievement:

1. Percentage of national investment budget managed at sub-national levels increases from X in 1992 to Y in 1997

2. Literacy Rate increases from X in 1992 to Y in 1997

B. STRATEGIC OBJECTIVE 1: INCREASED SUSTAINABLE PRIVATE SECTOR AGRICULTURAL AND VALUE ADDED OUTPUT FOR DOMESTIC AND EXPORT MARKETS

1. Discussion of Strategic Objective One and Performance Indicators

Our analysis has led us to conclude that improving agricultural and value added output is key to Guinea's achievement of sustainable broad-based economic growth. The agricultural sector (including animal husbandry, forestry and fisheries) employs approximately 80 percent of the labor force and accounts for about 28 percent of the country's gross domestic product, but only 5 percent of export earnings. Although it is difficult to determine the percentage of the population involved in small-scale and micro enterprise (SME) activity, as most SME activity is in the informal sector, it is clear that many Guineans, and an especially large percentage of women, are involved in such ventures, either as a sole income-generating activity or in combination with agricultural activities. The government is cognizant of the predominant role of the agricultural sector in the national economy, considers agriculture as the engine of economic growth and has made it the centerpiece of GOG's development strategy of broad based economic growth.

The Mission has been involved in the agricultural sector ever since the beginning of its development assistance to this country. Since 1988, the Mission's activities in agriculture have been limited to trunk road and farm-to-market road development for increased market access and management improvement in the Ministry of Agriculture. However, between 1991 and 1997, assistance will be provided for the rehabilitation of rural roads, natural resource management, small-scale rural enterprise development, and agricultural marketing for export and domestic trade.

These program level initiatives to stimulate sustainable growth through private sector led agricultural marketing, will be reinforced by a policy dialogue demarche. The Mission intends to leverage a $30 million multi-year Title III food aid program to affect changes in the Government's position so as to facilitate a wider, more active participation of the private sector in the conduct of the economy, particularly in agricultural marketing. Throughout, attention will be given to carefully target the conditionality items so that they complement the agenda of the principal donors in the policy dialogue arena, viz., the World Bank, on issues related to the promotion of the interests of the private sector.

The Mission has chosen its first strategic objective recognizing that our emphasis is on agricultural marketing and related questions such as transport infrastructure to enhance marketing. We acknowledge that we are choosing to not be involved in the development of agricultural production technology or its extension through the traditional channels in Guinea, ie. public sector institutions. We feel that it is abundantly clear that, at the present and for the foreseeable future, such involvement would provide ineffective means to relieve the constraints to achieving the strategic objective. Other donors, principally the IBRD, are devoting attention to the traditional agricultural research and extension system and we hope that their efforts bear fruit. Technology transfer will be an important of our work under the first target of this strategic objective.

Performance Indicators:

1. Increase in production and marketed surplus for representative crops

2. Increase in average annual growth rate of value added outputs in agricultural and rural enterprise sectors

3. Increased number of export-oriented agribusinesses, foreign exchange earnings and jobs created

4. Increased rural household incomes

2. Discussion of Targets, Sub-Targets, and Indicators

USAID has decided to concentrate on three targets, which would lead to the achievement of the first strategic objective. The Mission will work to 1) increase sustainable private investment in agricultural production, value added and marketing activities; 2) lower the costs of agricultural marketing; and 3) increase viable rural-based small-scale and micro enterprise activity.

Target #1: Increased sustainable private sector investment in agricultural production, value added and marketing activities

Because private investment focused on agricultural production, agribusiness and rural enterprise will benefit Guinea's largest economic sector (80 percent of Guineans live in rural areas) and will diversify the Guinean economy, AID intends to concentrate on promoting investment in these sectors.

The Mission cannot and should not endeavor to overcome all the constraints inherent to increasing investment in the rural sector. Therefore, we have selected two areas in which to focus our resources. These are: improving the management of natural resources for profitable and sustainable agricultural production for domestic and export markets and improving the agricultural marketing enabling environment, advisory services, and financial resources for investors.

Indicators:

1. New foreign and domestic private investment in agricultural production and marketing between $\underline{\$}$_ million in 1992 and $\underline{\$}$_ million in 1997

2. Increase in employment and income levels related to agricultural production and marketing sectors from X in 1992 to Y in 1997

3. New and expanded agribusiness operations from X in 1992 to Y in 1997

4. Implementation of legal, judicial, and investment codes by 1994

Sub-Target #1: Improved management of natural resources for profitable and sustainable agricultural production for domesic and export markets in three watersheds

Increased sustainable agricultural output depends on conservation of Guinea's natural resource base. However, past experience has shown that investment in natural resource management at the local level will occur only when resource users have adequate prospects for increased crop yields and income which serve as incentives for investment of their scarce resources, particularly labor, land, and capital. Therefore AID's strategy in the area of natural resource management will be to improve the conditions considered prerequisite for resource users to make investments which will lead to sustainable increases in agricultural production.

USAID's approach focuses on assisting resource users in the three watersheds in the Fouta Djalon to develop and implement plans for managing the natural resources within the watersheds and helping to develop and support the capacity of local enterprises to increase their marketing and value added activities for domestic and export marketing. At the policy level, AID will assist the GOG to develop and implement policies which provide incentives for smallholders to invest in natural resource management. Such incentives relate to the security of land tenure and sharing in the benifits of improved natural resources mangement.

The Mission's interventions will increase watershed inhabitants' exposure to improved production technologies which conserve the natural resource base. Technologies introduced will be related to water availability, soil/water conservation, vegetation management, and crop production, but watershed inhabitants will choose the actual technologies used. Improved natural resource management skills of GOG personnel and waterhsed community leaders will be prerequisite to introduction of those technologies. In so doing, we will be addressing directly one of the principal contraints - the deficient human resource base.

By supporting the formation and strengthening the economic interest groups, supporting cost-sharing activities, demonstrating the economic viability of technologies, and facilitating access to credit, AID funded activities will lead to reduced financial risk to the resource users. In addition land tenure and usufruct conditions of resource users will be improved through provision of assistance in resolving tenure and rights issues.

Indicators:

1. Natural resource management technologies introduced and adopted by farmers resulting in increased private investment in agriculture and natural resources in the three watersheds

2. Increased production, value added output, income and employment generated from individual and community investments in natural resource management technologies

3. Increased number of watershed residents with legal title to the land.

Sub-Target #2: Improved marketing enabling environment, advisory services, and financial resources for investors

Studies have shown that significant savings exist in the informal sector, savings which could be invested in production and marketing. Many banks have credit lines established by various donors, as well as certain amount of private savings available for investment. Foreign companies and individuals have expressed interest in investing in Guinea. Guinea's agribusiness sector has much potential. However, there seems to be a missing link to connect potentially successful investment projects with banks and with other potential investors.

USAID will fill this missing link by strengthening business advisory, financial, and information services needed to establish an intermediary between commercial banks and potential but inexperienced investors and by improving access to financial resources necessary for investment. In so doing, the resources and dynamism of the commercial sector to expand agricultural production, processing, and marketing can be harnessed. Policy, administrative, and institutional constraints and impediments will be addressed to create a more investor-friendly market environment so as to bring about an efficient operation of marketing forces.

The Mission will focus on (1) improving the access of private sector entrepeneurs to commercial credit for export and domestic agricultural marketing through policy reform in banking and changes in tenure and property laws to enable the provision of viable collateral and (2) developing a private sector institution to provide critical business services for promoting domestic and export marketing. The proposed instittuion will provide the following services. a) investment opportunity identification through preperation of feasibility studies to identify commercially and financially viable projects; b) market information dissemination including product specifications, grades, and standards; quota and tariff restrictions; and equipment and input suppliers; c) policy studies on social, economic, and institutional issues inhibiting increased agricultural marketing and 4) liaison with financial institutions to increase the confidence and collaboration of agribusiness and marketing entrepeneurs and those institutions.

It is the Mission's belief that these support services will be best provided by a private Guinean foundation which will be endowed with funding but which will also generate regular income for sustainability through membership fees, service fees, and preparing feasibility studies under contract to entrepreneurs. The foundation may also develop a venture capital fund which would work to prime the pump of agricultural marketing investment. Training of agricultual marketing entrepeneurs at various levels will also be an important component of USAID/Guinea's approach through long- and short-term participant training in such areas as agribusiness management, quality control, handling, and storage and basic skills in accounting, bookeeping, marketing, etc. Improving human resource capabilities in these areas will permit Guinea to upgrade the quality of its produce destined for both domestic and export markets.

Indicators:

1. External and domestic market information (prices, demand, supply, grades and standards etc.)on selected products collected and made available to potential agribusiness investors and agricultural producers

2. Increased number of investment opportunities identified

3. Increase in number of bankable loan applications for agricultural marketing enterprises submitted to commercial banks

4. Increase in number of loans granted for production, processing, and marketing purposes

Target #2: Lowered costs of agricultural marketing

The high costs incurred by farmers and traders in getting agricultural production to markets, result primarily from the poor state of roads and various types of taxes, regulations and transaction costs. These costs serve as strong disincentives to farmers and traders to increase the quantities marketed. USAID's strategy to reverse such disincentives and increase the quantities of production marketed will be based on upgrading priority road infrastructure to lower transportation costs.

Indicators:

1. Reduced transport costs

2. Increased quantities marketed

Sub-Target #1: Upgraded priority road infrastructure

During the strategy period, USAID will continue to support the GOG's commitment to revamping essential transport infrastucture. Since 1988, USAID has been financing the rehabilitation of a 104 km segment of paved road and construction of 12 new bridges along the route. The section being rehabilitated is part of the critical transportation link between Conakry and the rich and agriculturally productive coastal region. It also constitutes a significant portion of the planned Nouakchott-Lagos Trans-African Highway passing through Guinea.

The Mission has recently supplemented its trunk road construction activities with rehabilitation of feeder roads. One of the biggest constraints to increasing agricultural production and productivity and raising rural income in Guinea is the absence of affordable means of getting agricultural production from farms to markets and agricultural inputs to the farms due to the poor state of roads. USAID will be addressing this constraint by financing the rehabilitation of over 1,200 km of rural roads, helping to develop Guinean private sector capacity for road maintenance, and assisting the GOG to establish a system to monitor the impact of road rehabilitation on increased agricultural production and marketing.

An important component of USAID's approach to lowering costs of agricultural marketing is to test a sustainable model for reggular maintenance of farm to market roads. The Mission is implementing an activity which will rehabilitate 171 km of these tertiary roads while increasing the capacity of local organizations to maintain them.

Indicators:

1. Increased intra and inter-regional movement of agricultural produce, inputs, consumer goods and people

2. Increased goods and services available in rural areas

3. Increased investment in transport industry

4. Increased private sector participation in road maintenance

Target #3: Increased viable rural-based small-scale enterprise activity

There are many constraints to the development and expansion of entrepreneurial activity in Guinea, especially in rural areas. Some of these constraints include lack of financing for rural small-scale enterprises, the lack of follow-up services for those who do receive loans, and lack of skills to conduct enterprise feasibility analysis as well as management skills among entrepreneurs. In addition, there is a general confusion among small-scale enterprise facilitators about the role and nature of the private sector in a market economy.

USAID will address the forementioned constraints by the following: improving analytical and the management capacity of local small-scale enterprises (SSEs); increasing financial resources for SSEs; and improving policies and regulations governing the establishment and operation of SSEs.

Indicators:

1. Number of new SSEs registered
2. Number of new jobs created in SSE sector
3. Increase in percent of GDP coming from SSE goods and services

Sub-Target #1 Improved management capability and financial resources of local small-scale enterprises

The Mission's strategy to improve management capability of small-scale enterprises emphasises training. USAID resources from the three projects will be brought to bear on this activity. First, technical and managerial training aimed at improving small-business skills of men and women entrepreneurs, will be funded through the regional Human Resources Development Assistance (HRDA) training program. Second, in-country training for entrepreneurs will be part of the Rural Enterprise Development Project and will be aimed at enhancing entrepreneurial attitudes, behavior and business skills. The latter will also provide small amounts of credit and eventually savings facilities to a large numbers of women and men entrepreneurs. Trained Guinean agents stationed in the principal towns of sub-prefectures will deliver credit to five-member solidarity groups. Third, training for small and medium scale enterprises will be provided by the Agribusiness and Marketing Foundation planned to be set up under the FY 1992 Agricultural Marketing Investment project.

Indicators:

1. Increased access to credit (2,000 group-guarantee loans of $220 average; 250 loans of $1500 average to micro-enterprises; and 40 small enterprise loans of $8000 average)

2. Increase in credit granted to firms of 1-50 employees

3. Increased earnings and profits of assisted firms

Sub-Target# 2: Improved policy and regulatory framework for small-scale enterprises

The Mission is currently providing training geared toward reorienting the attitudes of key GOG personnel toward the private sector. In addition, we will begin training small-scale enterprise facilitators (government agents at the local level, NGOs, cooperatives leaders, and employees of financial institutions). This training will be aimed at improving their collaboration and assistance to small-scale enterprises. However there is a need for better understanding of the range of policy and regulatory changes needed to promote and energize the SSE sector. USAID, through the Rural Enterprise Development and the Agricultural Marketing Investment projects, will conduct detailed studies to pinpoint the short and long term policy and regulatory changes required and will work with the appropriate Ministries to efect the changes. USAID will also take steps to assure that the results of successful small-scale enterprise activities are well documented and that activities are visible to policy makers. These measures will lead to the implementation of improved policies and regulations with regard to small-scale enterprise activities.

Indicators:

1. Establishment of transparent and simple procedures to start private businesses

2. Development and implementation of property ownership laws,regulations and registration procedures

3. Increased lending to SSEs by commercial banks

4. Decrease in transaction costs for starting and managing private business

3. Supportive Policy and Institutional Framework

The Mission's concentration on increasing private sector agricultural and value added output for domestic and export markets is very much consistent with the GOG's development priorities. The GOG's reform program emphasizes reduction of the role of the public sector and the encouragement of private investment, particularly in the agricultural sector.

The government's agricultural strategy is outlined in the second version of the Agricultural Development Policy Letters (LPDA), issued in May 1990. The GOG's stated goal in agriculture, consistent with USAID's first strategic objective, is to increase the amount of production brought to market.

To attain this goal, the government has implemented a number of important policy measures. In addition, it is investing in reorganizing and strengthening its agricultural research and extension services; rehabilitating and expanding rural infrastructure; and undertaking agricultural export promotion activities. The priority which these activities have for the government is demonstrated by the 1990 public investment budget: 39.4 percent of the total budget went to the upgrading of physical infrastructure, mostly in rural areas, and 26.6 percent went to the agricultural sector.

The emphases on natural resources management, agribusiness, and export promotion make up major planks in the GOG agricultural strategy. Cognizant of the fact that increases in sustainable agricultural production depend on the conservation of the productive base, natural resources management makes up one of the four strategic orientations of the Government's strategy.

The GOG's agricultural strategy encourages the development of agro-food industries to satisfy domestic demand and specifically calls for improved access to credit at the local level in order to increase the capacity for processing and marketing agricultural commodities. The GOG has set a target increase of 15 percent per year in foreign trade levels, with initial focus on European markets. Although GOG's approach to improving regional trade (West Africa) has not been spelled out, initial analyses conducted by USAID leads us to believe that significant opportunities exist for increasing regional trade in certain high value commodities (cola nuts, red plam oil, shea nuts) as well as to to siphon off seasonal surpluses fruits and vegetables and earn convertible foreign exchange (FCFA). Agricultural Marketing Investment project (FY1992) will be concerned with both the regional and overseas trade.

Policy measures introduced by the GOG in the past six years have served to foster a more attractive environment for private sector investment in Guinea and have helped Guinea move towards achieving this goal. Important legislative efforts in this regard include a new investment code, a restructured and simplified trade regime, and a new labor code. The GOG is also working on a new land and property code. Several institutions to promote both foreign and domestic investment have been created since 1985. As a result, a number of investment ventures have been established.

4. AID's Current and Planned Interventions

Agricultural Infrastructure Development (675-0213)
Human Resources Development Assistance (698-0463)
Rural Enterprise Development (675-0215)
Natural Resources Management Project (675-0219)
Rural Roads Project (675-0216)
Agricultural Marketing Investment Project (675-0221)
Forecariah Farm-to-Market Roads Project (675-0224) Agricultural Marketing Training Project (675-0229)

5. Coordination With Other Donors

USAID's investment planning, portfolio development and implementation and policy reform agenda are closely coordinated with other donors, to derive complementarities and avoid duplication and working at cross purposes. USAID's Natural Resources Management project is a freestanding yet integrated component of Phase 2 of the Fouta Djallon Highlands Integrated Regional Development (FDHIRD) Project This project is a multidonor activity including the GOG, eight bi-lateral and multilateral donors (the UN Environmental Program (UNEP), the European Economic Community, the French, Italians, Germans, Belgians, and Canadians), the Organization of African Unity and the neighboring countries.

The Mission's Agricultural Marketing Investment Project will be closely coordinated with the World Bank, FED, and the Caisse Central. As noted elsewhere in this document, AID's support will be channeled through a private Guinean foundation to provide the following services: market information to interested parties, conduct studies to identify specific policy and regulatory changes, serve as a forum for public-private sector dialogue, enterprise development and management training, and to undertake fee-for-service activities such as project identification and feasibility studies, business logistics and assisting in negotiations. Other donor funded projects will support agricultural marketing through quality control and conditioning of export products; physical improvements and the setting up of cold storage facilities at the Conakry port and airport; improvement of export processing operations at the ports and airport; rural credit; and cooperatives development.

USAID's Agricultural Infrastructure Development Project is an integral part of the IDA's Fourth Highway initiative, a $200 million, five-year activity designed to repave two critical sections of the National Road Network, rehabilitate critical points along 1,500 km of the primary National Road Network, and develop a routine maintenance policy for all rehabilitated portions of the network. Other major donors to the Fourth Highway Project include France, the African Development Bank, and Italy.

The Mission's $33 million Rural Roads Project is also an intergal part of a larger multi donor effort-- the National Rural Infrastructure Project. Other contributors to this project include the World Bank/IDA ($45 million) financing development of feeder roads, bottomlands, and water supply points, equipment and operating and road maintenance costs. Germany and France are financing technical assistance and training.

The Farm-to-Market Roads Project (implemented through AFRICARE, a U.S. PVO) is consistent with the Feeder Roads Development Plan established by the GOG, for which the GOG is attempting to gain support from other donors for tertiary roads. It serves as a complement to other donor activities in improving the country's rural infrastructure.

Successful donor activity in the area of small-scale rural enterprise development has been rather limited up to now. Several donors have subsidized credit lines with commercial banks; however, these have not added significantly to the availability of small loans in rural areas. Various donors such as the EEC have provided direct funding and loans for micro and small-scale enterprises in rural areas, several in pilot projects, based on the principle of group responsibility. Results from AID's experience will be shared with the EEC and other donors. The International Center for "Credit Mutuel" has formed credit unions in major towns in the interior of the country and is making loans available in these areas. The World Bank's Social Dimensions of Adjustment Program, started in 1990 and the African Development Foundation represent additional sources of small-scale enterprise funding.

One or two donors have initiated training activities in small-scale business management. The International Center for Development and Research (CIDR) is running a skills training program in a major town in the Forest Region to train Guineans how to better manage business and credit. However, USAID's training program for private entrepreneurs, under HRDA, continues to be the largest training activity in this area.

C. STRATEGIC OBJECTIVE 2: IMPROVED HUMAN RESOURCES FOR SUSTAINABLE ECONOMIC GROWTH

1. Discussion of Strategic Objective Two and Performance Indicators

USAID/Guinea has determined that both a short-term approach (through a training program) and a long-term approach (through basic education and population programs) are required to substantially improve Guinea's human resources. The Mission has identified groups in the public sector, such as primary school pupils and government officials; in the private sector, such as small-scale women entrepreneurs; and in a mix of the two in programs, concerning social marketing of contraceptives, for whom projects have been designed and are being implemented.

Performance Indicators:

1. Improved management of public and private institutions;
2. More opportunities for Guinean females to participate in social and economic development;
3. Increased number of young Guineans enrolled in educational institutions;
4. Contraceptive prevalence rate increased from less than 2 percent in 1990 to 5 percent in 1994 (10 percent in project area).

2. Discussion of Targets, Sub-Targets, and Indicators

USAID/Guinea has decided to concentrate on three targets to achieve the second strategic objective. This section will address targets and sub-targets which respectively apply to the Mission's programs in education, training, and population.

Target #1: Improved quality and increased enrollment in primary schools, with special emphasis on rural and female participation.

This target addresses the public educational system, at the primary school level. It is designed to address the constraint of undereducated manpower both among civil servant decision makers and among private entrepreneurs. Any substantial impacts must necessarily take place over the **long term**, for involved are school construction, teacher training, educational systems planning, and pupils who go through a six-year schooling period, before further education or entering the workplace. The PAAD for the BaAsic Education Program makes it clear, for example, that in the area of quality, no measurable impacts concerning primary school graduates could be discerned during the life of the project.

Indicators:

1. 3 percent increase in primary school enrollment by 1993;

2. 5 percent increase in primary school enrollment in rural areas by 1993;

3. Accurate and timely financial tracking of public education budget expenditures, by 1993.

With school construction, "multi-grade" classes, teacher reassignments, and double sessions, primary school enrollment should increase, especially in rural areas. The general enrollment rate in rural areas is 21 percent, while in urban areas it is 39 percent. The question of access and equity, which arises in comparisons of these two statistics, will be revisited a bit later in a discussion of gender balance.

Two sub-targets are designed to help measure progress along the route to **quality** education.

Sub-target #1: Increased share of non-salary costs in the GOG education budget.

The intention is to free up public education funds for much neglected educational materials, such as books and other classroom equipment. In so doing, the effectiveness of instruction should be enhanced.

Indicators:

1. Increase non-salary operating expenditures per primary pupil from $.20 to $4.00, by 1993;

2. Increase non-salary operating expenditures per teacher training student from $120 to $153, by 1993.

Sub-target #2: Improved financial and administrative management skills of Ministry of Education officials.

Through technical assistance, training, and equipment procurement, the Ministry offices which are responsible for developing and executing the budget should improve their performance. This approach would address the weak institutional performance of the Ministry of Education, referred to earlier.

Indicators:

1. Establish by 1992 a reporting system on local primary school expenditures which follows estimated budget line items through to actual expenditures;

2. Train central, regional, and local DAAF/SAAF employees in improved data collection, analysis, and reporting techniques, by 1992.

A third sub-target is designed to help measure progress in one aspect of the access to education: gender balance.

Sub-target #3: Increased primary school enrollment of girls.

USAID has added the equity issue to the educational concerns which donors are raising with the GOG, often in the form of conditionality for financial assistance. Female enrollment rates will not increase unless there are special efforts, such as studies performed, policies reinforced or new policies announced, and strategies developed.

Indicator:

1. Increase in rural girls school enrollment from 17 percent to 20 percent, by 1996.

Target #2: Strengthened private sector human resources

This target addresses the critical lack of business skills across the board within the private sector. The Mission will address training needs in basic business start-up skills (accounting and business plan development, organization and management, credit management, and especially marketing). The training programs must provide short-term results in an increased number of trainees, favorable female/male ratio, and improved profitability of beneficiary firms.

The Mission participant training program is essential to stimulating economic growth in Guinea. Particular attention will be given to substantial participation by women in all training activities, as they are an important development resource for Guinea. Currently, Mission female/male ratio of HRDA Project is among the highest within African beneficiary countries; 70 percent for the Private Sector.

Indicators:

1. 50 percent increase in number of private sector institutions improving their contribution to policies and programs to achieve development objectives by 1995;

2. 100 percent increase in number of private entrepreneurs showing improvements in technical skills and management capabilities 1995.

Sub-target #1: Strengthen local training institutions to develop local institutional capability to implement training programs.

The low level of human resources development in Guinea reduces the efficiency of the public sector and diminishes the ability of potential business people to take advantage of opportunities in the private sector. To address directly and practically this constraint, AID will develop local institutional capability to implement training programs, with assistance from U.S. or third country resources. AID will also develop the training staff via study tours, training of trainers, and, where appropriate, linkages with U.S. institutions.

Indicators:

1. 100 percent increase in number of trained trainers by 1995;

2. 100 percent increase in number of trained participants by local TRG institution by 1995;

3. 50 percent increase in number of training programs developed by training institution by 1995.

Sub-target #2: Strengthen private sector support organizations to develop the capacity of these organizations to offer a range of specific services and to engage more actively in policy analysis and dialogue

Know-how is virtually absent in the Small and Medium Sized Enterprises (SME) Guinean sub-sector; practical skills of running business are lacking. Therefore special attention will be given to the Private Sector support organizations which need to be strengthened to become true advocates of the private sector: Chamber of Commerce, Centre de Création et de Développement des Entreprises (CCDE), Centre National de Perfectionnement à la Gestion (CNPG).

Indicators:

1. 100 percent increase in number of clients seen by 1995;

2. increased quality of service provided to entrepreneurs;

3. 50 percent increase in number of private investors making resource commitment in Guinea by 1995.

Sub-target # 3: Build/strengthen entrepreneurs micro/SME business management skills with increased participation of women entrepreneurs through entrepreneurial development training.

Entrepreneurs need a better understanding of what business is all about, from structure and organization of the firm to comprehending the demand-pull nature of a market-driven producing enterprise. Many new entrepreneurs imitate what others are doing, rushing into lines of business that are popular for the moment, without analyzing what the market factor can bear. The undeveloped nature of the Guinean private sector argues for training in the fundamental attitudes and functional skills of business.

USAID will develop training programs dealing with entrepreneurial skills and behavior change, management skills, and credit management.

Indicators:

1. 25 percent increase in total sales of targeted private enterprises by 1995;

2. 50 percent increase in quantity of diversified production of targeted entrepreneurs by 1995;

3. 100 percent increase in number of entrepreneurs having access to bank loans by 1995.

Target #3: Increased ability of families to determine household size.

The third target within the human resources category contributes to sustainable economic growth by expanding economic choices to include family size. The astivities that will be employed by the Mission to achieve this target clearly and directly address one of the major constraints to sustained growth -- an alarming population growth rate. The scarcity of family planning options available to the average Guinean family is accurately reflected in Guinea's low contraceptive prevalence rate (less than 2 percent). A.I.D. and the GOG, working through private and public sectors, will address this problem essentially by increasing accessibility to family planning products. This comprehensive effort represents for both A.I.D. and the Government of Guinea, the initial phase of a long-term commitment to family planning in Guinea.

Indicators:

1. By 1994, the number of people between the ages of 15-49 with access to family planning commodities and services will have increased from 200,000 (118,000 women) to 400,000 (236,000 women);

2. The average family size desired decreased from 6 to 5 by 1994.

The following three sub-targets identify areas which must be dealt with in order to achieve this target.

Sub-target #1: Support development and articulation of family planning/population policy.

Antiquated population laws and policies exist which prohibit the distribution of family planning products and services. Though in practice these laws are ignored and nascent family planning services exist, they must be addressed and updated based on the current government's favorable receptivity to family planning.

Indicators:

1. National Population Policy articulated and implemented by Ministry of Plan by 1992;

2. By 1992, legislation passed giving increased rights to women over their fertility;

3. By 1992, legislation passed permitting promotion of family planning products and services through the public and private sectors.

Sub-target #2: Support implementation of family planning information and commodities delivery in public sector primary health care centers.

The GOG plans to provide primary health care (PHC) services for its population through health centers in each of the 346 sub-prefectures. The GOG, with strong support from UNICEF, currently has opened 147 of the health centers, and will open approximately 25 new ones per year until all 346 sub-prefectural centers are covered by the national PHC plan. USAID's Social Marketing of Contraceptives Project will begin to integrate family planning into these PHC centers. Keeping in line with the Bamako Initiative which serves as the basis for the PHC program, family planning products and services will be offered only after cost-recovery mechanisms have been established.

Indicators:

1. The number of public primary health care centers offering family planning products and services increased by 16 ('91), 32 ('92) and 16 ('93);

2. 350 health center personnel trained in improved clinical/IEC/management skills by 1993;

3. 44 federal, regional and sub-regional primary health care staff trained in management of family planning, integration into PHC and utility of private sector approaches.

Sub-target #3: Support expanded private distribution of family planning information, materials and service delivery.

The intention of the Mission's Social Marketing of Contraceptives Project is to capitalize on private-sector marketing initiatives and commercial reforms currently taking place in Guinea. The project will promote the growth of private sector procurement mechanisms for and service delivery of family planning products and services. The project's social marketing component will specifically target women and the poor thereby assuring access to family planning products and services to all sexually active Guineans.

Indicators:

1. The number of private medical provider and service delivery sites increased by 200 by 1993;

2. The number of vendors trained in family planning methods and promotion and sales increased by 200 by 1993.

3. Supportive Policy and Institutional Framework

Related to the education sector, prompted by the IMF/World Bank general structural adjustment program, the GOG's education authorities in 1989 announced their own ambitious reform. Since then, the major donors have identified policy and institutional reforms which have been made conditionalities for financial support. USAID's conditionalities involve such issues as equity of access to schooling for rural children and girls; increased percentages of the national budget devoted to education; increased percentages of the education budget devoted to primary education; and increased percentages of the primary education budget devoted to non-salary items.

Regarding training, although there exists no one national policy statement on the importance of training, every sector-specific national policy declaration, such as the National Education Policy, refers to the necessity of personnel upgrading and skills development. Since there are very few existing training institutions, and because top managers realize the benefits they can derive from sending staff on training, both public and private sector managers are supportive of releasing staff for training.

The existence of local institutions: The public Administration Training Center (CPA), the National Management Training Center (CNPG), and the Opportunities Industrialization Center (OIC) provide an institutional framework to utilize as a training resource and to reinforce. The African sub-region contains experienced training institutions, such as CESAG in Dakar and CAMPC in Abidjan, which will continue to offer relevant training opportunities to Guinean participants. For a small percentage of Guinean participants, a few carefully selected U.S. universities or training institutions will be utilized.

In the population sub-sector, in 1985, the Government of Guinea publicly announced the right of all Guineans to determine their family size, free from governmental interference, thus effectively reversing the previous government's policy on fertility. Within the Ministry of Plan, a Population Council has been established whose mandate includes identifying and changing elements within Guinean law which restrict family planning and population activities. The GOG has encouraged a local NGO, the Guinean Association for Family Welfare (AGBEF), to assist in family planning in health centers and to distribute information in communities. The Ministry of Health's newly created Mother Child Health/Family Planning unit will offer family planning services through the government's primary health care clinics.

4. AID's Current and Planned Interventions

Education. Project Agreements (Proags) for AID projects 675-0222 (Education Sector Reform) and 675-0223 (Education Sector Reform Support) were signed in September 1990, and defined the nature of a five-year commitment to improve the primary school system. The Mission is tentatively planning a phase two Basic Education Project, to begin in 1994.

Clearly a long-range strategy to strengthen the national human resource base, AID has made the decision to focus on basic education (not secondary or higher); and to emphasize three aspects: a) financial and administrative management of the national education system, b) equity of access to schooling (especially for rural girls), and c) evaluation.

Training. USAID/Guinea through the Human Resources Development Assistance (HRDA) project has been placing great emphasis on in-country and third-country training, and setting specific goals for increasing the participation of women and the private sector. The Mission will continue its effort to enhance the capabilities of Human Resources in Guinea through the up-coming projects with training components and the following centrally funded and bilateral projects:

- African Training for Leadership and Advanced Skills (ATLAS; 698-0475)
- Forecariah Farm - to Market Roads Project (AFRICARE) (675-0224)
- Natural Resources Management Project (675-0219)
- Guinea Rural Enterprise Development Project (675-0215)
- Economic Policy Reform Support Project (675-0218)
- Agricultural Marketing Training Project (675-0229).

Population. USAID support to the CCCD project in Guinea will end September 30, 1991. The Mission, through its new Social Marketing of Contraceptives Project (675-0227) plans to shift its emphasis from child survival to population by employing a three-pronged approach: 1) assist the public sector in providing appropriate family planning services and commodities which assure full and adequate coverage of the population; 2) incorporate the private sector (both for-profit and non-profit) into public health strategies; and (3) support and encourage policy reforms which aim to decrease population growth rates and render family planning products and services accessible to the population.

5. Coordination With Other Donors

Education. Three mechanisms are in place to favor coordination in support of the Basic Education Program. First, USAID has incorporated key conditionalities of the World Bank into its own conditions that GOG must satisfy before disbursement of funds, thus demonstrating donor coordination and reinforcement. Second, three coordinating committees have been active since mid-late 1990; the Steering Committee within the MEN meets on the average every 3 weeks; the Monitoring Committee involving several ministries meets on the average every 2 months; and the major PASE donor coordinating body (GOG, FAC, IBRD, USAID) meets weekly. Third, the first meeting of all donor representatives and GOG services associated with educational programs took place in March 1991.

Training. The Mission is making an effort toward more coordination in donors training activities to avoid duplication and wasted resources. Initial discussions have been held on agricultural training program coordination. USAID has also initiated contacts with UNDP and several non-profit organizations that are carrying out training programs in Guinea.

Population. The first and third sub-target areas under the family planning target have recognized bodies which serve as coordinating mechanisms. They are respectively, the MOH's Mother Child Health/Family Planning unit, and, the Ministry of Plan's Population Council. The Mission will work directly with each of these to ensure effective donor input. The private non-profit sector activities are coordinated through AGBEF, and the Mission will support their management efforts. The private for-profit sector is in its nascent stage and Mission is currently identifying potential organizations which could coordinate among these businesses.

D. STRATEGIC OBJECTIVE 3: IMPROVED EFFICIENCY OF MANAGEMENT AND RESOURCE USE AT NATIONAL AND LOCAL LEVELS FOR ECONOMIC AND SOCIAL DEVELOPMENT

1. Discussion of Strategic Objective Three and Performance Indicators

The third plank in our Country Program Strategy aims to assist Guinea's efforts in increasing the legitimacy, accountability, and transparency of the public sector from the local to the national level. Guinea's liberalization in the economic sphere has begun to have repercussions in political and institutional change. While not including activity in the directly political arena, USAID will work on increasing participation and improving governance.

The persistence of military domination of the GOG and the absence of national political institutions have been major constraints to improved participation of Guineans in defining and managing social and economic development at the national and local levels. Since the beginning of the Second Republic, however, the GOG has done much more to improve Guinean participation in defining and managing social and economic development at the grass roots by creating District Councils, CRDs, and urban communes, or municipalities, which have the power to elaborate their own development programs and budgets. Effective participation and control over planning and managing these programs is limited, however, by the state's authority over these institutions; state authority is built into Guinea's unitary state system. Guinean legislation gives the state strong supervisory powers over local government -- both urban and rural -- which can stifle local initiative and reduce local government to an appendage of the central government. Other factors which have stymied the growth of these local institutions include the fear of local citizens to take initiatives before getting the approval of the administrative authorities, the lack of skills and experience of elected officials in financial and administrative management, and limited revenue to finance social and economic development projects.

Local government activities, thus, must fit within the framework of the government's national development program. State officials supervise, monitor, and often intervene directly in the management of local government bodies. Heavy-handed intervention by the sub-prefecture and prefecture officials in local government affairs discourages local participation and retards the democratization process. The targets to achieve the strategic objective strive to enhance the push toward increased local participation in the economic development decision-making of rural communities. At the local level, the program will direct its efforts in two areas.

One of the major problems facing the new CRDs and municipalities is the lack of experience of most CRD council members and officers in modern financial management and administrative procedures, and non-familiarity with the basic texts spelling out the powers, functions, and responsibilities of the CRD and their own role as local government officials. Many of the major constraints to effective local level planning and management of social and economic development in urban areas are similar as those in rural areas. Contraints can be identified in two broad categories as follows:

- o Constraints in revenue generation and management by local officials
- o Constraints to increased local participation of groups and individuals

First, no local group will be able to fulfill its potential without the capability to collect, manage, and account for revenue. A critical aspect of this fact is finding innovative means to generate financial resources. They must be generated to provide benefits which the local populace identifies as real and important so that they agree to supply the revenue. After producing the revenue, the local groups need to manage their scarce resources efficiently so as to produce real benefits. The payoff in the short term will be good investments in community infrastructure and services; in the long term, it will be creating lasting institutions which allow communities to find their own solutions and support and carry out their own initiatives.

Secondly, at the local level, improvements in participation and accountability of decentalized development planning and implementation will be achieved. The Mission's activities will support the growth of involvement of local people in making investment choices by rewarding those local development plans which demonstrate consensus and broad community support in their design and selection. Accountability will also be supported as the involvement and oversight of local groups in the implementation of their projects will be strengthened.

Thirdly, under this Strategic Objective at the national level, the Mission will build on its current efforts to improve the financial and general management of the Ministry of Agriculture and the Ministry of Education which has made inroads in the reform of administrative systems. That work will continue as well as improvement of the bank supervision and balance of payments monitoring at the GOG Central Bank. Other key GOG units in the Ministry of Plan and International Cooperation and the Ministry of Finance will be assisted in a similar fashion.

Performance Indicators:

1. Revenue generated by CRD's and Municipal Governments increased from X in 1992 to Y in 1995
2. Value of local projects identified and completed by CRD's and Municipal Governments increased from X in 1992 to Y in 1995.
3. Efficiency measures (to be determined) in each minstry or institution demonstrate change from 1992 to 1997

2. Discussion of the Targets, Sub-Targets, and Indicators

Target # 1: Increased local level revenue generation and improved local level revenue management

One of the main challenges to efficient government is the management of financial resources. From a purely economic viewpoint, financial mismanagement increases transaction costs. It raises the costs of doing business for those in the private sector, and wastes limited government resources in the public sector. It makes decision-making more problematic and implementation of policies more difficult, even when policies are sound.

Local level revenue generation and management will be the focus of this target. Sources of local income will be explored and the most feasible means of making them available will be defined. They must represent legitimate payments as taxes or fees with which effected populations are in agreement. To be in accord with paying these amounts, local people will have to be confident that their money will be well spent which will require serious attention to establishing accountability and participation in deciding on expenditures and in tracking their real use.

Indicators:

1. X new taxes and fees established and implemented for CRD and Municipal Government revenue by 1994

2. Percentage of compliance with new revenue measures increases from X in 1992 to Y in 1996

Target # 2: Increased legitimacy and accountability of development efforts at the local level

The second component of USAID/Guinea's approach to increased local level participation in economic and social development planning and management is to provide support to rural development communities (CRD) and municipal governments in an effort to increase legitimacy and accountability of decentralized development efforts. Legitimacy will be enhanced by broadening the level of participation of and consensus among the people who are served by those organizations in selecting and managing their own development projects. Maximum levels of open democratic process and transparent management will be sought within Guinean cultural and social realities.

In this light, the Mission is proposing to support and strengthen GOG efforts to foster the growth of municipal governments and rural development committees which are more responsive to the needs of the citizenry. USAID would work with the Ministry of

Interior and Decentralization to determine the most urgent technical assistance and training needs of the CRDs and municipalities, newly created government structures consisting entirely of elected officials. Particular attention would be given to public sector development, project design and implementation of projects selected by the CRD villages and towns, participatory decision-making, budget and financial management transparency through training and public awareness campaigns.

Indicators:

1. X Projects selected in broadly participatory process in 1992 increases to Y in 1996

2. X Projects managed and implemented in broadly participatory in 1992 increases to Y in 1996

Target # 3 Improved performance of public sector to promote private sector growth and manage public sector functions

The third target is the country program element which focuses on improving public sector administration to achieve greater accountability, transparency and effectiveness. These efforts will be made to improve how government officials support private sector growth and economic liberalization and democratization reforms which are taking place in Guinea.

Training efforts within the Public Sector will:

- Promote policy reforms favorable to private sector growth by increasing public sector understanding and appreciation of the role of the private sector in development and the public role in supporting the fulfillment of that role;

- Focus on basic management skills and systems including budgeting, procurement, project management, and privatization.

Policy related and skill oriented programs must have short-term results while substantive attitudinal changes will require long-range planning.

Indicators:

1. increased number of key officials taking actions demonstrating understanding of the importance and the role of the private sector

2. reduction in public sector approval time for key private sector growth actions

Sub-target # 1: Remove constraints which inhibit good performance of top policy makers and administrators

Key constraints to the performance of top policy makers are linked to the global administrative system, work methods, and the organizational culture of the public sector. As it is difficult for planned change to be developed at the lower levels without the commitment, support and visible modeling behavior of top management, USAID will develop special training programs for top and first line managers. An in-depth needs analysis of high ranking public administration officers was completed in October 1990.

This special training program will be implemented through professional visits, workshops, seminars, and conferences attendance.

Indicators:

1. increased number of top policy makers in public administration demonstrating participative and more efficient management

2. improved time management by top managers

Sub-target # 2: Provide qualified technical, scientific and managerial personnel and policy planners.

The public sector has a serious shortage of well trained personnel. As the economy has shifted from a socialist to a liberal profile, civil servants in key ministries must be retrained. The Mission will provide technical training to a large number of civil servants to meet this sub-target.

Indicators:

1. increased number of trainees

2. increased quantity of services/products

Sub-Target # 3: Improved financial and other administrative systems in key public sector organizations

The Mission has achieved initial positive results from its efforts in strengthening the financial management in the Ministry of Agriculture and Animal Resources, the Ministry of Education and bank supervision and balance of payments monitoring at the Central Bank. Building on those experiences, under this sub-target, the Mission will expand its coverage of national level public sector organizations by working with the Ministry of

Plan and International Cooperation (to improve the quality of analytical capacity for policy formulation and development planning), and the Ministry of Economy and Finance (to achieve transparency in treasury and budgetary management). The systems design and management training will continue with the two institutions already part of this sub-target as well.

Indicators:

1. Improved efficiency in financial management in the MARA and the Ministry of Education

2. More frequent and higher quality bank supervision and balance of payments reporting in the Central Bank

3. Improved analytical and planning work by MPCI

4. Open and accountable budgetary and disbursement management by MEF

3. Supportive Policy and Institutional Framework

The GOG has officially expressed its policy priority for increasing decentralization of authority and responsibility for development planning, management, and finance to the most local levels possible. Elections and other start-up activities have been noted above for the formation of local level governments and councils. the CRD's and municipal communes are the public entities being formed to carry out decentralization. The Ministry of Interior and Decentralization as well as the Ministry of Plan and International Cooperation have held substantive discussions with the Mission on how to best support their decentralization policy. During the design of the Decentralization and Participation Project, the institutional framework, both that which exists and which should be put into place to most effectively implement decentralization will be carefully examined.

The policy and institutional framework is not as clearly defined for the Mission's strategic elements dealing with improved governance through more efficient and transparent public administration. It is clear, nevertheless, that top GOG officials are very interested and will support USAID activities in this area. The key ministers of Plan and International Cooperation, Finance, Agriculture, and the Governor of the Central Bank have expressed their strong desire to improve administrative systems and their implementation.

4. AID's current and planned interventions

HRDA (698-0463)
Decentralization and Participation (675-0226)
Economic Policy Reform Support (675-0218)
Decentralization and Participation Project (675-0226)

USAID will work with the Ministry of Interior and Decentralization and other public and private organizations to determine the most urgent technical assistance and training needs of the emerging local development planning and management organizations including Municipal Governments, Rural Development Communities, and various non-governmental organizations. As the administrative and planning capacity of these organizations is increased, the Project would phase in a program of matching grants to finance local grass roots development activities. Key elements of projects will be: (a) evidence that local men and women were involved in a substantial way in the development and selection of projects; and (b) the organization proves their commitment to improving their planning and management through participation in the institutional development components of the Project.

5. Coordination with other donors

Donor coordination in local level revenue generation and local level management capacity building is only now beginning. There is little other direct donor activity. However, many donors, such as the EEC and Peace Corps, have been involved in funding small groups and NGOs to implement development micro-projects. Additionally, NASPAA/USAID is providing MARA with training in basic administrative procedures. Donor Coordination in public sector adminstrative reform will be increased throughout the CPSP period.

VII. PLANS FOR IMPLEMENTATION

The program strategy presented above introduced, for each element of Mission strategy, what current and planned activities will be directed at achievement of those elements. This section will synthesize that discussion by defining the Management Units which incorporate those activties and assign responsibilities within the Mission personnel structure. Mission plans for monitoring, evaluation and reporting will also be presented.

A. Management Units by Strategic Objective and USAID/Guinea Office Assignment

1. **Strategic Objective One** - Increased sustainable private sector agricultural and value added output for domestic and export markets

   Management Unit One - 675-0213 - Agricultural Infrastructure Development (Fourth Highway Project) : Rural Development Office (Implementation responsibility of World Bank)

   Management Unit Two - 675-0215 - Rural Enterprise (CID Cooperative Agreement) : General Development Office

   Management Unit Three - 675-0216 - Rural Roads : Rural Development Office

   Management Unit Four - 675-0219 - Natural Resources Management: Rural Development Office

   Management Unit Five- 675-0221 - Agricultural Marketing Investment : Rural Development Office

   Management Unit Six - Farm to Market Roads (AFRICARE Grant) : Rural Development Office

2. **Strategic Objective Two** - Improved human resources for sustainable economic growth

   Management Unit Eight - 675-0222 and 675-0223 - Education Sector Reform and Education Sector Reform Support : Human Resources Development Office

   Management Unit Nine - 675-0227 - Social Marketing of Contraceptives (PSI Cooperative Agreement) : General Development Office

   Management Unit Ten - 698-0463.75 - Human Resources Development Assistance : Human Resources Development Office

3. **Strategic Objective Three** - Improved efficiency of management and resource use at national and local levels for economic and social development

Management Unit Seven - 675-0217 and 675-0218 - African Economic Policy Reform and Economic Policy Reform Support : Program and Project Development Office

Management Unit Eleven - 675-0226 - Decentralization and Participation: General Development Office

4. Management Unit Twelve (Objectives integrated into SO's 1 and 3) - PL480 Title III Multi-Year Program: General Development Office

B. USAID/Guinea Personnel Structure and MU Responsibilities

1. Rural Development Office

Two USDH as Project Officers for MU's 1,3,4,5, and 6

PSC Civil Engineer/Project Manager for MU 3

PSC Project Manager and Assistant Project Manager for MU 4

PSC Agricultural Economist during design phase and anticipated PSC Project Manager for MU 5

FSN Rural Development Assistant for all MU's

2. General Development Office

One USDH as Project Officer for MU's 2, 9, ll, and 12

PSC Project Assistant for design phase and anticipated Project Manager for MU 11

PSC Project Manager for MU's 2 and 9

One FSN Project Assistant for MU's 2, 9, 10, and 12

3. Human Resources Development Office

One USDH Project Officer for MU's 8 and 10

One FSN Project Assistant for MU 8

Three FSN's for MU 10

4. Program and Project Development Office

Four USDH (Supervisory Program Officer, Two Project Development Officers, and Program Economist) - One will be Project Officer for MU 7. Additionally, PSC Project Development Officer and one FSN Assistant Program Economist.

PSC Project Manager and FSN Assistant Project Manager for MU 7

5. Integration of PL 480 Title III Multi-Year Program Title III within Management of Mission Program

The Guinea multi-year (FY 1992-1994) PL 480 Title III Program forms an integral part of the USAID assistance program to Guinea and specifically supports policy dialogue and project activities aimed at achieving two out of the three USAID/Guinea strategic objectives. The overall focus of the Title III program strategy is to "stregnthen and improve agricultural marketing systems so that rural Guineans can more actively participate in sustainable rural economic development activities." The USAID/Guinea FY 1992-1994 Title III Program will provide direct support to the Government of Guinea (GOG) and the Guinea private sector in meeting a shortfall in the supply of rice (and possibly other commodities, including lumber, wheat, sugar, and/or vegetable oil) to meet domestic demand. USAID/Guinea will provide the GOG with a grant of $10 million worth of commodities (excluding transport costs) per year for three consecutive years.

The LC will be jointly programmed by the GOG and USAID/Guinea to provide support to projects which will strengthen and improve agricultural marketing systems -- USAID/Guinea's strategic objective one and three. Some of these Title III resources will be combined with DFA resources in three priority projects: the Rural Roads Project (675-0216), the Agricultural Export Promotion Project (675-0221), the Natural Resources Management (675-0219), and the Decentralization and Participation Project (675-0226). The bulk of the Title III resources, however, will be programmed jointly with the GOG to finance the rehabilitation of rural roads in priority geographic areas. The rural roads to be rehabilitated will be standard "A", "B" and "C" roads.

These activities are integrated with the rest of USAID/Guinea projects at several levels. Indeed, the rehabilitation of rural roads financed through the LC generated from the sale of Title III food aid, fully complements and strengthens the Mission's commitment to support Guinea's infrastructure network. USAID/Guinea has already invested $33 million in the Rural Roads Project (Project Paper approved August 1991) which will rehabilitate 1,265 km of roads. Furthermore, the Mission is also supporting the infrastructure constraint through two additional interventions; first, through a contribution to a World Bank insfrastructure project, and second, through support to a farm-to-market roads project implemented by Africare. The rehabilitation of rural roads through the Title III local currency, and the upgrading of priority roads through the RRP, are essential requirements to lower the costs of agricultural marketing and to stimulate sustained agricultural production in rural areas. Increased marketed outputs will lead to increased household incomes from agriculturally-based employment.

In essence the Title III program focusing on rural roads and the strengthening of private agricultural marketing is an extension of the economic liberalization policies enacted six years ago described above. The marketing of PL 480 commodities will be done entirely by the private sector -- as it has been done with rice since 1986 when ALIMAG, the Guinean parastatal responsible for rice imports was abolished -- and has gradually involved smaller sized traders, increasing private sector participants.
In terms of integration with other donors' activities, the Title III program, as explained above, reinforces the USAID/Guinea's Rural Roads Project, which is an integral part of a $94.8 million multidonor effort to construct new roads and rehabilitate other road networks throughout Guinea's 18 provinces. USAID/Guinea's financial contribution to the National Rural Infrastructure Project (PNIR) is of the order of one third. Beyond this complete mesh of donor efforts revolving around the roads infrastructure, the agricultural marketing aspect of the Title III program provides a missing link in bilateral and mulitlateral efforts to revitalize the agricultural sector -- a private sector NGO/institution to promote private agricultural investments and marketing.

The anticipated impact of these two sets of activities, rural roads and agricultural marketing, will be year-round access to geographical areas throughout Guinea that are linked by the roads, allowing for an increase in the volume of produce and goods traded among the areas linked, an increase in the amount of rural producers' output marketed, greater volume of commercial transport provided at lower cost, and increased Guinea private sector investments in agricultural marketing activities. These gains, in turn, are expected to contribute to growth in agriculture, broader economic development, and improved access to health, education and other services for the rural population. Direct benefits will accrue to a wide range of people (men and women) including small farmers, traders, retailers, transporters, local road maintenance workers, and SMCs.

C. Monitoring, Evaluation, and Reporting

USAID/Guinea fully recognizes its responsibility to be accountable, at the program and activity level, for doing its best to produce meaningful results in an efficient, cost-effective manner. Therefore, the Mission will comprehensively set indicators to measure its performance and implement a program of actions which will allow for: 1) monitoring the achievement of program level results, especially those related to impact on the lives of Guineans, as well as results indicating progress in implementation of the Mission's activities; 2) conducting evaluations of accomplishments and shortcomings in achieving program and activity level results; and 3) reporting, in clear and understandable terms, on the results obtained for various audiences. Audits and financial tracking will also be an important part of assessing Mission performance, especially regarding financial management and internal controls.

The Assessment of Program Impact, initiated by the Africa Bureau in FY 90, will be the prime vehicle for monitoring and reporting on Country Program level results. Following AID/W agreement on the Program presented in this document, the Mission will definitively set the indicators to be measured and tracked to assess performance in achieving the key elements of the Program Logframe. We anticipate receiving short-term technical assistance early in FY92 in order to finalize those indicators.
Each of the major projects will include funding for implementation of data collection and analysis aimed at assessing impact level results through collection of baseline data and periodic survey work to measure changes from the baseline conditions. The household-level consumption survey started under the Economic Policy Reform Support Project, 675-0218, is the source of key baseline data for several indicators and its methodology may be replicated in other locations in Guinea as needed to measure program impact on household expenditure. The Family Planning and Population Project, 675-0227, will support the collection of key data on program impact, including contraceptive prevalence and couple years of protection. All three road related projects are implementing or will implement impact data collection and analysis. The Natural Resources Management Project, 675-0219, will gather baseline data on how individuals and communities exploit their resources prior to project interventions and continue to measure the impact of the project on those people throughout implementation. Under the Agricultural Marketing Investment Project, 675-0221, a major effort will be made in measuring projected increases in the production and flow of marketed output as well as income and employment effects. The Rural Enterprise Project, 675-0215, will include measurement and tracking of various indicators to determine progress in increasing profitability and income from these value adding enterprises. Basic education and training efforts will also be tracking changes in indicators related to the impact of those activities. While perhaps more difficult to measure in terms of impact on Guineans, the Mission's activities in Decentralization and Participation, 675-0226, which will build local level capacities in managing investment projects and the revenue needed to maintain them and provide services, and the Economic Policy Reform Support, 675-0218, which will work on improvement of efficiency and transparency in key public sector offices, will

include impact tracking as appropriate. When it is judged necessary, the Mission will use other resources, such as PD&S, to carry out program impact studies.

The Mission will also implement a system of mid-term and final project evaluations to measure performance in achieving the purposes and producing the outputs of individual activities. Such evaluation work will be used to monitor the implementation of the Country Program and identify needs for adjustments and corrections. Information will be produced by management information systems built into the activities and will be evaluated by external experts, funded by each activity, and Mission and GOG or other personnel (eg. PVO representatives) working together.

Annex B, the Women in Development Action Plan details the various ways in which gender considerations will enter in Mission Program planning and management. It is important to note here that the Mission will diligently include gender differentiation in measuring impact and other kinds of indicators in its MER work. Technical assistance from contractual, AID/W and other sources will be arranged to most effectively include gender in understanding the results of progam and project implementation.

The Mission will also reinitiate the semi-annual Project Implementation Reviews for each activity. While the design workload remains sizeable, the Mission will need to gear up for implementation of its major new starts obligated in FY91 as well as those obligated earlier. The Program and Project Development Office will work with the Rural Development and Human Resources Development Offices, along with the Executive and Controller's Offices, to schedule and carry out the reviews. Chaired by Mission management, they will review progress in implementation and financial management of the projects. They will also identify problems in order to plan actions to resolve them.

Each activity will also include external audits. The quality and effectiveness of internal control systems will be assessed for all Mission activities prior to funding. Remedial actions, including technical assistance and training, will be identified and implemented as necessary. Frequent periodic audits will allow the Mission to fulfill its responsibility for prudent financial management. Management attention will be given to the audit results up to and including senior Mission management. It is fully recognized that financial management, internal controls, and accountability have never been easily achieved in Guinea and the Mission intends to devote all necessary resources to seeing that performance in these areas improves.

Finally, the Mission wants to make clear that the P.L. 480 Title III Program will be included as a crucial activity to monitoring, evaluation, and reporting. While all activities within the Country Program will be part of our MER system, the Title III Program is especially important. There will be MER work focused on all major components of that program including: 1) GOG performance relative to the Performance Indicators set in the Title III Agreements; 2) impact, effectiveness, transparency, and accountability of the Counterpart Fund Management System; and 3) achievement of improved private sector participation in commodity marketing through the sale of the P.L. 480 commodities. Sufficient resources and management attention will be allocated to monitoring and evaluating the Title III Program.

D. Management Concerns

1. Phasing and Resource Levels

Table 5 provides a synopsis of the resource levels required to the strategy. As the table indicates, this strategy is one of gradual growth rather than precipitous expansion. Accordingly, our funding needs increase from a DFA level of $30 million plus $10 million in PL480 Title III food aid in FY 1992 to $50 million in DFA and $10 million in PL480 Title III in FY 1996, the final year of the plannning period.

These resource requirements are based on the Mission's appreciation of the gravity of the constraints which impede economic development in Guinea as well as our assessment of the rate at which these constraints can be ameliorated. As has been emphasized throughout this document, the root causes of Guinea's underdevelopment (e.g. deficient human resource base, weak institutional capacity, and a cultural defined world view which inhibits risk taking, decentralized decision-making, and transparency in financial transactions). These constraints are deep-seated and will require a constant effort over a long period of time to eradicate. In effect, the cross-cutting concerns place a limit on the country's present capacity to efficiently utilize resources.

The pipeline problems currently experienced by other donors, most notably the World Bank, are sufficient testimony to the absorptive capacity ceiling which currently exists. To repeat, the strategy of constant, controlled expansion is one which we believe is most attuned to Guinean reality and harmonizes the rate at which the key constraints can be overcome with the pace at which the country can increase its ability to effectively use financial resources.

TABLE 5

Projected Program Levels 1992 - 1996
($ 000)

FISCAL YEAR	DEVELOPMENT FOOD FOR AFRICA (DFA)	PL. 480 TITLE III	TOTAL
1992	30,000	10,000	40,000
1993	34,000	10,000	44,000
1994	38,000	10,000	48,000
1995	43,000	10,000	53,000
1996	50,000	10,000	60,000
	------------	-------------	------------
TOTAL	195,000	50,000	245,000

2. Staffing Requirements

The development strategy elaborated in this document has been crafted with an eye cast toward the management burden entailed in its implementation. It is our judgement that the strategy, and the portfolio which flows from it, will make the most efficient use of staffing levels. Most importantly, there is no activity proposed that is not a direct and integral part of our strategy - all components of our blueprint are mutually reinforcing and integrated to the plan's overall success. After FY 1992, no new programming areas will be undertaken. Rather, once the Mission has all the essential building blocks in place, it will concentrate on broadening and deepening the impact of its initial efforts in our key program areas. To wit, in FY 1993, we will bring on line the Basic Education II Project to continue progress in reforming Guinea's education system currently being made by our on-going education initiative. Similarly, in FY 1993, we will design the Agricultural Marketing Training Project to expand upon the human resource development gains made by our current HRDA effort. In FY 1995, we propose to design a second family planning project that will expand upon the impact of our initial effort which was obligated in FY 1991. And, in FY 1996, we will bring on line a second rural roads project to further the infrastructure upgrading work begun by our FY 1991 Rural Roads Project.

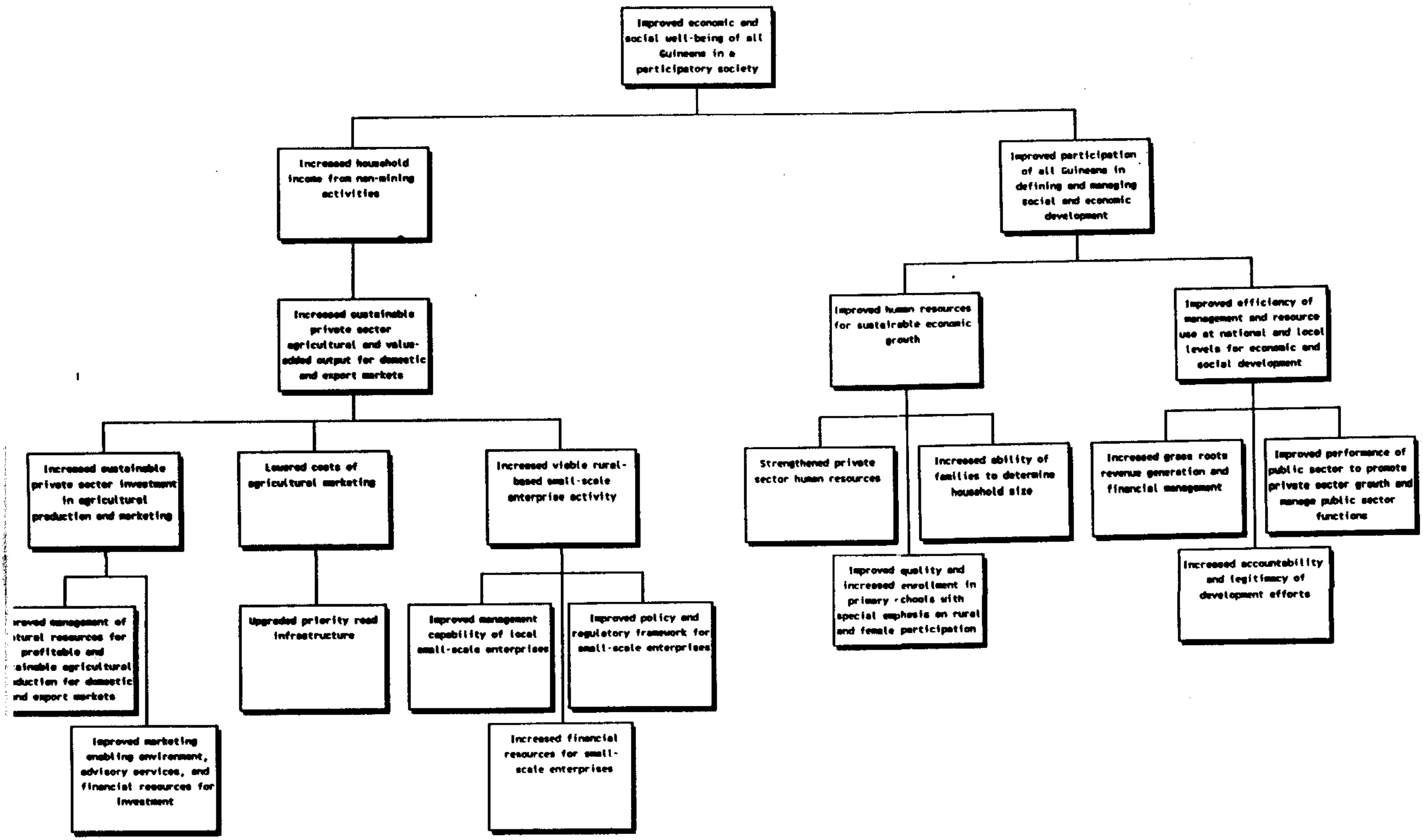
It is the Mission's firm belief that this strategy can be reasonably implemented with the thirteen (13) direct hire positions currently assigned to USAID/Conakry, along with current on-board and anticipated levels of complementary contractor support. It requires no additional career staff slots. However, successful execution of this program does require the prompt and complete filling of all vacancies. Stated directly, continuation of the practice of being obligated to operate with 40 to 50 percent vacancy rates for extended periods of time will seriously undermine the impact of our development effort. Instances such as a 16 month delay in filling the Agriculture Development Officer position when the agricutural sector is a major plank of the strategy, a 10 month gap between Executive Officers and the absence of a direct hire Controller for 5 months, all occuring when the Mission's responsibilities were growing with elevation to schedule "A" status, cannot be repeated in the future, if we are to achieve our strategic objectives.

ANNEX

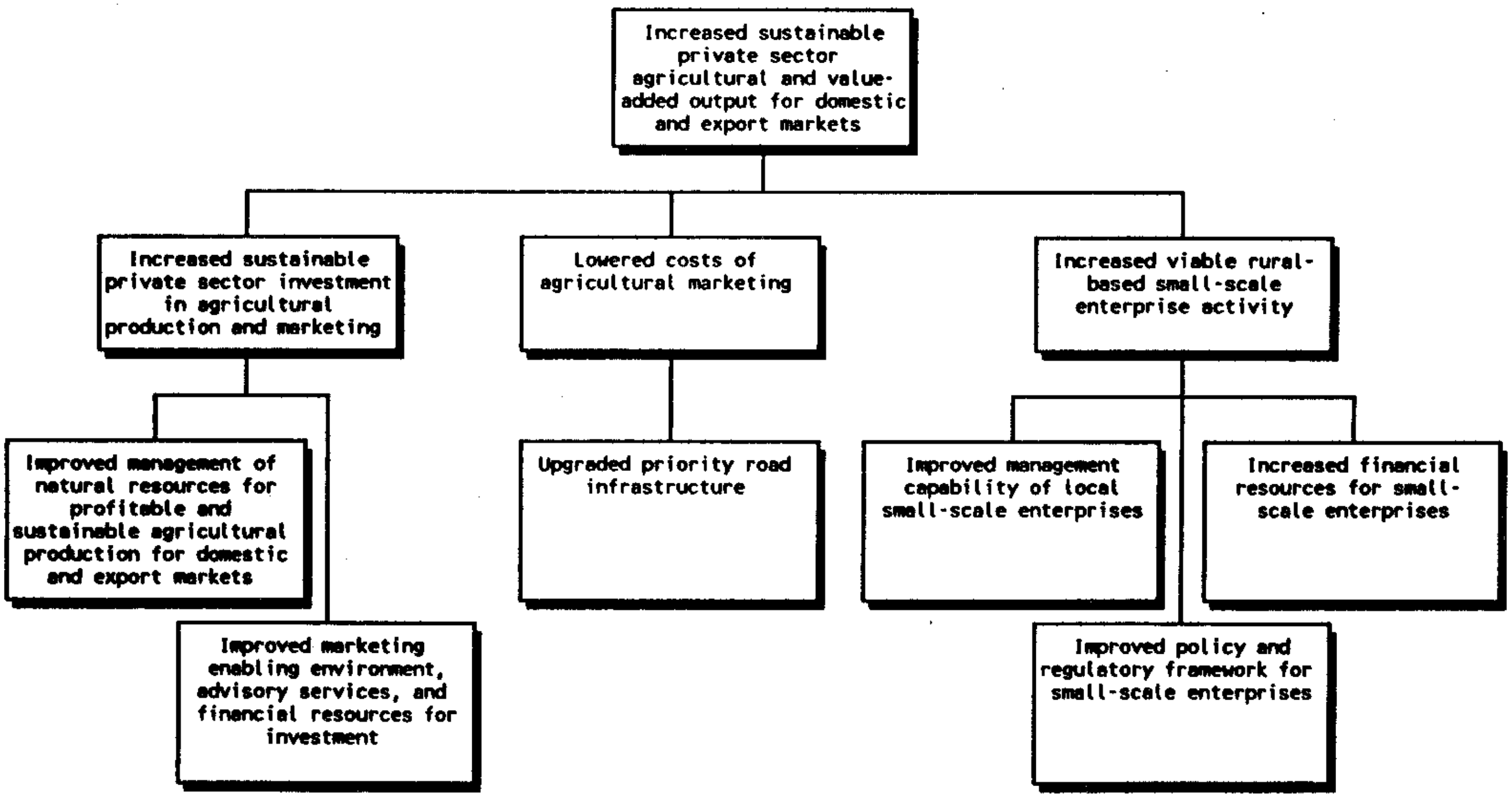
A

COUNTRY PROGRAM

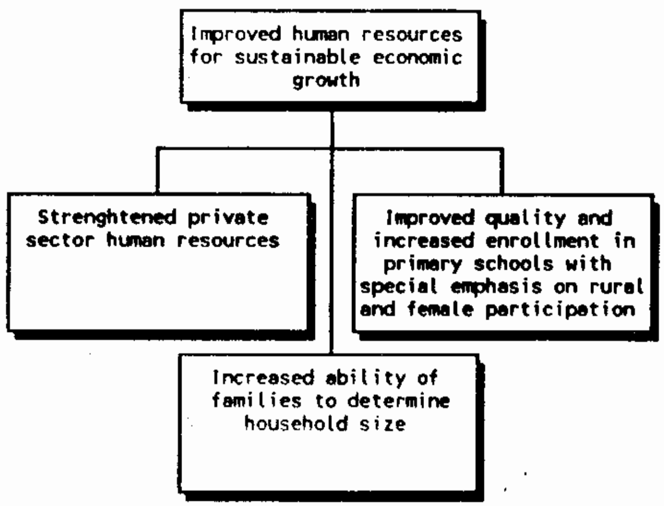
OBJECTIVE TREES


Improved economic and social well-being of all Guineans in a participatory society
Increased household income from non-mining activities
Improved participation of all Guineans in defining and managing social and economic development
Increased sustainable private sector agricultural and value-added output for domestic and export markets
Improved human resources for sustainable economic growth
Improved efficiency of management and resource use at national and local levels for economic and social development
Increased sustainable private sector investment in agricultural production and marketing
Lowered costs of agricultural marketing
Increased viable rural-based small-scale enterprise activity
Strengthened private sector human resources
Increased ability of families to determine household size
Improved quality and increased enrollment in primary schools with special emphasis on rural and female participation
Increased grass roots revenue generation and financial management
Improved performance of public sector to promote private sector growth and manage public sector functions
Increased accountability and legitimacy of development efforts
Upgraded priority road infrastructure
Improved management capability of local small-scale enterprises
Improved policy and regulatory framework for small-scale enterprises
Increased financial resources for small-scale enterprises
Improved marketing enabling environment, advisory services, and financial resources for investment

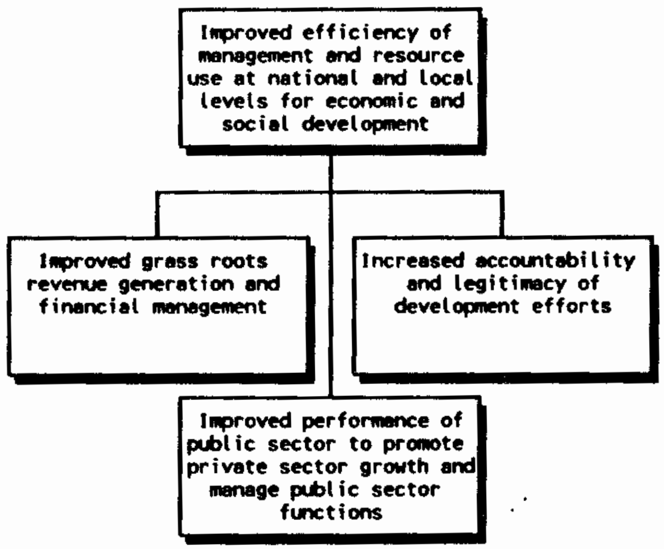
STRATEGIC OBJECTIVE 1



STRATEGIC OBJECTIVE 2



STRATEGIC OBJECTIVE 3



ANNEX

B

USAID/GUINEA

WOMEN IN DEVELOPMENT

ACTION PLAN

ANNEX B

I. WID OBJECTIVES IN THE USAID/GUINEA COUNTRY PROGRAM

The USAID/Guinea country program integrates women in development objectives in all aspects of its strategy. Our program meets both the FAA and DFA policy directions in seeking actively to ensure the maximum possible representation of women as beneficiaries and participants in the Mission's activies and in expanding Guinean womens' participation and integration in the critical sectors of the economy. Section II details WID issues for all the major activities. As will be evident, women will actively represented in project and non-project assistance.

II. CURRENT USAID/GUINEA'S WOMEN IN DEVELOPMENT STRATEGY BY ACTIVITY

The mission's primary involvement to date in WID issues has been women's entrepreneurship training and health care. The gender analysis, conditionalities, and activities called for in the Basic Education Reform Project initiated in late 1990 represent the Mission's largest WID commitment. However, the Mission's recently obligated FY91 projects, including the Natural Resources Management, Rural Enterprise Development, and Social Marketing of Contraceptives projects all target women as participants and beneficiaries in significant numbers.

In addition, the Mission is implementing three road-related projects, Agricultural Infrastructure Development(Fourth Highway), Farm to Market Roads (Africare Grant), and Rural Roads. The three projects involve women as participants to various degrees, although as road rehabilitation and maintenance are traditionally considered "men's work", men are likely to be involved as participants in much greater numbers than women. Nevertheless, improved roads are expected to significantly benefit women. Studies have shown that women tend to increase their production of perishable food much more rapidly than men, even when men's crops bring a higher rate of return. Therefore, increased agricultural production is likely to raise women's incomes and standard of living, as well as those of their families.

Past experience also shows that roads projects, by bettering access to health facilities, both improve women's health and decrease their workload. Improved roads decrease the amount of time spent by women accompanying children and older family members to health facilities. Women suffering complications from childbirth also benefit from the increased possibility of rapid evacuation and improved access to health care. Finally, women gain better access to educational services, as literacy agents are better able to reach women in outlying sub-prefectures.

AGRICULTURAL INFRASTRUCTURE DEVELOPMENT PROJECT (675-0213)

The purpose of this project is to lower transport costs and improve inter- and intra-regional and international access to market and the productive coastal area.

There are over one million women in the area affected by the project are largely responsible for the cultivation of rice, fruit, and palm nuts and are involved in salt and oil extraction and fish smoking activities. By helping link Conakry with the coastal region, low-cost access to markets will be provided for the women involved in these activities. The project is expected to deliver benefits to thousands of women involved in palm oil production, fish smoking (over 300 women in the Boffa Prefecture alone), trade, salt extraction (200 in Boke Prefecture alone) and other crafts.

Increased commercialization of these products should permit an expansion of production, thus augmenting local revenues by women. In addition, increased processing activities in a number of areas in which women are dominant, including rice hulling, oil extraction, soap making, and artisinal activity, is likely. As a result of the improved road, women involved in small-scale enterprise activity such as soap making, cloth dying, and knitting will also find it easier to obtain raw materials for their small enterprises.

In addition to being involved in agricultural production and small-scale enterprise activity, women also make up the majority of small-scale independent operators who carry out local trade in the project area. These small operators are expected to gain significantly from the road project, which will increase the quantity and quality of transport services and lower costs. The reduction of time required to transport products will greatly benefit these traders and regional rice dealers, a significant number of whom are also women.

Baseline data collection undertaken in June and July, 1991 devoted significant time and resources to measuring gender differentiated factors to allow future tracking of project impact on women and men.

RURAL ROADS PROJECT (675-0216)

The Rural Roads Project, obligated in late 1991, will finance the rehabilitation of over 1,000 km of rural roads in 9 prefectures of Guinea and provide institutional help to the GOG in establishing a monitoring and evaluation system to measure the impact of rehabilitated roads.

The benefits of this project include reduction of transportation costs between villages and small towns; better access to markets for village producers; expansion of commercial services through better marketing; and acceleration of economic growth in rural areas, all of which are expected to have a positive impact on women.

Guinean women's primary income-generating activities in rural areas tend to be agricultural production, collection and transformation of natural resources, and small-scale commerce. Women thus make up a large percentage of the beneficiaries of this project, as those expected to gain the most from improved roads are local farmers and traders. Most local farmers are women, and women are also important in two groups of traders located at the bottom of the small-scale commerce trade: collectors and small retailers.

Collectors, most of whom are women, act as the liaison between productive zones and consumers. They buy farmers' produce in weekly sub-prefectural markets and sell farmers manufactured goods such as soap and oil in return. Many women also work as small retailers in prefectural town markets. They sell back goods purchased from the collectors or retail-wholesalers and trade local products.

Women tend to have an increasing role not only in garden production, but also in the marketing of produce. They also have a prominent role in arranging for transport and sale of household products in town markets. Improved rural roads will give these women increased opportunity to sell garden crops which are easily lost when roads are bad. In addition, improved roads will result in greater capacity to carry produce to market, as much produce currently reaches markets on foot, due to the bad state of the roads.

Women involved in handicraft activities are also expected to gain from the improved possibility of reaching consumer markets regularly and at lower costs, as well as obtaining raw materials.

The second component of this project is assistance to the GOG in obtaining and processing data on agricultural marketing. One of the responsibilities of the Senior Technical Advisor (STA) who will work with the appropriate government offices will be to see that certain data which is not currently being generated by the GOG or other donors is generated. This includes data designed to monitor and evaluate the extent to which women benefit from and participate in project activities. Data will be disaggregated by gender and crop where applicable in order to obtain data for crops cultivated by women. Interviews to be carried out in villages will be with both men and women.

FARM-TO MARKET ROADS (675-0224)

The Farm-to-Market Roads project, initiated in 1991, involves the rehabilitation and maintenance of 171 km of secondary roads and bridges and the training of local villagers in their upkeep in the Forecariah Prefecture. The project is being implemented through grant to Africare.

Women in the project area maintain separate fields and vegetable gardens in addition to working on family farms. The harvest collected by women is used to feed themselves and their children and may be disposed of as they see fit. Women often sell a portion of their harvest in order to purchase clothing, school materials, and household supplies for themselves and their children. The increased agricultural production and commercial activity expected to result from this project will thus be likely to raise the incomes of women in the project area and improve their standard of living as well as that of their families.

Although more men than women are involved in the execution of this project, the 20-member Village Volunteer groups who receive training in road and bridge rehabilitation and maintenance and then carry out such rehabilitation consist of both men and women. In addition, one of the seven topics to be covered in the Rehabilitation and Maintenance curriculum is "Women's Involvement".

Women will take part in secondary road rehabilitation tasks, including gathering and transporting small rocks and gravel to the road site and transporting water for road compaction, as well as providing food and water for the workers. The project will encourage women's acquisition of knowledge about road maintenance in view of the important role women play in passing on attitudes and information to their children.

The 5-member Core Groups to be selected for each of the 29 sectors into which the project area is divided will all include at least one woman. Core group members will receive special technical training in road and bridge maintenance and rehabilitation, on-the-job training in work supervision and evaluation techniques, and small-scale enterprise training.

Certain women outside of core groups will also participate in the project's small-enterprise training component. Members of women's groups and cooperatives formed to facilitate acquisition of seeds and other agricultural inputs for vegetable gardening, food processing, and oil, soap, and salt making will gain skills in managerial accounting and small business management.

Women are to help make decisions at the village level concerning the road rehabilitation and maintenance process through their participation in Road Decision Making Committees. These committees will select the core group members to be involved in road maintenance. After project completion, they will continue to be responsible for road upkeep. All committees will include at least one woman.

Africare is including impact baseline collection and monitoring in its activities under the grant. Differential impact on gener will be a primary area for this component of the project. Project monitoring takes place every three months and includes involvement by the local women's association. One of the components to be evaluated will be the level of women's participation in road work.

NATURAL RESOURCES MANAGEMENT SUPPORT PROJECT (675-0219)

The purpose of the National Resources Management Project (NRMS), recently obligated in FY91, is to improve the management of natural resources for profitable and sustainable agricultural production for domestic and export markets in three target watersheds in the

Fouta Djalon Highlands. Gender issues are unusually important to resource use in this area and are therefore extremely important to the success and replicability of the Guinea NRMS Project.

The interventions introduced by the project are expected to have a major impact on women, who play a vital role in agricultural production and animal husbandry in the project area and are also responsible for obtaining water and fuelwood. Traditional agricultural production occurs in "tapades" (traditional fenced areas where homes are located and annual rainfed cultivation is practiced), external fields, and lowland gardens and orchards. Women are responsible for most of the production in two of these three areas, with complete responsibility for tapades, and primary responsibility for lowland gardens. As for animal husbandry, an important livelihood in the highlands, women are responsible for the feeding and care of small ruminants.

Given the special significance of gender issues in this project, special efforts are anticipated to target women's groups and women as individuals in developing appropriate natural resource management-related interventions. In addition, data collected during project implementation will be gender disaggregated where practicable.

Although it may be difficult to find women to work as technical specialists for this project due to a lack of trained women in many resource areas, agronomy is one area in which a number of trained women specialists exist, and these women will be hired whenever possible. One of the covenants agreed to by the GOG prior to project approval requires that at least one professional GOG technician in each Watershed Management Unit (WMU) be a woman at the level of "ingenieur". However, it is hoped that WMU staffs will include more than one woman.

GUINEA RURAL ENTERPRISE DEVELOPMENT PROJECT (675-0215)

The purpose of the Rural Enterprise Development Project, also obligated in 1991, is to encourage the development of viable rural-based, small-scale enterprises. The target group of direct beneficiaries includes those engaged in small-scale rural for-profit activities such as agricultural production and transformation, commerce, artisinal activities, and transport--all sectors in which women are active.

The project will assist the development of these small-scale activities by providing training and financial services for small entrepreneurs, through small loans, and larger entrepreneurs, through assistance in accessing other credit sources.

This project is expected to have a positive effect on women by assisting them to augment their revenue and economic contribution to the household, and thus raise their status within the family and the community.

Four approaches considered likely to encourage women's participation have been integrated into the project's design:

1. Gender-disaggregated monitoring of all project results.
2. Special staff training to increase awareness of all staff on women's economic activities, to include discussions of women's activities, their needs, and the special approaches to assisting them.
3. Hiring women as staff at all levels, in order to reduce the "social distance" between the project and its participants. The National Advisory Board for the project will also include representative numbers of women.
4. Working through women's groups. The advice and participation of existing women's groups will be sought in villages touched by the project.

Another strategy which may be employed to integrate women into project activities is to initially limit participation in training and the granting of loans to women, or limit assistance to certain activ
ities in which women dominate.

GUINEA EDUCATION SECTOR REFORM PROGRAM (675-0222/0223)

The Education Sector Reform Projects, initiated in late 1990, give budgetary support and technical assistance to the GOG to improve the quality of primary school education and increase the numbers of primary school age children enrolled in the system, with particular focus on equitable access for traditionally disadvantaged groups such as girls and rural children. The gender analysis, conditionalities, and activities called for in this project represent the Mission's largest WID commitment to date.

The technical assistance project includes, as a core objective, improving girls' access to primary school education by increasing the government's administrative capacity to identify, monitor, evaluate, and implement programs to improve equity. To this effect, an interministerial working group on girls' education is being formed. Specific project interventions will be designed in FY92 and are expected to address particular constraints to girls' schooling. A social marketing campaign to encourage parents to send daughters to school will be considered.

The project will fund special studies and actions designed to increase the GOG's monitoring and evaluation capacity with regard to equity. Some possibilities for the studies include:

school mapping in relation to gender;
school profiles to identify process indicators for measuring quality;
qualitative studies to identify regional and ethnic differences in constraints to girls' access to primary schooling and completion.

AFRICAN MANPOWER DEVELOPMENT PROGRAM (AMDP II) (698-0433)

AFRICAN GRADUATE TRAINING PROGRAM (AFGRAD) (698-0455)
HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA)(698-0463.75)

The Mission is implementing buy-ins for three regional training projects which are assisting the GOG to meet priority requirements for managerial and technical skilled human resources. Although women are participants in all three, HRDA (initiated in Guinea in 1988 whereas AMDP II and AFGRAD were initiated in 1982 and 1986 respectively) is the only one which specifically targets women. One of HRDA's objectives is to increase the participation of women in the development process and one of its targets is that 35% of all project participants be women.

Overall participation figures show that 862 women from the public and private sectors have received training in-country, in the U.S., or in third countries through the three training programs since 1984. This represents 41.2% of total participants. The Mission intends to maintain or improve this performance.

Most women participants (584) have been small entrepreneurs and members of cooperatives participating in local seminars to develop small business skills. As a result of their training, various women have gone on to develop bankable projects and start joint ventures, as well as improve marketing activities, personnel management, and accounting procedures within their businesses.

AFRICA CHILD SURVIVAL INITIATIVE--COMBATTING CHILDHOOD COMMUNICABLE DISEASES (ACSI-CCCD) (698-0421.75)

Guinea's ACSI-CCCD project, initiated in 1985, was completed on September 30,1991. The purpose of this project has been to strengthen three primary health care components: immunization of infants and pregnant and fertile-aged women; treatment of acute dehydrating diarrheas with ORT; and presumptive treatment of fever and chemoprophylaxis for pregnant women with antimalarial drugs.

Through its support strategies, the project has provided approximately 800,000 women (including 80,000 pregnant women) with access to improved preventive and curative health care for themselves and their children. The project's final evaluation revealed impressive results in women's immunization coverage in areas affected by the project, including a rate of 38% for tetanus toxoid versus only 8% nationwide.

The project also produced an array of educational devices, including 10,000 leaflets designed to facilitate mothers' comprehension of diarrheal treatment, and two posters each on vaccine-preventable diseases, malaria treatment/prophylaxis, and oral rehydration therapy designed to be comprehensible to illiterate women and men.

SOCIAL MARKETING OF CONTRACEPTIVES (675-0227)

The purpose of this project, initiated in September 1991, is to increase the availability, accessibility, affordability, acceptability, diversity, quality, and use of family planning and STD-AIDS prevention products and services. The project goal is to achieve a natural population growth rate that allows gains in the growth of economic resources and development in order to improve the average standard of living.

Primary target beneficiaries include over 1,000,000 sexually-active women and men and approximately 1,500 women and men trained in family planning product service and/or delivery. The project will have a direct, positive impact on women by improving the policy and legal climate for family planning through advocacy of legislation which gives increased rights and control to women over their fertility; training of over 350 GOG maternity and health center personnel in family planning products and service delivery; and increasing accessibility and diversity of contraceptives, 90% of which are targeted at women.

Women are expected to experience at least two types of long-term benefits from the project. First, a reduction in the average number of pregnancies will improve women's health status. Second, reduced family size means a real increase in per capita household income and additional time for women's income-generating activities.

AGRICULTURAL MARKETING INVESTMENT (675-0221)

This project will be designed in FY92 and will promote the development of Guinea's agricultural potential through improved marketing opportunities, both domestic and export, by enabling financial intermediaries to function more efficiently, transferring reources from the booming but crowded import sector to medium to long term investments in agricultural and agriculturally related production. A private sector institution will be supported which will work to achieve the project purpose.

The project will: 1) improve private sector entrepeneurs' access to agricultural marketing credit; and 2) support the development of a private sector institution which, in turn, will provide marketing and other key information members engaged in agricultural marketing, undertake studies and present private sector views to Guinean public sector policy makers, and leverage venture capital and investment support for agricultural export and domestic marketing.

Women are important actors in agricultural marketing in small and medium scale agricultural marketing in Guinea. The project will work to enhance their ability to benefit from improvements in the marketing environment as well as their access to additional financial resources for marketing. Specific attention will be paid to the impact on women participants in agricultural marketing as related to the project's activities.

AGRICULTURAL MARKETING TRAINING (675-0229)

This project will be designed in FY93 as a corollary to the Agricultural Marketing Investment Project. It will provide across-the-board training for participants in Guinea's agricultural marketing system. Its purpose is to increase the level and quality of entrepeneurial activity in the private sector by increasing the capacity of present and potential entrepeneurs to identify market opportunities, conduct feasibility studies and develop viable investment proposals for industries and marketing enterprises. As importantly, the project will assist existing and new entrepeneurs to design viable accounting, budgeting, personnel, quality control, and physical plant management sytems. The project will also train entrepeneurs in employee recruitment and skills assessment, and will help them to design appropriate on-the-job training programs.

As discussed in relation to project 675-0221, women are heavily represented at the level of small and medium agricultural marketing entrepeneurs. The project will focus on women at those levels following the excellent model of the Mission's HRDA project where women entrepeneurs constitute a predominant portion of women trainees and are also a large portion of the overall training population of both sexes. The Mission will devote all resources necessary to follow the history of women trainees to establish the nature of the impact of training.

III. MISSION IMPLEMENTATION AND MONITORING STRATEGY FOR WID ACTION PLAN PERFORMANCE TRACKING AND REPORTING

The Mission will devote all necessary resources to monitor performance in achieving the WID objectives in each activity discussed above. All indcators will be gender disaggregated to the maximum extent possible. The WID officer will provide overall coordination of the monitoring which will be undertaken as an integral aspect of impact monitoring for each relevant activity. As in the case of the indicators for achievement of the country program objectives presented in the FY 91-96 CPSP, there is a need to define indicators of progress achievement early in the strategy period. The Mission is committed to define these indicators as soon as possible to allow periodic assessement of progress and permit corrections to enable us to achieve greater impact. USAID/Guinea will coordinate with AID/W and REDSO/WCA to obtain assistance in this task as related to overall indicators and to the specific indicators for measuring WID Action Plan achievement.

ANNEX

C

MACROECONOMIC OVERVIEW

ANNEX C

MACROECONOMIC OVERVIEW

Guinea's mineral potential makes it one of Africa's resource-rich countries. Guinea has one-third of the world's known bauxite resources and considerable reserves of gold, diamonds, iron ore, and granite. Guinea also has an abundance of water resources, a rich ecological diversity, and a favorable climate which gives it the potential to have a comparative advantage in several agricultural commodities including: coffee, cocoa, tropical fruits, rubber, oil palm products, and cotton. Unfortunately, largely as a result of the economic policies described below, the agricultural sector (agriculture, livestock, fisheries, and forestry) only represents about 28 percent of GDP even though nearly 80 percent of the rural population is engaged in this sector (at least on a part-time basis).

Guinea overwhelmingly rejected membership in the French Community in 1958. As a result, the French colonial administration abruptly severed its ties and left, taking everything with them, including most of the country's economic management capacity. Guinea's macroeconomic performance since independence can be divided into two distinct periods: 1) the First Republic (1958-1984) and the following year of transition in 1985; and 2) the Second Republic (1985 - Present) when the economic reform process began.

A. The First Republic (1958-1984/85)

After independence, Guinea adopted a dirigiste (heavy-handed central planning-based) development strategy supported by Eastern Bloc countries. This strategy essentially sought to modernize and industrialize the predominantly agrarian economy under the guidance of the State. The private sector was permitted to coexist with the rapidly expanding public sector until the Loi Cadre of 1964 when the Government adopted a centrally-planned development model and nationalized all private sector activity. As a result, only the public sector had access to credit and foreign exchange.

The only legal private sector activity that was allowed was small-scale rural production and minor services. However, this activity was severely constrained by price and wage controls, marketing quotas, lack of credit, the predominance of inefficient collective farms, and persistent official harassment. Not surprisingly, private producers moved increasingly toward the parallel market and smuggling. Foreign investment over this period was confined to enclave mining and related transportation infrastructure with almost no linkages to the rest of the economy except for minor employment of labor. The GOG attempted to organize state-owned collective farms with highly mechanized production as models for future agricultural development.

1. The Impact on Economic Growth and Development

The First Republic's economic policies radically altered traditional production patterns. At the same time, these policies dramatically failed to bring about the anticipated industrialization, sustained economic growth, or social development. During the First Republic, GDP is estimated to have grown an average of 0.8 percent per annum, substantially below the corresponding population growth rate of 2.8 percent. GDP grew by 3.5 percent per annum from 1975-1980 primarily due to the start-up of major new bauxite operations. However, growth declined again from 1980 as the new mines reached full capacity and most of the rest of the economy continued an inexorable decline. By 1985, annual per capita income was estimated at $250 which placed Guinea among the poorest countries in the world. Agricultural output declined substantially over this time period and the growth in food crop production also fell below the rate of population growth. The quality of life in Guinea relative to the rest of low-income sub-Saharan Africa can be seen in the indicators in Table 1.

TABLE 1. **COMPARATIVE SOCIAL INDICATORS: 1980**

	Low-income sub-Saharan Africa	Guinea
Life Expectancy at birth /1	49	39
Gross primary enrollment	76	31
Crude birth rate per 1000	48	46
Crude death rate per 1000	18	23
Infant mortality per 1000 /1	129	176
Daily calorie intake	2152	1806

/1 1984 data.

Source: World Bank, Republic of Guinea Country Economic Memorandum, Volume 1, November 1990.

The steady decline in agriculture production and exports was the result of the First Republic's disabling incentive environment which was created by: 1) a massively overvalued exchange rate; 2) administratively fixed producer prices (which declined in real terms); 3) exploitative marketing quotas; 4) barriers to domestic private trade (including State marketing monopolies); 5) misguided investments in inefficient public enterprises and state support of inefficient collective farms at the expense of investments in more productive activities; 6) underinvestment in infrastructure; 7) numerous barriers to private domestic trade; 8) neglect of agricultural research and extension; and 9) a relatively low level of technology. Smallholders, the vast majority of rural producers, were forced into self-sufficient production and into clandestine exports to neighboring countries. The decline in domestic production led to increased food imports to supply the urban population.

The mining sector increasingly became more important with the decline in agriculture production and exports. The mining sector provided, on average, 30 percent of fiscal revenue and over 95 percent of export earnings during 1980-1985. The enclave nature of this sector, however, is illustrated by the fact that the mining sector represented only 15 percent of GDP and employed only 7,000 people. Mining was more important for its financing of State employment and of the consumption of imports than for its contribution to production and to private sector employment. The mines, by their enclave nature, failed to establish either forward or backward linkages with the rest of the economy.

Guinea's industrial base represented less than 5 percent of GDP at the time of independence. Guinea launched an ambitious industrialization plan with the creation of 20 state-owned factories. By 1984 Guinea had 130 industrial and commercial public enterprises. However, the industrial state-owned enterprises (SOE's) suffered from low capacity use due to shortages of raw materials, imported spare parts, and managerial skills. The informal sector gradually became the dominant supply source of consumer goods and services as the inefficient SOE's failed to satisfy demand.

Guinea's infrastructure at independence consisted primarily of a limited road network, a rail line between Conakry and Kankan built at the turn of the century, and commercial ports in Conakry and Benty. This infrastructure deteriorated over time due to lack of maintenance with increasing operating and investment costs and weakening linkages with Conakry and the interior. Public utilities suffered from low collection rates and weak and corrupt management.

The First Republic provided free education to all citizens and promised employment to all university graduates without considering the fiscal impact of such a program. Enrollment increased from 45,000 in 1958 to 400,000 in the early 1980's. The system placed excessive emphasis on theoretical education rather than much-needed practical training which resulted in a legacy of weak capacity, particularly economic management capacity. Given weak public finances, employment could only be provided at very low wages (wages were frozen in nominal terms from 1965 to 1980). The GOG attempted to compensate for the erosion of real wages through comprehensive controls on prices and ineffective administrative rationing for nearly all goods and services. Low wages led to massive absenteeism and corruption. As a result of this, another legacy of the First Republic is the deeply-ingrained habits of rent-seeking and immediate consumption and the discouragement of productive labor and investment.

2. <u>Fiscal Policy</u>

Government revenue became increasingly dependent on mining taxes and public enterprise transfers. Tax revenue from mining companies increased from negligible levels in 1966 to 33 percent of total revenue in 1984. Transfers of public enterprise surpluses, which contributed about 25 percent of total revenue in 1966, declined to about 15 percent in 1980 with the decline in capacity use and profitability of most SOE's. Perhaps most damaging in the long run, was the fact that because revenues were largely derived from SOE's, tax and customs administrative capacity deteriorated over time.

Current expenditures rose 10 percent faster than current revenue between 1966 and 1980. Investment levels averaged only 15 percent of GDP in the 1970's (compared to about 20 percent in other West African countries). Two-thirds of this investment was in the public sector with the remainder primarily in mining. Multi-annual development plans were prepared with the implicit assumption that financing gaps would be fully met from external sources. This excessive optimism over the availability of external financing, compounded by weak project preparation capacity, caused substantial underrealization of investment plans. This was exacerbated, of course, by the direction of limited public investment resources to inefficient collectivized farms and unprofitable SOE's.

The consolidated budget accumulated a deficit of Guinean syli (GS) 11.5 billion during the 1976-81 period (representing an annual average of 8 percent of GDP). The deficit resulted primarily from the increased level of net transfers to public enterprises. The deficit was financed through external borrowing and rapid monetary expansion.

3. Monetary Policy

Prior to 1960, Guinea's currency was the CFA franc which enabled monetary policy to be constrained by external regulation. However, Guinea quit the West African Monetary Union (WAMU) in 1960 and replaced the CFA franc (at par) with the Guinean franc. Guinea relied heavily on monetary tools to finance the public sector with little regard to the overall impacts on the rest of the economy. Net domestic credit grew by an average of 16.5 percent between 1960 and 1980 (increasing from less than 10 percent of GDP in 1960 to over 40 percent of GDP in 1980).

Money supply increased by an annual average of 17 percent between 1960 and 1975 (from less than 12 percent of GDP in 1960 to 46 percent of GDP in 1975). Any potential inflation in the official sector was repressed through controls on prices and wages. However, the inflationary impact of this expansionary monetary policy was felt on the parallel market because of the stagnant economy and controlled import levels. The GS became increasingly overvalued because of increasing inflationary pressures. By the end of 1985 the official GS traded at GS 23/$US while the parallel market rate traded at GS 400/$US. The Guinean franc was replaced by the Guinean syli at a rate of 10 to 1 in 1972 in order to soak up excess liquidity. These liquidity measures further eroded confidence in the currency and in the banking system.

As mining sector revenues decreased during the early 1980's, the Guinean authorities resorted to monetary financing of the failing public sector to compensate for the shortfall. The Central Bank's authority to issue currency was turned over to a Currency Board in 1980 which was directly controlled by the President. Interbank clearing was, therefore, discontinued (what this meant was that checks could be deposited and credited without the corresponding debit ever being made, i.e. those with privilege of access to blank checks could create money at will). By the early 1980's, the money supply was estimated at nearly 50 percent of GDP. The uncontrolled expansion of money led to increased inflationary pressures which in turn exerted pressure on the exchange rate.

TABLE 2. MONEY AND CREDIT

1960-1980: Billion Guinean Sylis
1986: Billion Guinean Francs

	1960	1965	1970	1975	1980	1986
Net Foreign Assets	0.5	-0.8	-1.9	-1.1	-6.7	-3.8
Assets	1.2	0.3	0.4	0.9	1.9	n.a
Liabilities	0.7	1.1	2.3	2.0	8.6	n.a
Net Domestic Credit	1.0	5.3	9.9	12.8	21.8	27.4
Government	0.4	1.3	4.0	0.9	6.1	32.7
Public Enterprises	0.6	3.8	5.3	10.8	14.5	-6.0
Private Sector	0.0	0.2	0.6	1.1	1.2	0.7
Money Supply	1.4	3.8	7.4	11.1	13.0	23.7
Money in Circulation	0.9	1.3	3.2	3.7	3.3	21.3
Demand Deposits						
Public Enterprises	0.2	1.0	1.5	2.9	4.7	n.a
Private Sector	0.3	1.2	2.1	2.7	n.a	1.2
Term Deposits	n.a	0.2	0.2	0.5	0.6	n.a
Import Deposits	n.a	0.1	0.4	1.3	4.4	n.a
Other Items	.	.	.	.	.	1.2
Memo Items:						
GDP	11.9	12.8	16.8	24.2	32.9	51.5
Net Foreign Assets % GDP	4.2	-6.3	-11.3	-4.5	-20.4	-7.3
Net Domestic Credit % GDP	8.7	41.4	58.9	52.9	66.3	53.2
Money Supply % GDP	11.8	29.7	44.0	45.9	39.5	46.0

Notes:
Monetary data are for December 31, except for 1986 which is for January 6.
GDP for 1986 is actually that for 1985.
Demand deposits of the private sector in 1980 are included in public enterprise deposits.

Source: Ibid.

The net result of the First Republic's monetary policies were that only the public sector operated with the GS. Joint-venture enclaves maintained off-shore foreign exchange accounts with minimal linkages to the Guinean currency. The bulk of the economy operated outside the monetary system holding its savings in foreign exchange or in real assets.

4. External Accounts

The economic policies of the First Republic radically altered the structure of Guinea's external accounts. Agricultural exports accounted for over 70 percent of export value at independence. By 1965, this had declined to 30 percent of exports. There was a general stagnation of total exports until the rapid growth of mineral exports in 1973-1974. Mineral exports represented between 95 and 98 percent of total exports from 1975-1984. Guinea's trade deficit eventually turned to a surplus as the new bauxite mines increased official export earnings. The demand for imports steadily increased due to the overvalued exchange rate. Guinea established numerous clearing agreements with Eastern Bloc countries (which were generally heavily balanced in the favor of the Eastern Bloc country) in order to promote bilaterally-balanced trade and to reduce pressure on foreign exchange availability. Substantial clearing account deficits were consolidated into medium and long-term debt (putting Guinea substantially in arrears). The services account was consistently in deficit throughout the First Republic era. The burden of public debt service obligations and private factor payments on account of mining investments increased. The growing services account deficit outweighed the positive trade balance after 1980. Guinea had a current account deficit throughout the First Republic.

TABLE 3. BALANCE OF PAYMENTS

Million Current US Dollars

	1964/ 1965	1969/ 1970	1974/ 1975	1980	1985
Trade Balance	-12.6	-23.9	-29.5	100.2	105.9
Exports (FOB)	51.9	54.3	191.8	495.5	505.5
Imports (CIF)	64.4	78.2	221.3	395.4	399.6
Government Services & Transfers	-10.1	-28.4	-19.7	-10.5	-160.8
Private Services & Transfers	n.a	n.a	-34.4	-105.4	n.a
Current Account Balance	-22.7	-52.3	-83.6	-15.8	-54.9
Capital Account	23.9	55.5	54.1	13.2	-48.0
Public Sector	21.9	52.7	39.4	13.2	-31.0
Private Sector	2.0	2.8	14.8	0.0	-17.0
Short-term movements (net)					
Errors & Omissions	2.8	-24.3	-14.8	-84.3	-8.0
Overall Balance	-1.6	-21.1	-44.3	-87.0	-110.9
Financing	1.6	32.4	31.8	80.1	96.9
Changes in Reserves	1.6	20.3	-4.9	42.2	18.0
External payment arrears	n.a	12.2	36.7	38.0	78.9
External Debt Outstanding & Disbursed (end-year)	15.0	314.1	761.8	1023.2	1311.0
Memo Items:					
Exports % GDP	10.0	8.0	16.1	28.6	23.9
Imports % GDP	12.4	11.5	18.6	22.8	18.9
Trade Balance % GDP	-2.4	-3.5	-2.5	5.8	5.0
Current Account Balance % GDP	-4.4	-7.7	-7.0	-0.9	-2.6
Overall Balance % GDP	-0.3	-4.9	-2.5	-4.9	-4.6
DOD % GDP	22.2	46.2	64.0	59.0	61.9

Source: Ibid.

Guinea financed much of its investment through external borrowing because of the low level of domestic savings. This reliance on external borrowing raised the country's disbursed and outstanding debt stock from about 25 percent of GDP in 1965 to an average of 62 percent of GDP in 1975-1985. Private debt was essentially limited to the financing needs of the mining companies. Guinea's external position had become untenable by the early 1980's. Payments arrears had accumulated to over US$ 300 million by the end of 1985.

4. Conclusion

By the end of the First Republic, Guinea's political and economic system was virtually bankrupt. The abrupt break with France had left Guinea with limited economic management capacity. This was exacerbated by the extensive abuses of human rights by the First Republic which led to a large exodus of many talented and capable Guineans. The centrally-managed economy under the First Republic severely curtailed private sector activity and allocated resources to grossly inefficient SOE's and state farms. By the time of President Sekou Toure's death in early 1984, the Guinean welfare state was in urgent need of fundamental reform. The military cadre that took power shortly thereafter required 18 months to consolidate their power before they could turn their attention to the overwhelming economic problems that faced the country.

B. The Second Republic (1985-Present)

The Economic and Financial Reform Program (PREF) was launched in late 1985 with the assistance of the IMF, World Bank, and other donors. The overall objective of PREF was to radically restructure the Guinean economy by drastically reducing the interventionist role of the State in order to allow the private sector to become the engine of growth. The PREF can be divided into two phases: 1) radical shock treatment (1985-1988); and 2) fine-tuning (1989-1990).

1. Shock Treatment (1985-1988)

In response to virtual economic collapse, the PREF undertook a series of economic and financial reforms, including a massive devaluation, liberalization of pricing and marketing, extensive privatization (including the entire banking system), a fundamental trade reform, and large-scale layoffs in the civil service. Drastic measures were called for because of the extreme distortions created during the First Republic and the need for the new government to convey its serious commitment to economic reform as soon as possible.

At the end of 1985, the official exchange rate for the GS was approximately equivalent to GS 23/$US. This rate was a severe disincentive to import-substituting or export-oriented production as well as ensuring the immediate outflow of any capital accumulation. The GS was converted to the Guinean franc (GF) which was devalued fifteen-fold with a corresponding reduction in the parallel market premium from over 1600 percent to under 16 percent. A foreign exchange auction was implemented and a managed float policy was established. Gross foreign exchange sold by the Central Bank at the auction expanded by nearly 60 percent per annum between 1986 and 1988 (from $US 90 million to $US 222 million). Central Bank purchases of foreign exchange at the auction doubled from 14 percent to 29 percent in terms of gross sales over the same period. Auction sales to finance imports of goods grew from US$ 88 million in 1986 (99 percent of total Central Bank sales) to US$ 195 million (89 percent of sales) in 1988. The composition of these import goods financed by the auction were foodstuffs (40 percent), non-food consumer goods (31 percent), capital and intermediate goods (19 percent), and 10 percent of which is undetermined. Although the availability of foreign exchange to the private sector increased, inappropriate fiscal and monetary policies as well as ineffective management resulted in a consistent deficit in the private and public sectors in the foreign exchange budget. The sustainability of the system has depended heavily on the availability of significant amounts of balance of payments assistance, debt rescheduling, the accumulation of arrears on external debts, and the occasional depletion of foreign exchange reserves.

On the day the PREF was launched, banks were closed down and their liquidation commenced. Private sector deposits were frozen (to be gradually reimbursed to minimize the danger of inflation and external account instability). Public sector deposits were canceled and the GOG committed itself to provide directly for SOE's financial needs. A new banking law was enacted which allowed the creation of a private banking system. New Central Bank legislation was passed which returned the right of currency issue to the Central Bank (this was particularly important for monetary policy in an economy where currency continues to represent an extremely high proportion of the stock of money). Unfortunately, neither law provided for bank supervision nor prudential ratios. The GOG was able to successfully negotiate with three French banks to open banking operations in Guinea. This was a notable achievement on the part of the GOG, given the unsure operating environment in Guinea.

The trade regime inherited by the Second Republic was highly protectionist, with tariff rates ranging from 0 to 1000 percent. With the massive devaluation of the GF, such high tariff rates became prohibitive and had an adverse effect on the cost of living. A transitional basic tariff rate of 10 percent was introduced with adjustments for some essential commodities (5 percent), agricultural inputs (5 percent), and some luxury commodities (20-30 percent). The import licensing system was replaced by a simple system of import declarations available to all registered traders.

The GOG dismantled the pervasive system of price controls and official marketing agencies (as well as the State monopoly on long-distance freight transport, storage, and handling). The short-term economic impact was minimal because most trading took place in the informal sector at market prices anyway. Certain important exceptions to this policy remained, however. The price of rice, the staple food, remained controlled and prices administered by some SOE's continued to be set below cost which had serious budgetary implications as well as a negative impact for potential private sector competition.

A major focus of the PREF was the privatization, liquidation, or restructuring of state-owned enterprises (SOE's). Of 131 SOE's in 1985, 25 were privatized (mostly industrial) and 68 enterprises were liquidated (mostly commercial) by 1988. However, many of these enterprises were already defunct and the most important enterprises were not privatized or liquidated. In addition, little progress was made on the restructuring of those enterprises which were retained by the GOG.

The new role of the GOG required a fundamental reform of the public sector. Guaranteed employment for university graduates was abolished and further recruitment into the civil service was frozen. After numerous studies, the GOG determined that 5 percent of the

22,000 staff in Conakry should not have been on the GOG payroll. New organizational charts were drawn up to improve the structures of different ministries and public agencies. A voluntary departure program was implemented and a civil service testing program was developed to determine functional knowledge. By the end of 1988, 25,000 staff had completed testing (the military and technical staff of the Ministries of Education and Health were exempted). Of these, only 53 percent passed the test and were retained. The active civil service decreased from 104,000 in 1985 to 71,000 (15,000 of which were military) by the end of 1988. The GOG set up several mechanisms to assist those who were negatively affected by the retrenchment of the civil service. Civil service salaries were increased from an average of US$ 16 per month in 1985 to US$ 94 per month in 1988. However, morale of the public sector remained low in part because their wages and salaries were still relatively low (in 1987 the average Guinean civil servant earned roughly 15 percent of his/her counterpart in Togo and less than 10 percent of those in Cote d'Ivoire even after the average salary had tripled from 1985 to 1987).

The First Republic basically did not have a budgetary framework. Budgets merely constituted listings of desired expenditures without any concomitant binding legal implications. These listings were not formulated into a macroeconomic framework where their affordability or sustainability could be analyzed. The GOG undertook a series of reforms to rationalize public expenditure management. An inventory of ongoing investment projects was drafted and the first public investment program (PIP) was introduced. An attempt was made to situate the PIP within a macroeconomic framework and the concept of incorporating recurrent cost implications into project appraisal was introduced. Unfortunately, indigenous economic management capacity was relatively weak. A formal budget was not introduced until 1988 which incorporated significant procedural provisions.

In the first phase of the PREF, measures to revive the administrative capacity to tax were not a high priority and met with limited success. In addition, only marginal improvements were made in the customs clearing processes and in the collection of customs statistics. Income tax schedules were revised and inter-ministerial cooperation was improved to some extent.

The new economic role of the GOG dictated that the state provide the regulatory framework within which the private sector could function efficiently and equitably. New legislation was passed relating to various activities: commercial (1985), banking (1985), mineral exploration and exploitation (1986), investment (1987), public procurement (1988), labor conditions (1988), and accounting standards (1988). Even though the passage of this legislation was significant in itself, there was not widespread dissemination of the new legislation and application of the legislation lagged considerably behind its adoption.

2. <u>Fine-Tuning (1989-1990)</u>

The second phase of the PREF focused, after the initial shock treatment, on the more complex and difficult process of reforming institutions and changing attitudes both within the GOG and the private sector.

Civil service reform continued during this phase. Salary payments to former civil servants were terminated. The comprehensive testing program continued but delays were experienced due to administrative and bureaucratic bottlenecks. The computerization of a centralized personnel file and a corresponding payroll file were delayed. The pay reform implemented in 1989 explicitly linked promotions and pay increases to staff performance but implementation was delayed.

The 1989 budget included investment expenditures for the first time and was distributed to line ministries simultaneously and on time, thus effectively acting as a meaningful constraint on expenditures. The management information capacities of the Ministry of Finance were considerably improved and more rational and transparent budgetary and accounting procedures were introduced. Initial steps were taken towards improving budgeting and financial control capabilities. Procedures relating to government procurement were regularized and clarified by the enactment of a Procurement Code. Overall, most of the necessary procedural and institutional reforms in public expenditure management had been adopted by early 1990. However, a number of serious problems remained: 1) control of salary expenditures; 2) irregular expenditure commitments; 3) portions of the Procurement Code have not been published or implemented; 4) serious flaws in debt information flows; 5) lack of coordination between line ministries; 6) slow privatization of several key SOE's, in particular ONAH (the petroleum parastatal), PTT (the postal and telecommunications parastatal), and the port facilities; and 7) weak indigenous economic management capacity.

A number of measures were implemented to increase non-mining revenue in an effort to deepen the revenue mobilization effort. New tax, customs, and stamp duty codes were drafted. Collection efforts were strengthened even though there is still considerable room for improvement.

Adjustment in the basic tariff took place from 10 percent to 15 percent. However, this measure was implemented primarily as a fiscal measure rather than an appraisal of the protective effect of the existing tariff structure. Other adjustments were made in the tariff structure which had the unintended result of increasing evasion significantly.

The progress of the privatization effort has been relatively disappointing. By late 1990, only 11 of the remaining 20 enterprises had been privatized and none liquidated (the GOG had intended to complete the privatization process by the end of 1989). The restructuring effort has also proven to be somewhat limited. Effort to increase the autonomy and accountability of SOE's made little progress.

Further devaluation of the GF continued. Net sales of foreign exchange declined from 1988 levels, representing a decreasing level of dependence by the non-mining sector on the public and mining sectors to finance its foreign exchange deficit. However, the relative magnitude of the level of dependence remained an area of concern because it reflected the slow growth of non-mining exports and the degree of dependence on temporary balance of payments assistance. Agricultural exports as a percentage of GDP only account for 5 percent of total export earnings. The composition of goods financed by the auction remained broadly unchanged, reflecting the general failure of the rural sector to achieve substantial increases in food production.

C. Lessons Learned and Future Directions

Although significant problems remain, the PREF has made remarkable progress considering the point of departure. The economy grew by 3.1 percent in 1987, 6.0 percent in 1988, 4.1 percent in 1989, and 4.3 percent in 1990. The fiscal deficit (including grants) as a percentage of GDP declined from 8.0 percent in 1988 to 5.6 percent in 1990. Inflation was reduced from 72 percent in 1986 to 22 percent in 1990. The differential between the official and parallel exchange rate declined from 19 percent in 1986 to 4 percent in 1990. Net foreign assets increased from GF -800 million in 1986 to GF 52 billion in 1990. Net domestic assets increased from GF 51.3 billion to GF 82.6 billion in 1990. In addition, the average annual money supply decreased from 72.5 percent in 1986 to 24.5 percent in 1990.

Two clear lessons emerged from the second phase of the economic reform process of the Second Republic: 1) for the right prices to have the desired effects on supply, the GOG would have to significantly improve its policy formulation and implementation capabilities; and 2) maintaining right prices requires careful management of one key price - the exchange rate - particularly because of its importance for competitiveness and its relationship with all other prices through the inflation mechanism. This control will require a major and sustained increase in domestic revenue mobilization and the avoidance of excessive monetary financing, especially given projected declines in the availability of external financing. The control of the budget deficit will play a crucial role because of its major impact on the level of aggregate demand.

Interrelated issues which have also emerged from the second phase of the PREF include: 1) an overriding need to deepen and widen the skills base both in the private sector and in public administration; 2) a need to substantially improve domestic revenue mobilization if the GOG is to be able to fulfill its responsibilities; 3) an urgent need to eliminate the widespread and pervasive corruption in Guinea; 4) a need to greatly increase the efficiency of the GOG's provision of those services it should retain in order to promote private sector development; and 5) a need to foster an environment of confidence which encourages private savings and productive investment, particularly in the agriculture sector which creates income and employment opportunities for the mass of Guinean people.

In particular, the privatization and restructuring of SOE's has been a difficult process. In addition to the negative impact on the promotion of private sector development, enormous inefficiencies continue to plague the major SOE's retained in the state portfolio, in particular ONAH (the petroleum parastatal), ENELGUI, (the electricity parastatal), and the PTT (the postal and telecommunications parastatal).

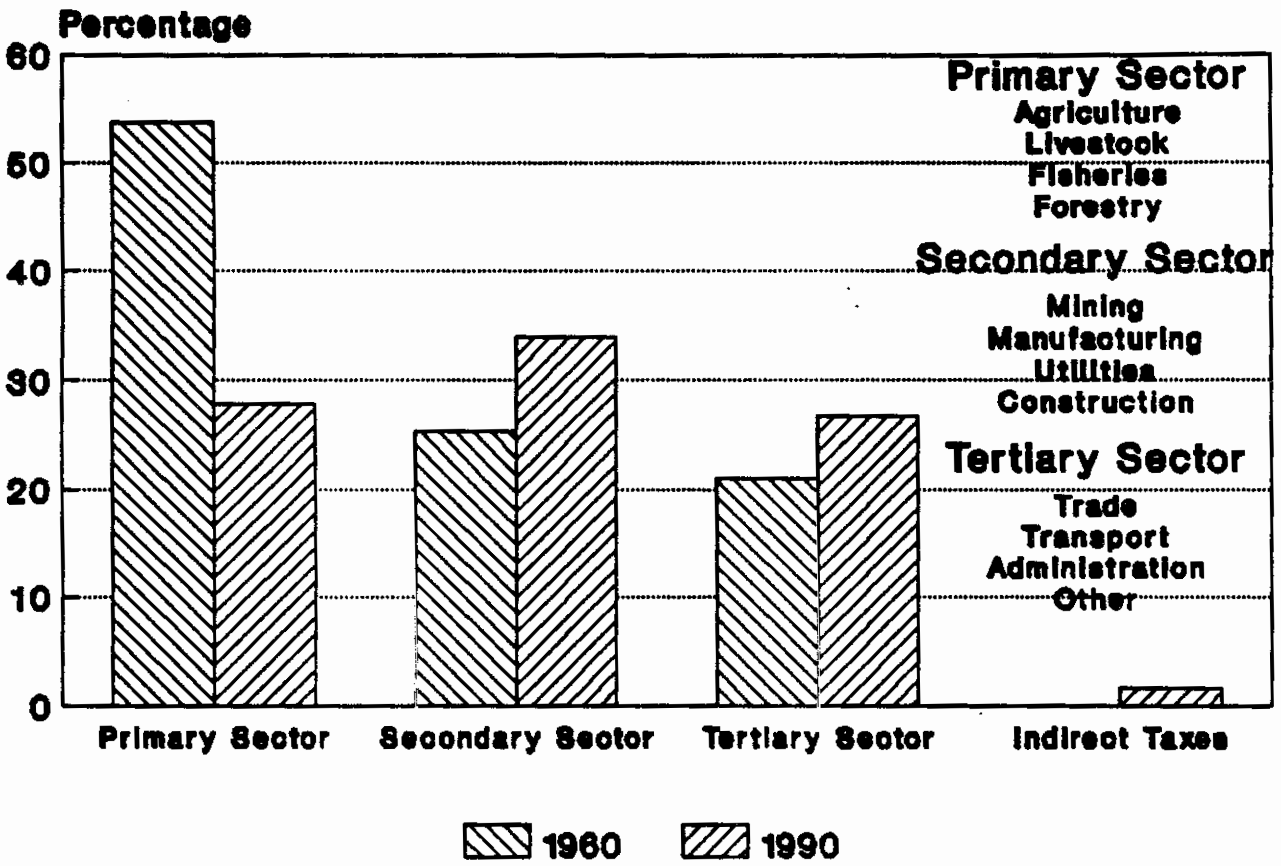
Guinea is currently at a crossroads in 1991 as it seeks to regain momentum in its structural adjustment program. With the failure of the Structural Adjustment Facility (SAF) last year and the currently stalled negotiations with the IMF over an Enhanced Structural Adjustment Facility (ESAF), Guinea is confronting the problem of implementing economic policy reforms. Closely tied to the outcome of meeting the targets of the ESAF is the World Bank's support through their second Structural Adjustment Credit (SAC) which has its own targets. Particular emphasis is being placed on: 1) management of the budget; 2) management of the exchange rate; and 3) the role and performance of government (in particular, continued civil service reform and the privatization and restructuring of SOE's).

The implementation of economic and financial reforms has become a crucial issue in Guinea. With the recent doubling of civil service salaries and an increasing differential between the offical and parallel exchange rate, inflation has become a major concern again. The GOG has identified cuts in government procurement of goods and services as well as potential increases in revenues (primarily in projected increases in salary taxes and customs revenue) to offset the increased expenditures resulting from the salary increases.

The GOG's ability to build a consensus regarding economic reform in the face of severe constraints is of major importance. There are several powerful internal factions which have resisted economic reform, particularly those in the civil service and education sectors. The lack of a supply response to the economic reforms is indicative of the private sector's lack of confidence in the GOG's commitment to economic reform. Private investment as a percentage of GDP has remained relatively flat from 10.4 percent in 1986 to 10.3 percent in 1990 (it was, of course, almost 0 percent in 1985 before the reforms began).

The increased importance of the agricultural sector and the role of the private sector will depend on the GOG's ability to implement economic reforms and provide a framework to address the constraints to increased private sector agricultural production for domestic consumption and for export.

SECTORAL COMPOSITION OF GDP



ACRONYM GLOSSARY

ADF	African Development Foundation
AEPRP	African Economic Policy Reform Program
AFGRAD	African Graduate Fellowship Program
AGBEF	Guinean Association for Family Welfare
AIP	Accelerated Impact Project
AMDP	African Manpower Development Project
CCCD	Combatting Childhood Communicable Diseases Project
CCCE	Central Fund for Economic Cooperation
CID	Council for International Development
CIDR	International Center for Development and Research
CIP	Country Investment Program
CNPIP	National Center for Promotion of Private Investment
CRD	Rural Development Community
DFA	Development Fund for Africa
EEC	European Economic Community
ENELGUI	Guinean National Electric Company
EPRP	Economic Policy Reform Program
ESAF	Enhanced Structural Adjustment Facility
FAC	Fund for Aid and Cooperation
FDHIRD	Fouta Djallon Highlands Integrated Regional Development
FSN	Foreign Service National
GF	Guinean Franc

GOG	Government of Guinea
HRDA	Human Resources Development Assistance
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
LC	Local Currency
LPDA	Agricultural Development Policy Letter
MARA	Ministry of Agriculture and Livestock
MEF	Ministry of Economy and Finance
MER	Monitoring, Evaluation, and Reporting
MOH	Ministry of Health
MPCI	Ministry of Plan and International Cooperation
NASPAA	National Association of Schools of Public Administration
NGO	Non-Governmental Organization
NPA	Non-Project Assistance
OIC	Opportunities Industrialization Center
ONAH	National Hydrocarbons Office
PFP	Policy Framework Paper
PHC	Primary Health Care
PL480	Public Law 480
PREF	Economic and Financial Policy Reform Program
PSC	Personal Services Contract
PVO	Private and Voluntary Organization
RFA	Federal Republic of Germany

RRP	Rural Roads Project
SAF	Structural Adjustment Facility
SDR	Special Drawing Rights
SMC	Small and Medium Contractor
SME	Small and Micro Enterprise
SOE	State Owned Enterprise
UNDP	United Nations Development Program
UNEP	United Nations Environmental Program