

**FROM**  
**CLOSE-OUT**  
**TO**  
**MODEL PROGRAM**

**Lessons Learned From  
Two Decades of USAID in Guinea-Bissau**

**Report Prepared  
by**

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**EXECUTIVE SUMMARY**

USAID/Bissau's **program structure and management** and the results they are having are a model for other small missions:

The Mission's centerpiece project, Trade and Investment Promotion Support (TIPS), is one and the same as the overall program strategy. According to USAID/W, "*This approach of a single project or NPA activity serving as the basic country strategy [is] considered to be a model for all small programs ...*" This program structure and the design of TIPS have significant additional implications for how missions *manage* their assistance activities.

The Mission's **program approach to development** is central to this model. The program explicitly links *improved governance* and *participation* directly to *private sector development and economic growth*.

This model was evolved when USAID/W's 1988 decision to close-out the Mission was reversed in 1989. In less than three years, USAID/Bissau designed and began implementation of this model. The operational and administrative problems that had plagued the Mission since its inception were resolved as well.

This report describes three major phases USAID/Bissau's currently successful program went through and the decisions it made in the course of becoming a model for other small missions.

1988 marked a major transition in USAID's assistance strategy for Guinea-Bissau. Instead of supply-side, production-oriented, management-intensive projects, the Mission began to address the larger policy and legal environment affecting private sector growth.

USAID/Bissau's current program differs in six important respects from Phase II, set in motion in 1989-90:

1. The list of constraints to development is more comprehensive but also more specific. Still, 1991-95 built on 1989-90.

2. The program purpose (strategic objective that is within the Mission's manageable interest) is much more specific, focussed, and measurable.
3. The implementation modality narrowed from three options to one.
4. The number of bilateral management units dropped from a proposed four units to just one. This excludes a PL-480 Title II program inherited from Phase II (1989-90).
5. The only project, the TIPS Project, **IS** the program. Program and project are largely interchangeable, with the exceptions of Program, Development and Support (PD&S), Human Resource Development Assistance (HRDA), and Africa Training for Leadership and Advanced Skills (ATLAS) which contribute toward the program but are outside TIPS.
6. As a consequence of this consolidation (i.e., focus and concentration), the number of USDHs dropped from a proposed four to the present two.

Although it is too early to assess the long-term impacts of the different program options the Mission pursued in its three phases of development, the evidence to date suggests that the present-day USAID/Bissau is a very active and important player in Guinea-Bissau's economic and political reforms, and that these reforms are having a beneficial effect on increased private sector activities in the Critical Growth Sub-Sectors (CGS).

The Mission's current program strategy includes four technical components (modules), each with its own objectives and outputs that, when achieved, will result in increased and sustainable private sector economic activities in critical growth sub-sectors. Within these modules, the constraints that are removed, and the emphasis placed on participation define the project's *governance approach*.

The unique design of TIPS arose from the nature of the governance constraints the project needed to address. These constraints required that the Contractor have a range of skills generally not available from any single firm. As a consequence, the Contractor consists of a five-member consortium in which no single member has competencies across the full project design and its four technical components.

Despite possible difficulties in this consortium structure, *TIPS has been a remarkably successful project*. Critical to this success was the Contractor's ability to get off to a very rapid start because (a) it was able to build on a coherent program that USAID/Bissau had developed and implemented since early 1991; (b) the Mission had procured equipment and space prior to the Contractor's arrival so that implementation began as soon as the long-term team arrived in-country; (c) the Contractor was able to send its core team to Bissau twice before formal start-up began in January 1994; (d) the consortium provided

excellent long-term and short-term experts; (e) the public and private sector customers and partners of USAID/Bissau and the project accepted the premise of the Mission's program/TIPS project; and (f) the project design and the contract were themselves model documents.

The TIPS project itself is not meant to be sustainable. It is the TIPS philosophy and methodology that are to be sustained. If one views the program's impacts on the Government of Guinea-Bissau (GOGB) agencies and private sector trade associations, they are incorporating the TIPS approach and assistance within their own on-going operations. Instead of organizations and institutions, USAID/Bissau's program emphasizes governance, procedures, policy reforms, the appropriate legal and institutional infrastructure, including democratic governance, fair and impartial adjudication of trade and investment (T+I) conflicts, civil society, and participation. The Program Outputs are what TIPS makes sustainable. These are what are being replicated by Guinean institutions and firms.

There are **four series of lessons learned** from this history of USAID/Bissau over two decades, especially the mission's development since 1991:

### **Structure of a Small Mission's Model Program**

1. ***Narrow the program focus to a single strategic objective.***
2. ***Concentrate program funds in a single project so that the program and project are largely interchangeable.***
3. ***It is possible (up to a point) to design and implement a program without bilateral funds.***
4. ***Managing a program rather than a project requires that the entire portfolio of assistance activities (e.g., PD&S and training outside the project) be deployed as contributing components to a single focussed strategic objective.***
5. ***Sustainability under programs refers to impacts and results, not projects, inputs, or institutions.***
6. ***Operational constraints, although important, should not unilaterally and uncritically shape program decisions.***

7. *Effective policy dialogue does not have to focus only on particular policy issues. USAID/Bissau had considerable success in explaining and promoting frameworks for identifying policy issues and the means to address them.*

## **Handling Controversial Projects and Programs**

8. *A new Mission with responsibility for shaping a controversial Project Identification Document (PID) into an acceptable Project Paper (PP) should seek USAID/W's early reactions to fresh ideas and variations to the PID's design concepts. By trying to save time in moving directly to the PP, the Mission ultimately lost time.*
9. *If a Mission is in the vanguard of Agency thinking, the Mission should shape the debate with Washington by identifying where and why the prevailing wisdom is weak, and how the proposed alternative compensates for the weakness.*

## **Lessons on Procurement**

### Performance-Based Contracts

10. *Performance-based contracts narrowly focusing on performance only at the strategic objective level are inappropriate for complex programs that incorporate Program Outcomes and Project Sub-Outcomes as necessary and sufficient to achieve the expected Strategic Objective impacts and for which process (especially governance-related processes) are critical.*
11. *Graphically displaying Contractor responsibilities in matrix, chart, or other form helps the Contractor to focus on its specific responsibilities.*

### Master Contracts

12. *A project whose design includes separate but related technical components (modules) allows the contractor to better adjust to changing local conditions by shifting resources among the components.*
13. *Master contracts may not be the most suitable implementation mechanism for a project with several technically-specialized components, especially if the prime contractor has little experience or expertise in major portions of the contract.*

14. *Master Contracts should include specific wording on the Project-Coordinator's roles, authorities and responsibilities with regard to different members of a multi-member consortium of contractors.*
15. *A Mission needs to understand what and why Contractor interests are different from those of the Mission.*
16. *Require the Contractor to collect and report on goal-level indicators, as well as on the project purpose and outputs. When combined with specific indicators of Contractor success/failure, this requirement will help the Contractor to be constantly aware of what the project is about, and it also contributes to a critical re-examination of project design and Contractor performance. Both USAID/Bissau and the Contractor become learning organizations. This is especially important for governance programs.*

### **Designing for Governance**

17. Governance can be a successful approach to increasing private sector economic activities. Governance, however, should be operationalized, as in the objectives and outputs of the four technical components in the TIPS contract and the four program outcomes in the Mission's program. These objectives and outputs identify the results of removing governance constraints to private sector activities in specific sub-sectors of the economy.
18. *Projects to assist a country's reform program will differ according to (1) who (international financial institutions [IFIs] or the host government) is defining the program agenda and (2) how broad-based the agenda is. The GOGB took on both economic and political reforms but had minimal structures and procedures to manage the reform process. A Mission strategy that narrowly focusses only on individual reforms (e.g., rice policy) may have little effect unless attention is given to resolving more systemic problems.*
19. *Many obstacles to policy reform are more political than technical in nature. Understanding these obstacles requires that USAID staff have expertise in political and governance analysis.*
20. *Successful governance reform initiatives need not involve ministers on a continuing basis. Instead, there is proven merit in involving the "best, brightest and boldest" in problem-identification, research,*

*development, and implementation tasks that give the counterparts ownership of the initiatives.*

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# CHAPTER 1

## INTRODUCTION

### A. MODELS OF SUCCESS

USAID/Bissau's **program structure and management** and the results they are having are a model for other small missions:

The Mission's centerpiece project, Trade and Investment Promotion Support (TIPS), is one and the same as the overall program strategy. According to USAID/W, "*This approach of a single project or NPA activity serving as the basic country strategy [is] considered to be a model for all small programs ...*" This program structure and the design of TIPS have significant additional implications for how missions *manage* their assistance activities.

The Mission's **program approach to development** is central to this model. The program explicitly links *improved governance* and *participation* directly to *private sector development and economic growth*.

This model was evolved when USAID/W's 1988 decision to close-out the Mission was reversed in 1989. In less than three years, USAID/Bissau designed and began implementation of this model. The operational and administrative problems that had plagued the Mission since its inception were resolved as well.

### B. PURPOSE OF THIS REPORT

This review of the above development has two purposes:

Purpose 1: To **document** key events and decisions taken in designing and implementing USAID/Bissau's program, especially in the years 1991 to the present.

Purpose 2: To identify for other missions the **replicable lessons learned** from USAID/Bissau's recent successful developments.

The report's emphasis is on program and management decisions -- **not**, for example, on relationships between (1) peaceful political transformation and good governance and (2) private sector development and sustainable economic growth. These latter relationships, the exact impacts that the program is having on Guinea-Bissau's

development, and the mechanisms linking program interventions to development impacts are properly the province of separate program evaluations and special in-depth field studies.

The report is written for a U.S. Agency for International Development audience and, hence, the deliberate use of acronyms. For the uninitiated, a glossary appears in Annex A.

Each of the report's eleven chapters compresses and simplifies a great amount of information. To maintain the flow of the history, lessons learned are saved to the final chapter.

Chapter 2 establishes the changing context of USAID/Bissau's program by summarizing Guinea-Bissau's major economic and political developments since its independence. Chapter 3 divides USAID's history in Guinea-Bissau into three periods, broken in 1988 by a strategy review committee's recommendations. Chapters 5 through 9 review major developments since December 1990. The final two chapters summarize the culmination of a 20-year USAID history in Guinea-Bissau and draw lessons from it.

Readers who wish to skip the process by which the Mission shifted from a close-out decision to a model program might go immediately to Chapter 10, Summary.

## CHAPTER 2

# POST-INDEPENDENCE ECONOMIC AND POLITICAL HISTORY

### A. ECONOMIC TRENDS AND REFORMS

Guinea-Bissau's economic growth strategy has gone through three stages:

#### **Stage 1: Command Economy, 1974-83**

The end of Guinea-Bissau's destructive 11-year war for independence was followed by an immediate increase in economic growth. GDP grew at an annual estimated rate of 3% from 1975 through 1979. However, as the Government of Guinea-Bissau's (GOGB) strategy of suppressing market forces and the private sector took hold, annual growth rates slipped to an estimated 1.5% from 1979 through 1981. Per capita income dropped from \$190 in 1981 to \$170 in 1982. USAID/Bissau referred in 1979 to "the extreme poverty that the country suffers," and noted that Guinea-Bissau ranked lowest world-wide in the Overseas Development Council's Physical Quality of Life Index.

#### **Stage 2: Economic Recovery Program, 1983-86**

Under the guidance of the IMF and World Bank (WB), the GOGB launched a reform program to correct the major imbalances resulting from its failed state-centered policies. Early restructuring and liberalization in 1983 contributed to positive economic growth in 1984 after a negative 5% record in 1983. While well-intentioned, the reform package was poorly implemented. 1985 again saw negative economic growth, partly due to drought in the region.

#### **Stage 3: Stabilization and Structural Adjustment, 1987-Present**

A combination of desperation, recognition of early reform successes, and pressure from the IMF and WB led the GOGB to launch a new reform program. By 1986, the GOGB had already removed many price controls and other constraints on the private sector. Improved economic performance was immediately reflected in average GDP growth rates of over 5.0% from 1987 through 1989. These rates were not sustained, however. Liberalization and structural adjustment (as defined by the WB and IMF) were necessary but not sufficient conditions for sustainable economic growth. Real growth

rates dropped to less than 3% per year from 1990 through 1993. The GOGB, in 1993, re-energized its reform efforts to address transparency, accountability, and governance, as well as the legal infrastructure essential to a vibrant market economy.

It is too early to assess the effects of these reforms, although the 1994 GDP growth rate rose to 6.3% (in part because of a significant increase in cashew exports). The WB and IMF project a 2.5% growth rate for 1995. This and higher rates will not be sustainable unless further policy and legal reforms are formulated, adopted, and successfully implemented. However, despite its weak institutions, limited human resources and uneven discipline, the GOGB continues to make steady progress in simultaneously implementing its ambitious program of fundamental reforms. The IMF and other donors commended the GOGB for its 1994 policy-reform successes.

## **B. DEMOCRATIZATION**

After 1974, the newly-independent GOGB adopted the standard authoritarian model of "democratic centralism." The constitutionally-protected dictatorship of the PAIGC (the only political party) suppressed civil, human, and property rights. There was no meaningful separation of powers. Government prohibited alternative power centers, private trade and interest groups, a free press, and citizen participation in setting government policies. There was neither transparency nor accountability.

Despite this closely-held, single-party control system, government (i.e., the Party) leaders themselves initiated a political reform process. The Party's "Reflection Committee" began serious consideration of political liberalization in 1989. Recommendations on democratic reforms were accepted in 1990. 1991, the "Year of Democracy," started a two-year transition to multi-party elections: the constitution and electoral laws were amended; new constitutionally-protected freedoms were introduced and are currently operating; other amendments removed the State's monopoly over the economy; and numerous private trade associations formed, reflecting the steady growth of a pluralistic civil society that is progressing along with the country's new market-oriented economy. National elections were held in 1994. Six parties are represented in today's legislature.

Guinea-Bissau's transition to a sustainable democracy and market economy is promising but not yet completed. Accountability is no longer dependent only on WB-imposed and monitored policies. Governance structures and procedures, however, have yet to be fully reformed to adequately support the nation's new market-oriented economic policies and democracy. These reforms (as they relate to removing constraints to private sector activities in specific growth sub-sectors) have been the focus of USAID/Bissau's program since early 1991.

## **C. SUMMARY**

It is appropriate that a donor agency emphasize how far its host country must go in its reform trajectory, not how far it has already come. A track record of progress to date is, however, one indicator of likely future developments.

Guinea-Bissau began its reform program as one of the world's poorest countries, a country based largely on subsistence agriculture, an illiterate population, 30 different ethnic-language groups, and a weak central government with only minimal technical, human and financial resources. Despite these handicaps, the GOGB was able to manage wrenching stabilization and structural adjustment reforms simultaneously with political reforms that made it possible for opposition parties to challenge the reform policies, the public sector's performance, and the very legitimacy of the government that led the country into the need for these reforms. Many donors were surprised and pleased with the progress of reforms. USAID/Bissau's current program has continued to be supportive of them.

## CHAPTER 3

# USAID/BISSAU'S PROGRAM HISTORY

USAID/Bissau's program history can be grouped into three phases and one significant transition point (1988).

### **A. PHASE 1 1976-1988**

USAID has been in Guinea-Bissau almost since the year of independence. Emergency food assistance was given in 1976. The first resident staff arrived in 1977 with responsibility for both Guinea-Bissau and Cape Verde. Project assistance (in agriculture, forestry, artisanal fisheries and education) began in 1978/79.

From the beginning, the Mission shared the GOGB's goal of rice self-sufficiency (see the FY 80 ABS prepared in 1978). Government set 1980 as the target year for accomplishing this goal. Progress toward achieving it has eluded Guinea-Bissau. (In an open economy, it is perhaps a questionable goal.)

In 1979, USAID/Bissau's small program strategy accepted the GOGB's development goals of "participation, decentralization, balanced growth, and economic and social justice." USAID's legislative mandate supported these general statements, although the GOGB, in fact, failed to back its words with deeds.

A new small program strategy was drafted for 1981 (as reported in the FY 83 ABS). Food self-sufficiency and production recovery (which generally meant "cereals") were emphasized. As a consequence, a forestry activity was terminated and one on education was substantially scaled back. Two bilateral production projects and a regional Crop Protection Project supported the Mission's new goal. More generally, USAID/Bissau's program was linked to the Agency's basic human needs orientation of the time. Mission projects were to develop institutions supportive of small farmers. Human resource development was also included in the program. USAID/Bissau had a 1981 OYB of \$1,578,000 and a staff of four USDHs, one PASA (for the regional project), and two personnel service contractors (PSCs) responsible for parts of two bilateral projects. In 1982, a fisheries activity began full implementation with two PSCs. In 1983, food production recovery efforts were expanded into the South. That year also saw the Mission undertake its first direct support to private sector assistance with the Tripartite Program (U.S., Portugal and Guinea-Bissau) to support private agribusiness.



Although the Mission had begun to emphasize the role of the private sector (especially agribusiness), it was not until 1985 (per the FY 87 ABS) that policy reform and strengthening the private sector assumed importance in USAID/Bissau's program.

As a result of management and implementation problems, a 1987 audit of USAID assistance to Guinea-Bissau recommended a reassessment of the Agency's assistance strategy and a study of major impediments to meeting program objectives.

## **B. 1988: THE YEAR OF TRANSITION**

A high-level USAID/W and REDSO/WCA six-person review team was charged with (1) examining the effectiveness of the current strategy and program mode, (2) considering alternative strategies and implementation modes in light of the team's appraisal of the likely Guinea-Bissau economic policy environment over the next three to five years, and (3) developing a revised strategy and implementation mode.

The team's May 1988 report identified four major constraints to Guinea-Bissau's growth and development: a distorted incentive structure, limited human resources, reliance on traditional technologies, and limited absorptive capacity. At the same time, the team found that Government's "progress to date under the PFP (Policy Framework Paper) has been excellent" and that there was a "good response of the economy." Areas of weakness were noted as well.

Guinea-Bissau was making some progress, but USAID/Bissau's projects were generally unsuccessful and were certainly not sustainable. This was exacerbated by major logistical and administrative problems that made office operations and project implementation difficult. The Mission also experienced problems in recruiting USDHs and contractors.

*Obstacles to, not the opportunities for USAID/Bissau's contribution to Guinea-Bissau's development drove the review committee's proposed options. The "thrust of this [review] exercise," the committee wrote, "is to seek those modalities which permit A.I.D. to maximize the effect of its small country program with minimal staff resources." (Emphasis added.)*

The Agency's implementation mode (i.e., projects) was faulted. Ten years of management-intensive, supply-side, non-sustainable production-oriented projects with public sector counterparts had produced meager results. The review committee based its options on the need to reduce (and entirely phase-out) USDHs, not just projects.

The committee's preferred option for transitioning to a close-out called for supporting the structural adjustment process and completing a production-oriented project. The intention was to improve private sector production incentives through policy reform and

to make more resources available to the private agricultural sector. USAID/Bissau would do this through non-project assistance (NPA) tied to agricultural policy, and a private, voluntary organization (PVO) activity that would address private sector training needs. Even the most ambitious of the review committee's recommendations had USAID/Bissau playing only a very minor role in policy dialogue and reform. USAID's presence was to be phased-out by mid-FY 91, except for a Development Attache detailed to the Embassy.

In fact, USAID decided to close-out the Agency's presence in Guinea-Bissau by the end of CY 1989. A new Representative was sent to Bissau to implement this decision. This close-out decision was made in the same year that Guinea-Bissau and the donors were beginning to see the economic benefits resulting from initial stabilization and structural adjustment reforms.

### **C. PHASE 2 1989-90**

For reasons not documented in the records, the close-out decision was rescinded in 1988 or 1989.

The new USAID/Bissau Representative moved quickly to develop an ambitious program. It was shaped by the 1989 strategy review (a NPA and a PVO activity) and by USAID/Bissau's historic acceptance of the need for a cereals policy as a means to achieve rice self-sufficiency.

The new Representative was a member of the 1988 high-level USAID/W and REDSO review committee and was familiar with USAID's history in Bissau. This history seemed to have produced the major information on which the new program was based. Given the time and resources available, it was not realistic to take an entirely fresh look at needs and opportunities. The review committee was supposed to have done this, although all of the committee's proposed alternatives were constrained by the need to reduce the number of in-country USDHs.

USAID/Bissau's new program developed according to the following compressed time schedule:

A cooperative agreement for a PVO vocational skills training project was executed in June 1989 (based on a proposal submitted in March of that year).

A NPA (Agricultural Sector Assistance Program and its associated monitoring project) was approved in August 1989. This three-year \$4.5-million cash-transfer was parallel to and supportive of the World Bank's Structural Adjustment Credit II (SAC-II). It had the policy objective of increasing farm gate prices for

rice and cashews. Conditionalities called for incremental decreases in export taxes on cashews and the elimination of rice subsidies for civil servants.

USAID/W approved USAID/Bissau's new Country Program Strategic Plan in June 1990. It had two strategic objectives: To reinforce a supportive environment for private sector growth in agriculture and to strengthen rural entrepreneurship.

The FY 1992 ABS was also submitted in June 1990. It called for the 1989 OYB of \$2.08 million to increase to \$7 million a year from 1993 through 1996. Four USDHs and one U.S. Resident Hire (USRH) were to manage a proposed portfolio of two PVO cooperative agreements, a follow-on to the NPA, and a project that would become the APPLI PID (Agricultural Policy, Private and Legal Initiatives.)

The APPLI PID was reviewed (and turned down) by REDSO/WCA on October 1, 1990 but approved by USAID/W later in the month. This \$6.5 million 5 1/2-year project had two purposes: (1) to improve the rational allocation by the GOGB of resources in the agricultural sector, and (2) to develop a legal framework that permitted the private sector to operate legally, efficiently and profitably in a free-market setting.

Given the difficult working environment in Guinea-Bissau, the shortage of experienced staff, and the ambitious design schedule of the Mission, it was not surprising that problems surfaced as program development narrowed on project design.

USAID/W called for the APPLI PP design team to resolve a number of major issues (identified by both REDSO and USAID/W). For example, REDSO raised issues relating to the perceived problem (one project or two), the project's overall conception, the rationale for the agricultural policy reform component, the scope and rationale for the legal reform component, prior relevant experience in Guinea-Bissau, Mission management capacity, project management structure, etc. Furthermore (according to USAID/W's reporting cable), USAID/Bissau was instructed to conduct a "thorough institutional analysis," one that would identify "whether real decision-making power resides in the President, particular ministers/cabinet members, or elsewhere." More generally, the PP had to be built on an analytical base not available for the PID.

The Mission did not overlook the need for the next management team to resolve serious administrative/logistical problems. The FY 92 ABS noted the need "to replace non-functioning and obsolete equipment which was allowed to deteriorate when the Mission was instructed to close down." The Africa Bureau's Regional Executive Officer wrote the Bureau's Management Office in August 1990 that "Of all the USAIDs in Africa that I have visited --twenty thus far -- Bissau has to be among the most stark, isolated,

and a definite hardship. Khartoum and Mogadishu look like 'garden spots' compared to Bissau."

#### **D. PHASE 3 DECEMBER 1990 TO THE PRESENT (EARLY SEPTEMBER, 1995)**

In December 1990 a new Mission management and technical team assumed responsibility for the USAID/Bissau program. The decisions, mistakes and accomplishments after this point are the focus of the rest of this report.

USAID/Bissau submitted a draft PP for a Legal Sector Reform Project (LSRP, successor to APPLI) to USAID/W in August 1991. This draft was not accepted for reasons to be noted later. Although the Mission was soon invited to re-submit the same PP by the Africa Bureau's new leadership, USAID/Bissau declined the offer and, instead, wrapped much of the governance approach in the LSRP PP around narrowly-defined private sector activities in specific critical growth sub-sectors. Both the project (Trade and Investment Promotion Support --TIPS) and a revised program strategy were approved by Washington in May, 1992. TIPS was authorized in September 1992, the RFP released in January 1993, the contract signed June 1993, and the Contractor's long-term resident technical team arrived in-country in January 1994.

Program implementation did not await strategy approval, the project, or the contractor. Implementation began in early 1991 and continued through the drafting of the LSRP and TIPS PPs up to the time the Contractor's team arrived in-country.

In about one and a half years, 1991-1992, USAID/Bissau transformed a modest program into one that now has a \$5.0 million-plus OYB program and can, by design, be run by a two-person USDH staff. That program is recognized as a model for small missions. USAID/Bissau also successfully resolved the administrative, logistical, and space (office and residential) problems that had impaired Mission functioning for so long.

Most importantly, USAID/Bissau has become a key player in and contributor to Guinea-Bissau's economic and political reforms -- from structural adjustment to redefining the role of government, from privatization to democratization, from supporting private trade associations to supporting an independent judiciary. The GOGB acknowledges these contributions. Its policy paper *Medium-Term Economic and Financial Policy Framework (1994-1997)* presented at the November 1994 UNDP-sponsored Roundtable Conference on Guinea-Bissau (held in Geneva) reflects the USAID/Bissau program and strategy, its reliance on private sector-led growth, legal, regulatory and judicial reform, and USAID/Bissau's critical growth sub-sectors. The framework paper specifically mentions the Mission's program contributions.

We turn now to USAID/Bissau's trials, tribulations and lessons of experience from 1991 through most of 1995.

## CHAPTER 4

# DEMOCRATIC GOVERNANCE: AN IDEA AHEAD OF ITS TIME

## DECEMBER 1990 TO AUGUST 1991

For approximately eight months, from December 1990 to August 1991, USAID/Bissau (1) addressed the analytical and project design instructions listed in USAID/W's reporting cable on the APPLI PID, (2) made its own assessment of Guinea-Bissau's development environment, (3) formulated an approach to a refined program strategy, (4) initiated and began implementing a portfolio of activities supportive of this strategy, and (5) submitted in August 1991 a draft PP as the follow-on to the APPLI PID.

USAID/W and REDSO/WCA directed USAID/Bissau to address a number of issues requiring further PP design work. Soon afterwards, Washington asked that the August draft be re-submitted, in light of the Agency's recognition of the importance of good governance to policy reform and sustainable economic growth. The Mission declined the invitation and, instead, built on the August draft PP to provide a more specific focus to what became the Trade and Investment Promotion Support (TIPS) Project and a new program strategy.

USAID/W approved the TIPS PP and new program strategy in May 1992, nine months after the August 1991 review of the earlier draft PP and less than a year and a half after the new management and technical team arrived in-country. During this entire time, USAID/Bissau was developing and implementing its program without the benefit of bilateral projects. Implementation of this interim program began in December 1990, the management team's first month in Bissau.

This and later chapters will summarize some of the key decisions, events, and activities involved in the above chronology.

### **A. REDIRECTING THE APPLI PP DESIGN TEAM**

A three-part PP design team was already in Bissau when the Mission's new staff arrived. Based on the valuable insights provided by the REDSO Project Development Officer (PDO), USAID/Bissau agreed with the USAID/W reporting cable that there were insufficient institutional and other analyses to move forward with the full APPLI PP

design at that time. Therefore, legal and agricultural policy members of the design team were instructed to prepare institutional analyses for their sections of the proposed PP. In addition, the private sector member of the team was instructed to prepare a scope of work for an independent sub-project to assist the just-forming Guinea-Bissau Chamber of Commerce.

In January 1991, USAID/Bissau informed Washington that the Mission "decided to separate the legal reform and agricultural policy components" of the new project. The Mission agreed with earlier REDSO and Washington comments that "the linkages are not such that implementation of one component is dependent on the other."

The design team members responsible for the agricultural and food security policy formulation component of the APPLI PP contributed to the Mission's decision to delay this part of the project. Despite Mission instructions to broaden their scope, they continued to prepare a scope of work for a cooperative agreement to be awarded on a non-competitive basis to their university. Their report to the Mission reflected this limited approach.

Absent the agricultural policy inputs required for project paper design, USAID/Bissau subsequently commissioned another study by this university's researchers. The study proved to be very management-intensive for the Mission, as Mission staff had to fundamentally re-structure and often re-write entire sections of the study team's reports. This experience indicated to the Mission that (1) indeed there was insufficient analysis on which to build an agricultural policy/food security project, (2) close linkages could not be made between agricultural policies (or policy studies) and increases in farm-level rice production, (3) no single university (or other organization) had predominant capability in this proposed component, and (4) it was not appropriate to have a university write its own (supply-driven) scope of work for this component of USAID/Bissau's overall program.

The Mission recognized that this particular design-and-implement strategy was based on the earlier-noted difficulties the Mission had in recruiting consultants to work in Guinea-Bissau. The particular university involved had conducted two earlier studies (one on cashews, the other on rice), and had staff willing to make a longer-term commitment to the country. However, once more, manpower/operational issues, rather than program and impact needs, had driven program and implementation-mode directions.

USAID/Bissau's initial decision, then, was to design only a legal sector reform project. Agricultural policy (really "rice") was postponed because the Mission did not know enough about the agriculture sector and agricultural policy more generally. The private sector component was further separated as a stand-alone activity, one that had civil society as well as (eventually) private sector development objectives. USAID/Bissau

immediately initiated a buy-in (OYB-transfer) to an Africa Bureau regional project for this activity, the Guinea-Bissau Chamber of Commerce initiative.

## **B. RESEARCH PROGRAM**

Early into the third phase, USAID/Bissau launched a number of studies that significantly influenced the subsequent development of the Mission's program.

### **B.1 Customary Law and Society**

First, the Mission recognized that Guinea-Bissau was largely a subsistence economy and that very little was known about how production, marketing and processing were organized at the farm and village levels. The major ethnic groups differed in their kinship structures and religions, so the Mission assumed that legal and property systems would differ as well. A legal sector reform project would need to recognize how changes in the formal legal system would influence customary law and be influenced by it. The Mission's earlier studies (as well as studies by other donors and the IFIs) approached Guinea-Bissau development from the perspective of modern economic, legal and political systems. In fact, these modern governance systems were appendages to the larger Guinea-Bissau society, a society that was hidden behind revolutionary and party rhetoric.

To make this larger society more visible, USAID/Bissau's first study was a "social soundness and WID analysis" conducted by a resident American anthropologist conducting her dissertation research in Guinea-Bissau. Her much-used report covered the importance of customary law, how these laws differed by ethnic group, the role of women in customary law and traditional agriculture, and emerging conflicts between villages using land according to customary law and new commercial farmers operating concessions awarded them by the GOGB.

The Mission anticipated that these property conflicts could be politically and socially explosive. While they could adversely affect the democratization process, they could also herald development of improved, more efficient ways to organize different factors of production. Depending on how they were resolved, resolution of these conflicts could make significant contributions to economic growth, with or without long-term adverse effects on the distribution of wealth and income.

From the very beginning, Mission staff were sensitive to the political economy of Guinea-Bissau, how traditional and modern systems related to one another, and how property and other laws might be linked with more modern developments already in process.



The Mission followed up the results of this first study with a series of other studies initiated in 1991. These latter studies included a field ethnography of property conflicts between traditional villages and modern concessions. USAID/Bissau commissioned the University of Wisconsin's Land Tenure Center (LTC) to bring the larger African experience and a legal perspective on conflicts over land (property) into the examination of property conflicts and possible avenues of resolution. The LTC conducted studies and provided both technical assistance and training to the GOGB. These activities helped the Mission and GOGB focus on how land can be best employed as a factor of production, the implications of land law for credit and credit institutions, requirements for the development of a market for land (e.g., how to demarcate boundaries and assign prices), and how best to adjudicate local property conflicts. This one series of studies and activities allowed USAID/Bissau and Guinea-Bissau to better understand how to link agricultural production to the private sector, to the legal system, to a concern with broad-based growth, and to the functioning of markets. These studies also further deepened the Mission's understanding of customary societies and their legal systems.

Equally important, USAID/Bissau was able to build immediately on this analytical base by providing the GOGB with a legal consultant to help a legislatively-created technical committee to draft a new land law. Repeated visits by the consultant helped build the Mission's credibility with both the GOGB and the donor community. USAID developed a clear comparative advantage in land law and in legal reform more generally.

The work described encompassed the period from 1991 to the present (September 1995). Completion of a new land law, however, was suspended prior to national elections (because, as earlier anticipated by the Mission, it would have been an explosive issue). Further work is anticipated to resume soon under the TIPS project.

A Mission-funded survey of the new modern concessions discovered much greater complexity than suggested in the earlier ethnographies. By filling in the larger picture, USAID/Bissau avoided becoming a victim of its own early learning.

## B.2 Governance and Democracy

The APPLI PID cable, as already noted, instructed the Mission to conduct a "thorough institutional analysis" that would discover "whether real decision making power resides in the President, particular ministers/cabinet members, or elsewhere." USAID/Bissau took immediate advantage of an opportunity to provide this analysis.

In December 1990 the head of the Office of the Presidency made a routine request for USAID funds to procure basic office equipment. USAID/Bissau was able to reframe this request as one for assistance in support of Guinea-Bissau in its democratization

process. The structure of the proposed assistance plan was worked out in general with the Office of the Presidency and incorporated in

a December 1990 cable proposal to Washington for support under the FY 91 Africa Human Rights Fund. The proposed assistance was for

"a revised electoral law that allows open political competition in a stable democratic environment; a revised constitution that includes basic political, economic, human, and civil rights, as well institutional arrangements to protect and enforce these rights; a streamlined presidency that provides coordination and coherence among ministries that will lose much of their independent rule-making authority; and a longer-term plan to assist GB to realize its democratization objectives."

This was to be a pilot program, "a status that is politically and administratively independent of the larger program so that the larger program will not be 'contaminated' by political considerations."

Although the proposal was not funded (at least at that time), it served three purposes. First, it signalled USAID/W and the State Department of political trends and related assistance opportunities in Guinea-Bissau, as well as USAID's potential leadership in facilitating the transition to democracy. (USAID/Bissau, in 1990, provided local currency support for the ruling party's efforts to convince its members to relinquish their monopoly power.) Second, it put democracy and governance concerns on the Mission's own agenda. Third, and perhaps most important, it established USAID/Bissau's connections with the presidency and leading reformers.

These connections led to a request (from the then-equivalent to the prime minister) for a constitutional lawyer to advise the special committee charged with amending the constitution and electoral law. USAID/Bissau was able to convince the presidency that a team of at least two experts was appropriate, with at least one member being an expert on constitutional government.

The subsequent consultancy was very successful. The team was helpful; it provided the Mission, the GOGB and Embassy with their first analysis of the dynamics of and players in the political reform process; it gave the Mission access to top reformers and other government leaders; it further established USAID/Bissau's credibility; and, finally, it enhanced the Mission's comparative advantage in Guinea-Bissau's governance, democratization and legal reform processes.

Program and project thinking were also affected -- for the Mission now had a better understanding of how governance and democracy related to one another in Guinea-Bissau; which institutional changes were required to achieve greater accountability and

transparency; and which of the opportunities to grasp to help shape the way leading policy-makers defined the country's development problems and approaches to solving them. Whereas other donors were inclined to blame government's poor economic management on technical failures, USAID/Bissau saw that many if not most decisions were also political in nature and that there were winners and losers in both the political and economic arenas. The Mission immediately built close, continuing relationships with the reformers.

As a result of these efforts, the GOGB seemed now to look to USAID/Bissau as its first source of assistance in the transition to democracy. Later in 1991, the GOGB asked for assistance in planning the country's first free, multi-party national elections. In a now familiar pattern, the planning team included at least one expert who served on a prior consultancy.

### **B.3 Other Studies and Lessons**

The Mission was able in 1991 to supplement an earlier institutional analysis of the private sector (prepared, on USAID/Bissau's instructions, by a member of the APPLI PP design team) with an exploratory investigation of a possible NPA for a debt-equity swap that would buy (at a deep discount) the non-performing loans of a bankrupt public sector bank. This swap would have reduced outstanding debt below the credit ceiling established by the IMF and thereby make loan funds available to the private sector. Although this proposal was ultimately not viable, the Mission learned a great deal about the private sector, the legal impediments to effecting a lien on property, institutional problems in enforcing loan agreements, how credit issues are linked to macro-economic performance, and how private and public sector (rent-taking) interests relate to one another.

The Mission also learned that its mode of operation and the way its consultants best worked with their counterparts required a patient, participatory approach. The Mission strove to involve Guinea-Bissau's "best, brightest and boldest" in problem identification, research, development, and implementation tasks that gave the Guineans ownership of the reform initiatives. Because of the lessons it learned from its experience, the Mission expressed an interest in the Implementing Policy Change (IPC) Project as soon as the project was announced. This interest accelerated in August 1991, resulting in a buy-in (OYB-transfer) in late 1991.

## **C. A NEW PERSPECTIVE**

All these studies and technical assistance activities contributed to a new framework for viewing Guinea-Bissau's development environment and how USAID/Bissau related to it. The framework consisted of a rainbow of environments. At the top was the macro-economic environment, as reflected in stabilization and structural adjustment policies

defined and supported by the WB. The second band incorporated the constitutional and political order. (USAID/Bissau had an interest in this level, but it was not of primary concern at the time.) The third band consisted of the laws and regulations supportive of implementation of the policies found in the two higher bands. While the GOGB's policies were seen to be liberal, the country's laws, regulations, institutions and processes were neither consistent with nor supportive of the government's actual policies. (For example, the constitution prohibited private banks, but one was, in fact, licensed and operating.) It was in addressing these latter inconsistencies that the Mission's new project could be of assistance.

USAID/Bissau effectively explained this framework in countless policy dialogues with counterparts and donors. The audience was receptive; in one instance the President of the Commission to Revise the Constitution and Electoral Law delivered the framework to the Committee members, presumably asking that they adopt this as their working approach to further reforms.

The Mission recognized that it would have to rely on weak government institutions to help prepare and implement a legal reform project. Analyses done for the Mission reinforced the Mission's everyday experience that power was diffused, and that individual ministries often acted as independent governments. There was little coordination because there was no entity with power to provide it.

This anomalous finding -- that government under a command economy may be strong, but the head of this government (the presidency) is weak -- presented a conundrum for the necessary political and economic shifts. It was the president who was leading the country's economic and political reform process, but he did not have a great deal of direct control. In order to sustain the reform process, USAID/Bissau proposed streamlining and strengthening the presidency. While this would have helped reduce independent and arbitrary law-making by (out-of-control) ministries, it would leave the executive branch without any checks and balances. Therefore, it would be necessary to help the other branches of government to become separate, equal and independent, at least in the areas of primary concern to USAID/Bissau.

No half-way measures were possible. Strengthening the presidency alone could have negative longer-term consequences, as could strengthening of other branches in isolation. The Mission was concerned about the broader governance system, not just segments of the system. Earlier studies by the Mission's consultants reinforced this perspective, as did analysis of the (rainbow) framework .

All options and issues were openly discussed within the Mission and with consultants, counterparts, and others. For an example relevant to USAID/W's subsequent response to the draft PP, there was a debate over whether the new project should focus on drafting and promoting specific economic and commercial laws. USAID/Bissau had

seen the WB parachute laws and policies into the country. They were, as conditionalities for the release of SAC funds, accepted. But they were not widely understood; they had minimal local ownership; and there was no system in place to allow the GOGB itself to sustain a reform process. The Mission decided that it did not make much sense to talk about a new market-friendly environment of laws and regulations without creating the institutions to develop, adopt and enforce them. A governance approach was needed, but one with a narrow focus on the apex of government, not the many operating ministries.

This approach was risky in two senses. First, it was taking on the reform of the basic governance institutions of the country. Second (and much more importantly from an internal USAID political perspective), an experienced REDSO Project Development Officer suggested to the Mission that Guinea-Bissau was not as yet ready for a sustainable DFA project limited to certain sectors through projects that have measurable person-level effects.

In summary, USAID/Bissau initiated the institutional and analytical studies directed by USAID/W. The studies, the consultants responsible for them, and the Mission's own experiences working with counterparts led to a framework and a proposed program portfolio not fully consistent with either USAID/Bissau's existing program strategy or the dictates of the Development Fund for Africa (DFA), at least as interpreted at the time by USAID/W defenders-of-the-faith.

USAID/Bissau's program had evolved toward (1) placing legal and regulatory reform within a more general governance perspective, (2) handling selected hot-topic democracy issues separately with 116(E) funds, (3) helping private sector development through a Guinea-Bissau buy-in separate from the Legal Sector Reform Project, and (4) delaying an initiative on rice policy until more was known about agriculture in general and agricultural policy (including laws, regulations and governance) in particular.

This would seem, in hindsight, to have set the Mission on a collision course with USAID/W, given the then-thinking about DFA and the still-early stage of attention the Africa Bureau (AFR) was giving to governance and democracy. USAID/Bissau could perhaps have successfully avoided AFR's negative view of the new PP, as will be suggested later.

## **D. THE LEGAL SECTOR REFORM PROJECT (LSRP)**

USAID/Bissau submitted the Legal Sector Reform Project PP to Washington for an August 1991 review.

The LSR Project addressed two governance problems:

*"In the past, a command, centralized economy and the concentration of power in the hands of a single party helped in the quick ratification of economic reforms demanded by the IMF and the World Bank. However, the very process by which reforms were formulated and introduced posed two problems the Legal Sector Reform Project will address. First, theories and analyses behind these reforms have not been publicly vetted, studied, and discussed fully either within government or with the private sector, new political parties that will join the government, or donors who will be requested to support these reforms. Neither the reforms nor the theories that drive them are fully and widely understood, internalized, accepted, and therefore secure. Second, because policy reforms were externally defined, the GOGB did not develop and institutionalize a sustainable policy-formulation and implementation process. Policy-making is ad hoc; in-depth analyses and discussion are absent; many of those responsible for implementation do not understand what they are to do and why they are to do it; and those most affected by policies are left out of the policy-making process. The GOGB currently does not have the human and institutional resources to successfully address these two problems."*

The LSRP goal was to develop and reinforce a policy and legal environment supportive of broad-based, sustainable economic growth that was market-oriented and private sector-led. The purpose was to support and facilitate on-going efforts of the GOGB to dialogue with the modern and traditional private sectors, new political parties, and donors to better understand and internalize market-oriented economic theory and policies; and then to institutionalize the planning, communication, and execution of constitutional, policy, legal, and program reforms that were necessary to ensure continued broad-based, sustainable economic growth that was market-oriented and private sector-led.

USAID/Bissau proposed six separate but related project modules to achieve the project purpose. Five of them addressed each of the five institutions the GOGB identified as central to its reform program: the chief executive, the legislature, technical legal drafting and services within the Ministry of Justice, the administration of justice, and the practice of law. The sixth module was to help assure linkages among the activities of the other five and their respective institutions. Outputs, activities and inputs were provided for the first five modules.

Because this was a high-risk project, project-implementation required more flexibility than normal for an USAID contract. Also, USAID/Bissau was still influenced by its earlier history of operational difficulties, especially problems in recruiting long-term

staff. Therefore, a cooperative agreement was proposed, one that would rely primarily on short-term technical assistance to be drawn from the U.S. and Brazil. The agreement recipient would have a single resident coordinator (along the lines of the WB).

USAID/W commended USAID/Bissau "for a creative and well-articulated PP that presents the case for a broad-based democracy/governance project as the flagship" of the Mission. Furthermore, the PP was recognized as "a major piece of work for its comprehensiveness and vision," one with "high risk" yet "with possibilities for long term impact for Guinea-Bissau." However, Washington raised three major issues:

1. "As currently structured, project is at variance with the approved country strategy in terms of the ambitious range and scale of governance, policy and legal improvements to be made.
2. "Does not sufficiently conform to the DFA guidelines in terms of (a) enough focus and concentration on removing key obstacles to a better policy environment for private sector, (b) the importance of having measurable results, and (c) a clear and direct linkage between the proposed general institution building activities and the achievement of specific economic development objectives within the life of project and strategy (and eventually the people level impacts at the goal level).
3. "Is too ambitious for the current and projected staff size of USAID/GB." (Then three, but later reduced to two, then one, and now back up to two USDH.)

Within the context of these issues, USAID/W asked the Mission "to redesign the project in a scaled down fashion that focuses on the legal sector and public policy analysis and development pertaining to specific impediments to investment and growth."

The USAID/W reporting cable quoted above was dated August 20, 1991. In a cable dated December 21, 1991 (and based on presentations made earlier to Mission representatives attending scheduling conferences in Nairobi and Abidjan), the AA/AFR distributed his *Beyond Policy Reform: A Concept Paper* in which he noted that:

"... despite some formal changes in the regulatory environment, in virtually all African countries, continuing lack of property rights and meaningful contract law, as well as the hostility of government officials and the lack of a fair judicial process, have served to lower investor confidence."

The concept paper also emphasized that government institutions (such as the legislature and judiciary) should be transformed to play a key role in facilitating economic growth. Improving domestic investor confidence was seen as the single most important element in generating foreign investment. To build this confidence would require that the Africa private sector play a more direct role in the design and implementation of policy-reform initiatives.

In early 1992, AFR/ONI also circulated its draft paper on governance. This paper emphasized the impartial, transparent management of public affairs through the generation of a regime (set of rules) accepted as constituting legitimate authority. The WB's policy paper *Managing Development: The Governance Dimension* also stated that "Good governance is central to creating and sustaining an environment which fosters strong and equitable development, and is an essential complement of sound economic policies."

These views on governance are common knowledge and practice today, but they were not yet accepted by some members of the Africa Bureau in August 1991.

USAID/Bissau made (a minimum of) two errors in presenting and defending the LSRP PP. First, it allowed AFR to frame the debate. Instead, the Mission should have addressed the perceived inadequacies of the DFA as then interpreted by some members of the Africa Bureau. USAID staff concerned about governance and democracy were just in the beginning stages of questioning the constrictions placed on Missions by the DFA. USAID/Bissau's proposed LSRP was at the cutting edge of these emerging concerns. Second, when presented with a PID with as many issues as enumerated for APPLI, the Mission would have been better advised to have submitted to USAID/W a modified PID or extended concept paper for review and comment. Instead, USAID/Bissau moved ahead quickly with a revised program strategy and a refined design for its flagship project.

Despite the difficulties inherent in being on the cutting edge of a bureaucracy, the Mission proceeded aggressively and successfully in designing the LSRP replacement, TIPS, with governance as a central theme. As a result of the strong rationale and justification presented by the Mission, USAID/W approved DFA funding under TIPS for activities (e.g., with the legislature) that USAID/W earlier thought "might be better funded from 116(E) resources."



## CHAPTER 5

# STRATEGY AND PROJECT REVISION: THE BIRTH OF TIPS

## SEPTEMBER 1991 TO SEPTEMBER 1992

USAID/Bissau's two USDHs immediately embarked on a major effort to revise the Mission's program strategy and to redesign the LSRP to be responsive to the three major issues USAID/W raised.

Issue 1 (variance with the approved country strategy) was addressed by revising the Mission strategy simultaneously with the design of the new PP. Issue 2 (conformity with DFA guidelines) was addressed in several ways, including an improved explanation of how governance affects sustainable private sector growth, re-phrasing the project purpose (program strategic objective), and by adding a new technical component (TC) to the LSRP. Issue 3 (USAID/Bissau's management load) was addressed by making the project equivalent to the program for reporting purposes, and by specifying in the PP's procurement plan that the contractor would have full responsibility for its own administrative/logistical support services.

The revised program strategy and the Mission's revised flagship project, now called TIPS (Trade and Investment Promotion Support), were approved by USAID/W in May 1992. USAID/Bissau then had to send the PP to REDSO/WCA for its review. For reasons to be explained below, this second review delayed project authorization until September 1992.

This chapter describes USAID/Bissau's activities in revising its program strategy and designing TIPS, the structure and content of the revised program strategy, USAID/W's positive assessment of these two submissions, and REDSO's role in this process.

### **A. IMPROVING USAID'S UNDERSTANDING OF GUINEA-BISSAU AND ITS DEVELOPMENT PROBLEMS**

The Mission continued to draw on PD&S and other funds to expand the research program outlined in Chapter 4. Newly-initiated studies provided a stronger analytical base for the new PP. For example, new studies were completed on:

Rice marketing, with an emphasis on all the market participants and channels involved from farm-gate to ultimate consumer.

Cross-boarder trade with Senegal and Guinea, a study initiated prior to 1991 but languishing until re-energized during project design.

A survey of commercial farms (pontas) examined the scope, nature and efficiency of these new private sector entrepreneurs.

A study on the economics of Guinea-Bissau's formal laws identified and analyzed the negative effects different laws had on private sector growth.

Another study described and assessed the effects that registration and licensing regulations had on informal and formal entrepreneurs.

Researchers for these and other studies presented their findings in workshops and conferences for private and public sector counterparts. Through this process-oriented truth-testing, USAID/Bissau was able to involve its counterparts (partners, stakeholders and customers) directly in the design of the revised program strategy and TIPS PP.

## **B. PROGRAM-IMPLEMENTATION**

USAID/Bissau used OYB transfers, 116(E), and PD&S funds, as well as the HRDA and ATLAS projects, to continue implementation of its evolving program, to test new approaches, and to build on the implementation recommendations from the Mission's research and analytical agenda. Activities included:

A major buy-in to the Implementing Policy Change (IPC) Project for analytical and implementation activities with the judiciary (regarding the adjudication of commercial law cases), the role of an independent judiciary in a democracy, and the collection, organization and distribution of existing commercial laws to members of the legal and judicial communities.

An OYB transfer for the stand-alone Chamber of Commerce activity.

Trade missions and observation tours, financed through PD&S and HRDA, that included representatives of both the private sector and government were organized and sent to Portugal and Cape Verde.

Expatriate experts, financed through HRDA, provided training and helped launch the first-ever export of mangos by local (not foreign) members of the private sector.

Electoral planning, using 116(E) funds, continued, along with support for key individuals to attend conferences on democracy and the rule of law.

Selection criteria for long-term training under ATLAS were modified to emphasize business and economics disciplines.

As with its research agenda, USAID/Bissau required that implementation activities include representatives of both the private and public sectors so that the effects of one on the other could be better understood and proposals for effecting reforms could be prepared and discussed.

The Mission's research and implementation activities provided the strategy revision and TIPS design teams with a better understanding of constraints on the private sector and on how improved governance could contribute to sustainable private sector economic growth in critical growth sub-sectors.

### **C. USAID'S REVISED PROGRAM STRATEGY**

USAID/W approved in May 1992 the closely integrated, revised program strategy and the PP for the 5 1/2 year, \$19.9-million flagship TIPS Project. The Mission retained the governance emphasis of the earlier LSRP draft PP by providing a new program strategic objective clearly linked to the removal of policy, legal, regulatory and adjudicatory constraints on private sector growth. And by re-configuring and integrating portions of the stand-alone Chamber of Commerce activity into the program as a separate target, the private sector was more clearly and explicitly incorporated in the Mission's strategy.

Although the Mission's program strategy is largely defined and implemented by TIPS, it also includes PD&S, HRDA and ATLAS. The strategy's Goal, Strategic Objective, and four Program Outcomes are:

**Program Goal:** *Market-oriented economic growth that is broad-based and sustainable.*

**Strategic Objective:** *Private Sector Trade and Investment (T&I) increased in critical growth sub-sectors through improved governance.*

*The **Critical Growth Sub-Sectors (CGS)** include the production, processing and marketing (domestic and export) of rice, cashews, fruits, vegetables, and forest and*

*fisheries products and commerce and services to support same.*

**Program Outcomes:**

1. *Technical/Analytical base for planning T&I policy, legal and regulatory reform and for planning direct T&I support to the private sector improved in the critical growth sub-sectors.*
2. *Policy, legal and regulatory environments for private T&I in the critical growth sub-sectors improved.*
3. *Adjudication of T&I legal and regulatory conflict improved.*
4. *Ability of entrepreneurs to respond to improved policy, legal, and regulatory environment improved.*

Both USAID/Bissau and USAID/W were clear that the Mission's program is a governance strategy to removing constraints to private sector growth. Three of the four Program Outcomes (PO) directly address governance problems, and the fourth PO incorporates a civil society (trade association) approach to promoting policy, legal, and other reforms, as well as providing business support services to individual entrepreneurs in the CGS. To further emphasize this approach, USAID/W specifically added "*through improved governance*" to the statement USAID/Bissau had originally proposed for the Mission's Strategic Objective.

By stating that removing these constraints is essential to "sustainable" growth, **the means are incorporated in the specification of the end** (Strategic Objective, or "performance," as used in some contracts). Furthermore, the process of removing the constraints emphasized the program's approach to governance:

*"The process of increasing trade, investment and private economic activities in Guinea-Bissau is a complex and difficult one because the policies, legal and regulatory, and judicial/administrative adjudication systems upon which T+I relationships depend are not in place and because the processes by which policies, laws, and regulations are formulated and implemented are flawed. A central flaw in these processes is the lack of participation by the private sector and by a broader segment of the public sector. For this reason, the TIPS Contractor must go considerably beyond the conventional approach to assisting T+I activities. It **must promote increased participation** at the same time that it supports improvements in some of the most fundamental elements of T+I activities (sectoral policy, economic and business laws and*

*regulations, the system for adjudicating business conflicts and for enforcing laws and commercial relationships) at the same time that it provides direct support to the private sector in its efforts to identify and take advantage of T+I opportunities in the new environment."*

In summary, whereas the USAID/W committee that reviewed the LSRP was negative on a democratic governance approach to private sector development and economic growth, the committee that reviewed the revised program strategy and TIPS fully endorsed an emphasis on governance.

#### **D. USAID/W CABLE APPROVING THE REVISED PROGRAM STRATEGY AND TIPS**

92 State 181490 (June 1992) approving the revised strategy and TIPS stated, *inter alia*:

*"The Country Strategy and TIPS Project Paper were reviewed concurrently, and ... the objectives set forth in the TIPS Project Paper ... represent the most complete statement of the AID program in Guinea Bissau. ... The strategy as defined in the TIPS Project Paper and with the revisions proposed by [the USAID/Representative], was approved. ... Congratulations are in order for all those who participated in the conception and writing of both the refined strategy and the TIPS Project Paper. ... The approach is innovative as it combines efforts to galvanize the private sector, and in the process, improve and strengthen the country's democracy and governance efforts. The PP objectives are clear, the indicators ... are excellent, the constraints and institutional analysis are well articulated and project modality well thought out. The revised strategy (with its revised logframe) as well as the PP will be distributed Bureau-wide."*

*"The review group found that the strategy was congruent with the DFA ..."*

*"It was decided to consolidate the strategy and project for reporting purposes, since with the exception of the two targets of opportunity, implementation of the overall program would essentially amount to implementation of TIPS, which is the centerpiece of the strategy and represents some 90 percent of program effort and activity. This approach reduces the management load as project*

*reporting would be identical to the overall program reporting and annual project reports could suffice for an API type document."*

*"In sum, the approved 1992-1998 Program Strategy for Guinea-Bissau is as presented in the quote refined USAID/Bissau Program Objective tree, end quote dated May 14, 1992, and its associated 'program logframe.' The PP analysis for TIPS is accepted as sufficient documentation to support the program strategy."*

*"The Review Group's assessment was that the TIPS Project was, for all practical purposes, one and the same as the overall program strategy. This approach of a single project or NPA activity serving as the basic country strategy was considered to be a model for small programs such as Guinea Bissau's. It was agreed that the project addresses the DFA critical sector priorities, and that is appropriate for DFA authorization and funding."*

USAID/W had obviously changed its view on governance after the LSRP was rejected. Indications of this change were signaled in a December 21, 1991 cable from the AA/AFR on his "*Beyond Policy Reform: A Concept Paper*" and by the AFR/ONI draft paper on governance, both mentioned in Chapter 4.

Instead of shying away from the emphasis that USAID/Bissau's program places on a governance approach to removing constraints to private sector growth, the USAID/W TIPS PP review committee added "*through improved governance*" to the project purpose. "Private Sector Trade and Investment (T&I) increased in critical growth sub-sectors through improved governance" is, thus, the Mission's sole Strategic Objective.

## **E. REDSO/WCA NOT YET ON-BOARD**

Although USAID/W approved the Program Strategy and PP, REDSO/WCA still had to review and approve the project. This set the project and program back four months, in large part because REDSO staff were of mixed-mind on the acceptability of governance under the DFA. On the one hand, REDSO staff participated in the Mission's development of its new program strategy. No objections were raised at that time regarding the governance emphasis. On the other hand, however, REDSO staff on the team assembling the TIPS PP in the Spring of 1992 had argued that USAID/W would only accept a Trade and Investment (T&I) project. REDSO, during the earlier PP drafting stage, had urged the Mission to focus primarily if not exclusively on TC-4 (the PP's equivalent to the strategy's fourth PO) and to name the project Trade and Investment. USAID/Bissau accepted the title, but not the design emphasis. At least some REDSO staff had the same understanding of the DFA as the USAID/W

committee that reviewed the LSRP. USAID/W, however, had moved well beyond its earlier position.

Further emphasizing its dated orthodoxy, REDSO staff also asked the Mission to provide a standard economic analysis for this technical assistance project. USAID/Bissau argued that such an analysis was neither feasible nor appropriate for projects such as TIPS. REDSO won the debate, and the Mission provided three different analyses: (1) an institutional analysis similar to those followed by other USAIDs for projects with outputs that do not lend themselves to standard quantitative assessments of cause-effect relationships, (2) numerical estimates, as an annex to the PP, to determine the stream of new benefits necessary to provide a minimum reasonable rate of return on the TIPS life-of-project investments, and (3) in the body of the project paper itself, a least-cost approach to project implementation.

REDSO's formal approval cable of the PP and its economic analysis was dated September 28, 1992, allowing the Project to be authorized and obligated on the next day, before the end of FY 92.

## CHAPTER 6

# PROJECT AUTHORIZATION TO TIPS MASTER-CONTRACT SIGNING

**SEPTEMBER 29, 1992 TO JULY 16, 1993**

The approved TIPS project paper was the basis for drafting several legal documents that ultimately transformed the project's technical design into a scope of work for a specific contract. The technical design drove these legal documents. This chapter describes how these documents defined the authorized use of USG funds for specific purposes and, consequently how to develop a contract that delivers on the measurable impact for a strategic objective and the results of program outcomes.

### **A. THE LEGAL BASE FOR THE TIPS PROJECT AND CONTRACT**

The Project Authorization and the main body of the Grant Agreement negotiated with the GOGB (both signed on September 29, 1992) describe the TIPS Project as follows:

*"The Project is organized in five separate **components**:*

- A. *A Policy Dialogue and Formulation component will strengthen the capacity of the Government of Guinea-Bissau ('GOGB') to formulate sound trade and investment policies and plans for their implementation. Working through a Presidential Commission or similar governmental body, and collaborating with modern and traditional private sector groups, the component will finance training, technical assistance and other interventions and inputs to institutionalize analytical capabilities and participatory procedures as a standing GOGB function.*
  
- B. *A Legal and Regulatory Formulation and Reformulation component will work with the Ministry of Justice and other relevant GOGB agencies to enhance their capacity to research, draft, and disseminate legislation and administrative regulations. Through training, technical assistance and other inputs, this component will focus on the analysis and*



*codification of existing legal regimes and the formulation of new codes and regulations to encourage trade and investment.*

- C. *A Legal and Administrative Adjudication component will address the organization, equipping, and training of judicial courts, executive agencies, lawyers and other regulators to administer the business law regime through modern and traditional adjudicatory systems.*
- D. *A Private Sector Interventions component will finance studies, training, technical assistance and other inputs to local business associations to enhance entrepreneurial skills and their access to investment prospects, and to promote foreign investment in Guinea-Bissau. The project will work through local business associations, such as the Chamber of Commerce.*
- E. *The Project will also finance project audits, evaluations, and other Project management activities."*

The detailed description of the objectives and structure (design) of the TIPS Project found in the TIPS Project Paper, the Amplified Project Description to the Grant Agreement, and the TIPS contract (signed July 16, 1993) are **identical** (with the exceptions that provide greater specification in the Contract Scope of Work).

The more detailed descriptions given below in italics are quoted directly from Article II, Contract Scope of Work, of the TIPS contract.

*"2.3 The **Goal** of the Contract is identical to the Goal of the TIPS Project and to the Goal of the USAID program in Guinea-Bissau:*

*To achieve market-oriented economic growth that is broad-based and sustainable."*

The Contract established 13 indicators for Goal-Achievement and listed eight external factors that could be expected to impact either positively or negatively on it. These were taken directly from the program and project logframes. The Contract requires the Contractor to "develop and implement on a continuing basis standardized data-collection, monitoring, analysis and reporting systems" for the indicators. The Contract explicitly noted that achievement of the Goal is "beyond the manageable interest" of the Contractor.

The Contractor is, however, held responsible for achieving results below the Goal level.

"2.14 The **primary objective** of the Contract is:

*To increase the levels of sustainable private sector economic activity (T+I) in Guinea-Bissau's critical growth sub-sectors (CGS)."*

"2.15 The **critical growth sub-sectors (CGS)** are":

- "1. The **production, processing and marketing** (domestic and/or export) of **rice, cashews, fruits and vegetables and forest and fisheries products**;
2. **Commerce**, to provide broad access to inputs required for increased production, processing and marketing; and to make available the consumer goods without which there is little incentive to work harder, produce and market more; and
3. **Services**, to support production, processing and marketing activities, and, again, also to satisfy consumer demands."

"2.16 The critical growth sub-sectors (CGS) may also be usefully (and operationally) defined as per the **CGS Matrix** below:

### CGS MATRIX

| CGS<br>AREAS OF<br>ECONOMIC<br>ACTIVITY |   | CGS PRODUCTS |            |       |     |        |      |
|---|---|--------------|------------|-------|-----|--------|------|
|   |   | RICE         | CASHE<br>W | FRUIT | VEG | FOREST | FISH |
|   |   | 1            | 2          | 3     | 4   | 5      | 6    |
| PRODUCTION                              | A |              |            |       |     |        |      |
| PROCESSING                              | B |              |            |       |     |        |      |
| MARKETING/DOMESTIC                      | C |              |            |       |     |        |      |
| MARKETING/EXPORT                        | D |              |            |       |     |        |      |
| COMMERCE/GENERAL                        | E |              |            |       |     |        |      |
| COMMERCE/PRODUCT<br>SPECIFIC            | F |              |            |       |     |        |      |
| SERVICE/GENERAL                         | G |              |            |       |     |        |      |

|                              |   |  |  |  |  |  |  |
|------------------------------|---|--|--|--|--|--|--|
| SERVICES/PRODUCT<br>SPECIFIC | H |  |  |  |  |  |  |
|------------------------------|---|--|--|--|--|--|--|

After introducing and defining the CGS matrix, the Contract re-defines the Contract Primary Objective as:

*"2.21 The **Contract Primary Objective** is now (unambiguously and explicitly) defined as:*

*To increase the levels of sustainable private sector economic activity (T+I) in each of the 38 cells (elements) of the CGS Matrix."*

The contract explicitly recognizes that achievement of the Primary Objective is also not completely within the Contractor's manageable interest:

*"2.22... Though the Contractor will not have complete control over the results at the Primary Objective level, the Contractor will have a major and perhaps defining influence. Thus, it is at this level that overall and ultimate Contractor success or failure will be measured, i.e., by how much (or how little) level(s) of sustainable private sector economic activity (T+I) increase in each of the 38 cells (elements) of the CGS Matrix."*

As with the Goal, Contractor reporting is required at the Primary Objective Level:

*"2.23 To this end, the Contractor shall develop and implement (on a continuing basis) standard data-collection, monitoring, analysis, and reporting systems for estimated actual or realized levels of private sector economic activity in/for each of the 38 elements of the CGS Matrix."*

The Contract also recognizes that the potential within the CGS and constraints to the realization of that potential were likely to vary over time in response to international and domestic factors. Thus:

*"2.28 To this end, the Contractor shall design and implement (on a continuing basis) standardized data-collection, monitoring, analysis and reporting systems for identifying the potential for new private sector activity for each of the 38 elements of the CGS Matrix" and*

*"2.33 To improve its technical/analytical base for identifying constraints and for developing strategic plans to remove them, the Contractor shall develop*

*and implement a specific and time-phased analytical agenda to improve Contractor understanding of the details and relationships among the four areas of constraints (policy, legal/regulatory, judicial, and direct private sector support) noted above."*

The Contract also explicitly specifies the design or "means" that the Contractor shall employ in contract execution. Again, the design is that of the TIPS Project Paper, the Authorization, and the Grant Agreement negotiated and signed with the GOGB.

*"2.38 The Contractor's **objectives** for each of the four technical components are summarized as follows:*

- (1) To develop and ensure wide acceptance of priority T+I policies and implementation strategies for critical growth sub-sectors.*
- (2) To (re)formulate, ensure wide acceptance, and implement priority T+I statutes and regulations.*
- (3) To improve adjudication of T+I legal and regulatory conflicts.*
- (4) To improve the ability of private sector entrepreneurs to respond to the new T+I policy, legal and regulatory environment."*

*"2.69, 2.78, 2.87, 2.92 The Contractor's **outputs** from the activities supported under this [these] technical component[s] shall include but not be limited to:*

[Technical Component 1: Trade and Investment Policies and Implementation Strategies for Critical Growth Sub-Sectors]

- "1.a The Contractor (in conjunction with appropriate private and public interest groups or entities) will have developed clear, consistent, economically sound and widely accepted policies to promote private trade and investment in the critical sub-sectors (see CGS Matrix).*
- 1.b The Contractor (in conjunction with appropriate private and public interest groups or entities) will have identified and analyzed statutory, regulatory, judicial/administrative adjudication and other "supply-side" constraints to implementation of these trade and investment policies; and,*

- 1.c *The Contractor (in conjunction with appropriate private and public interest groups or entities) will have developed action plans, including budgets, to remove constraints to implementation of these policies."*

[Technical Component 2: Trade and Investment Statutes and Regulations]

- "2.a *Clear, consistent and widely accepted statutes governing public-private and private-private trade and investment transactions will have been formulated and/or reformulated; and*
- 2.b *Executive regulations and procedures for implementation of public-private trade and investment transactions will have been revised to eliminate hidden costs, bureaucratic delays, redundant approval processes and lack of transparency."*

[Technical Component 3: Legal and Administrative Adjudication]

- "3.a *The formal court system will have been restructured and upgraded to facilitate efficient, fair, and impartial adjudication of conflicts regarding T+I transactions.*
- 3.b *Appropriate executive offices will have established clear, transparent, and efficient mechanisms for the administrative adjudication of private-public conflicts regarding executive T+I regulations and procedures.*
- 3.c *Lawyers' expertise in T+I formal laws and regulations, as well as in traditional conflict resolution systems, will have been improved."*

[Technical Component 4: Direct Supply-Side Interventions]

- "4.a *Selected private interest groups will have been strengthened and will have provided T+I support services to their members.*
- 4.b *T+I promotion services will have been expanded; and*
- 4.c *The analytical base for promoting increased T+I will have improved."*

To assure Contractor understanding of the Contract and TIPS Project, to allow for USAID/Bissau technical directions, and to provide a basis for the monitoring of contract-implementation, the Contract in Section F, Article II - Reports, provides that:

*"(1) Annual Work Plans and Budgets: By September 15 of each contract year, and in accordance with Section C of this contract, the Contractor shall prepare and submit to USAID for its approval 18-month work plans (in form and substance satisfactory to A.I.D.) and associated budgets for all activities to be undertaken under this Contract. ... The Contractor's approved 18-months Work Plan and Budget prepared annually will become an integral part of the Contract. Notwithstanding such integration, however, should inputs or activities differ materially from the statement of work of this contract, ... a contract modification must be executed by the Contracting Officer. In no case will approved work plans or associated budgets result in an increase in the Total Estimated Cost of the contract without the prior written approval of the Contracting Officer. All work plans and budgets must be executed within the existing obligated contract amount, per FAR clause 52.232-22 entitled 'Limitation of Funds.'"*

The Contract also requires quarterly reports on the execution of the Annual Work Plan.

## **B. PROGRAM IMPLEMENTATION**

Between end-September 1992 and July 1993, USAID/Bissau continued to implement its program through studies, workshops, training, and direct promotion of trade and investment. The resources employed were OYB transfers to IPC and the Africa Regional Private Sector Project, PD&S, HRDA, ATLAS and 116 (E).

Among other studies, the Mission designed and initiated research on:

The ethnography of the formal and informal economy relating to the CGS. While not completed until after the TIPS contract was signed, this particular study was especially useful and influential.

Property/land conflicts adjudication under customary law and legal systems.

Approaches to demarcating property boundaries, a necessary step in creating a market for land.

An in-depth assessment of the shrimp/prawn resource potential in the Cacheu River Estuary.

Both the IPC and Chamber of Commerce stand-alone projects actively continued, with:

The Chamber of Commerce project expanded to include support for the development of other trade associations with interests specific to the CGS, and,

IPC (1) helped create and then assisted a working group on judicial reform, (2) co-sponsored well-attended workshops on Guinea-Bissau's legal structure and adjudication processes affecting private economic activity, and (3) initiated a reform working group within the Ministry of Commerce.

At the same time, the Mission continued to support Guinea-Bissau's transition to multi-party democracy with two principal activities:

Key leaders participated in conferences relating to their responsibilities under a democratic government; and

Assistance was provided the GOGB for its national elections, with Mission staff supporting the Ambassador in managing this program.

These studies and activities contributed to TIPS start-up and helped sustain the momentum of USAID/Bissau's program initiated in early 1991.

## **C. SUMMARY**

The TIPS project design -- as incorporated in the Project Paper, the Authorization and the Grant Agreement -- was refined in a detailed scope of work for the TIPS RFP, and subsequently incorporated in the TIPS contract. USAID/Bissau moved from Authorization through an RFP for full-and-open competition to contract-signing in less than ten months. All these documents (PP, Authorization, Grant Agreement and Contract) describe the project's four major technical components (TCs) and what they are to accomplish.

*Governance*, as covered in the four TCs, is the means essential to achieve sustainability. It is governance (TCs 1, 2, 3 and part of TC 4) combined with direct private sector assistance (under TC 4) that will produce sustainable increases in private economic activity in the CGS, the Contract Primary Objective. Because governance is defined by the objectives of the four TCs and their eleven outputs, USAID/Bissau did not include this term in the statement of the Contract Primary Objective, though, of course, it is retained in the Mission's Strategic Objective and program logframe.

USAID/Bissau used the visual device of the 38-cell CGS Matrix to help focus the Contractor's attention on sustainable private sector activity in areas of major significance to Guinea-Bissau, and to limit the interventions to be supported under the contract. Discipline is enhanced by the requirement that Annual Work Plans (AWPs) be approved by the Mission and that Contractor activities outside these plans are prohibited, unless such additions to the work plan are pre-approved by USAID/Bissau

in writing. Annual Work Plans (and Contractor reports in general) must be "in form and substance satisfactory to USAID."

The Contract requires reporting at the Goal Achievement and Primary Objective levels, as well as on quarterly progress under the AWP. USAID/W requested this higher-level reporting to help reduce the reporting and management demands on the small Bissau Mission. More importantly, the Contractor needs these reports in order to continually assess the project's environment and the Contractor's own performance, as well as identify lessons learned to be incorporated in future AWPs. USAID/Bissau requires these reports for its monitoring and management purposes, and for reporting to USAID/W through the Mission's annual Assessment of Program Impact (API).



**CHAPTER 7**

**FROM CONTRACT-SIGNING  
THROUGH CONTRACTOR'S ARRIVAL  
IN-COUNTRY**

**JULY 16, 1993 TO JANUARY 1, 1994**

USAID/Bissau and the Contractor accelerated start-up activities so that the field team of three long-term experts and one administrative/logistic person was able to begin implementation as soon as it arrived in-country in January 1993. This chapter describes the structure of the Contract, the five-member consortium that won it, the Contractor's start-up activities, and USAID/Bissau's contributions to these activities.

**A. THE TIPS CONTRACTOR**

**A.1 Master Contract Decision**

The contract mode for TIPS was an issue from the beginning of the APPLI PID. The PID proposed a cooperative agreement for the cereals policy component of the project. REDSO's reporting cable on the PID stated that "the complex nature and relationships of inputs called for in this project may require more USAID control than can be provided through a cooperative agreement." Washington's reporting cable on the draft LSRP PP also suggested that the Mission reexamine the "single contract mode. ... More discrete grant or cooperative agreement arrangements with distinctive entities could be useful." USAID/W's approval cable on TIPS recommended that the Mission explore all available contracting mechanisms, e.g., "buy-ins, cooperative agreement, management contract, master contract." USAID/Bissau was not limited to one option only.

On the basis of its ability to manage simultaneously the IPC activity, the Chamber of Commerce activity, and a broad range of other initiatives supportive of its program, USAID/Bissau was confident that it could manage multiple contractors under TIPS. At the same time, however, the Mission was mindful of the lessons from earlier Missions overburdened with management-intensive projects. It was for this reason that USAID/Bissau proposed a master contract in the TIPS PP. Washington accepted this choice.

## A.2 RFP and Proposals

USAID/Bissau prepared the TIPS RFP based completely on the PP, supplemented by the CGS matrix, Contract Primary Objective, and reporting requirements covered in Chapter 6. The Mission appended more than 30 separate reports to the RFP that the Regional Contracting Officer sent in January 1993 to the 60-plus firms requesting copies. These reports and the pre-proposal conference in Bissau attended by representatives from six firms were intended to level the playing field for all bidders and to help them prepare quality proposals in the full-and-open competition for the TIPS contract.

As might be expected for a contract with the breadth, scope, and specializations required under TIPS, only two consortia submitted proposals.

## A.3 The Winning Contractor Consortium

USAID/Bissau was pleased with the composition of the five-member consortium that won the contract. Two members were private sector firms, two were universities, and one was an American PVO. All had prior experience and interest in Guinea-Bissau. Each member brought its own specialization to the contract, and the three candidates for the long-term field assignments had impressive credentials. These three were supplemented by a roster of experienced Brazilian and U.S. Portuguese-speaking experts available for short-term assignments. One of the private sector firms is the prime contractor; the others are sub-contractors to the prime.

## **B. ASSURING A RAPID START-UP**

Both the Contractor and USAID/Bissau launched efforts to assure that the field team would be able to begin project implementation immediately upon arrival in country.

The Contractor arranged for the long-term experts to visit Bissau twice to plan for the integration of the IPC and Chamber of Commerce activities into the TIPS Master Contract, to become familiar with and build on other Mission activities supportive of the Contract, and to begin preparing the first Annual Work Plan. The Contractor also sent a separate team to organize the TIPS office, begin recruiting local staff, and complete required procurements.

USAID/Bissau contributed to this start-up by using TIPS funds outside the Contract to procure the Contractor's essential office and residential equipment and commodities, including vehicles, computers, household furnishings and appliances, generators, etc. The Mission also prepared two residences and office space which were ready when the team arrived in country.

As a result of USAID/Bissau's administrative/logistic and program contributions, the Mission reported that the TIPS contractor was "able to hit the ground running, rather than spend the first year or first 18 months exploring the local scene, establishing trusting relationships with counterparts, explaining TIPS, and conducting various studies preparatory to the formulation of initial work plans."

In January 1994 the Contractor's full, three-person field team was in-country and very much operational.

## CHAPTER 8

# FIRST YEAR OF TIPS

## JANUARY 1994 TO DECEMBER 1994

1994 was a momentous year for Guinea-Bissau and a very promising one for the USAID/Bissau program and the TIPS Project. This chapter summarizes the country's political and economic changes during the year, the TIPS Contractor's learning process and accomplishments, and USAID/Bissau's contributions to them.

### A. A VERY GOOD YEAR

This was a year of triumph for Guinea-Bissau. Following three years of carefully planned constitutional changes and electoral law reforms (extensively supported by USAID/Bissau through consultants on constitutional governance, the Implementing Policy Change project, and the International Foundation on Electoral Systems), Guinea-Bissau made a highly successful transition from a one-party socialist dictatorship to a multi-party democracy. Two rounds of free and fair elections during July and August of 1994 produced the country's first multi-party legislature (five parties represented), and the first directly-elected president was inaugurated on September 29, 1994.

The transition to democracy was well planned and executed, and Guinea-Bissau scored an impressive list of achievements. Recent years also witnessed freedom of the press, the appearance of new independent newspapers, and expanded trade union activity. The judicial system was restructured and increased its independence from the executive branch. All these things were accomplished peacefully and without irregularities or human rights abuses.

Moreover, during the course of the country's hotly contested presidential and national legislative elections, Guinea-Bissau not only stayed on track politically, but in many cases exceeded World Bank and IMF economic targets as set forth in the structural adjustment and stabilization program for 1994. Even the IMF marveled at Guinea-Bissau's accomplishments. Government's strict monetary policy resulted in a 1994 inflation rate of 15.2 percent (down from 88 percent in 1992), which was below the IMF-set target. In 1994, Guinea-Bissau had a real GDP growth rate of 6.3 percent -- growth that was led entirely by the private sector. Cashew, fruit and vegetable production expanded greatly, as did cashew exports, the leading source of foreign exchange. Public expenditures decreased to less than 39 percent of GDP (down from 50 percent in 1992), and the current account deficit was reduced to \$64.4 million from \$107.1

million in 1992. Reductions in the size of the civil service continued. The informal sector of the economy boomed and accounted for well over 60 percent of all economic activity. It is likely that, if the informal sector were measured, the real GDP growth rate would have been much higher still.

All in all, it was a very good year for Guinea-Bissau -- and for the USAID/Bissau program. Guinea-Bissau ushered in the era of democracy and still maintained a stable macroeconomic policy, while USAID/Bissau was measuring impact, as described below. The Mission was able to maintain, deepen and increase the reform momentum with the January 1994 arrival of the TIPS Contractor's field team.

Because of the Mission's and TIPS Contract team preparatory efforts described in Chapter 7, the transition from Mission management and implementation of almost all program activity in Guinea-Bissau to mostly TIPS Contractor implementation during 1994, was highly effective, if not always smooth. It resulted in significant accomplishments in 1994, the base for which USAID/Bissau had laid previously.

## **B. ACCOMPLISHMENTS BY THE END OF 1994**

USAID/Bissau and the TIPS Contractor played important roles in improving *the policy, legal and regulatory environment* for increased private sector economic activity and economic growth. In a perhaps unique situation for a bilateral donor, the GOGB's latest policy pronouncements **are almost one and the same** as the positions advocated by USAID/TIPS. The GOGB policy paper *Medium-Term Economic and Financial Policy Framework Paper (1994-1997)* presented in Geneva emphasized reliance on private sector-led growth and legal, regulatory and judicial reform, and it specifically identified the Mission's critical growth sub-sectors. The paper received high marks from all donors. They pledged over \$375 million, enough to cover the GOGB 1994-95 financial gap; and the Paris Club announced it was canceling nearly two-thirds of Guinea-Bissau's bilateral debt.

The following excerpts are taken from the GOGB Policy Framework Paper and from the Executive Branch's Program as presented to the new National Assembly.

*"The Government will aim at enhancing private sector development by improving profitability in agriculture, fishing, and forestry activities. This will require, among other things, a number of amendments and modifications to the legal and regulatory system so as to make it more compatible with a market-based economic development strategy."* This is the USAID/Bissau strategy in a nutshell.

*"The Government is determined to reform the legal and regulatory framework in order to establish an enabling environment for private sector development. Thus, the authorities will revise land tenure and property rights, as well as business laws and regulations; USAID is already financing a project for legal and regulatory reform. The Government is also aware of the need to strengthen the capacity of the legal system to settle disputes and enforce contractual obligations; to strengthen the capability of the institutions charged with enforcing regulations; and to remove overlapping responsibilities of different agencies."*

*"The pricing and marketing of agricultural products are no longer subject to government controls. However, farmers have not fully benefitted from the liberalized environment as a result of collusive agreements among the main exporting merchants, particularly in the case of cashew nuts ... The Government will rectify this situation by abolishing, by end 1994, the minimum shipment requirements for agricultural commodities." This change is the result of the efforts of the Mission-supported Commercial Policy and Legislation Working Group.*

*"To promote the production of non-cashew nut exportable agricultural crops, the Government intends to encourage commercial agriculture. The recently established National Farmers Association (ANAG), which consists mainly of medium- and large-scale farmers, is expected to continue to explore ways of increasing the production of vegetables and fruits for export to neighboring countries and Europe." This is a TIPS effort.*

The *legal and regulatory environment* for private sector economic activity improved in many ways due to the work of the TIPS-sponsored public/private sector working groups.

The public/private sector *Commercial Policy and Legislation Working Group* led the:

Commerce Ministry to take the initiative on legislation that removed remaining price controls.

Commerce Ministry to promote and obtain passage of legislation to streamline procedures for registration of firms and for obtaining of licenses and permits for import and export.

Government to lower the cashew export tax from 50% to 20%, and to make a policy decision to further lower it to 13%.

Government to abolish minimum shipment requirements for export of agricultural commodities.

Commerce Ministry to change its perception of its role from one of regulation and control of private economic activity to one of facilitating private economic activity.

The Commercial Policy and Legislation Working Group made its recommendations for each of the above actions after having utilized studies and technical consultancies from USAID/TIPS. The Working Group (and four sub-groups) formed and developed its recommendations following a series of TIPS-sponsored workshops and the TIPS-sponsored National Conference on Commercial Policy and Legislation.

In addition to formulating a fisheries action plan, the public/private sector *Fishing Policy Working Group* recommended to and had adopted by the Fisheries Ministry:

A change in the licensing policy for foreign vessels to improve management of the fisheries resources and increase benefits for Guinea-Bissau.

A change in the terms of fishing agreements as they come up for renewal to better benefit Guinea-Bissau.

A new practice whereby private sector representatives will be included in all Guinean delegations negotiating fishing agreements.

The Fishing Policy Working Group made its recommendations for each of the above actions after having utilized studies and technical consultancies from USAID/TIPS. TIPS also proposed standards and criteria for the Ministry to use when negotiating new fishing agreements or revising existing fishing agreements, and is providing training on how to organize statistical data for the purposes of drawing policy conclusions.

The public/private sector *Agricultural Reform Working Group* and sub-sector groups:

Worked with TIPS consultants to prepare a paper on privatization, reorganization or shedding of some Ministry functions in 1994, particularly in agricultural extension and veterinary services.

Now continue their work independently of TIPS participation.

The public/private sector *Judicial Reform Working Groups* led the way in drafting legislation to restructure the entire Guinea-Bissau legal system. The following reforms and restructuring have taken place, all catalyzed by the working group established by USAID/Bissau through IPC and now assisted by TIPS:

The Constitutional Revision Commission amended the Constitution to separate the judicial branch from the executive branch.

The Judicial Reform Working Group drafted ten "organic laws" for the structure of the independent judiciary, including statutes for the organizational structure, the roles and responsibilities of magistrates, and establishment of a separate budget line item for the judiciary; the establishment of a new system of 38 small claims courts (sector courts); and establishment of a new penal code system (underpinning due process, rights of defendants, procedures for handling cases, trade and investment disputes, economic crimes, etc.).

Organized training, sponsored by TIPS, for the small claims courts' magistrates and clerks.

Organized material support, sponsored by TIPS, for the small claims courts.

Helped the Association of Guinean Magistrates to organize itself and develop its statutes. TIPS' work on judicial reform has been a mixture of providing the studies and technical assistance required by the working group, and the basic support to get the new judicial system started. Neither TIPS nor the Mission covered any recurrent costs.

USAID/Bissau's efforts, now incorporated under the TIPS *fourth program output (TC-4, private sector)*, have already yielded significant returns. Several private sector associations, all either created or encouraged by USAID/Bissau and TIPS, are active in representing their members' interests. None of these associations receives any operational support from donors -- they are all self-sustaining. USAID/Bissau has provided materials for start-up operations, such as office furniture and computers. The Mission has not, however, provided any vehicles or any recurrent costs whatsoever. These associations exist because their members are willing to finance them -- and they will cease to exist if their members change their minds. USAID/Bissau is encouraging associations that start out self-sufficient.

The following private sector associations were formed through USAID/Bissau and TIPS encouragement:

- Chamber of Commerce, Industry and Agriculture (CCIA)
- National Agricultural Association (ANAG)
- Association of Business Women (AMAE)
- Guinean Association of Small Traders (AGUIPEC)
- Young Entrepreneurs Association (AJE)
- Association of Cashew Growers (CASP)
- Association of Forestry Industry (AIM)



National Association of Fishing Enterprises.

These private sector associations are providing various services to their members, beyond their participation in the reform working groups described earlier. An illustrative list of USAID/TIPS-supported activities includes:

The Agricultural Marketing Information System (SIMA), operated by ANAG and CCIA, provides daily price information on agricultural commodities in all major markets throughout the country. ANAG and CCIA members, and other subscribers, use the information to make marketing decisions.

ANAG is using TIPS technical assistance to assist its members in increasing mango production and growing mangos for export.

AMAE and ANAG have jointly sponsored, with TIPS, a "training" project in household shelling and processing of cashew nuts. It is called a training project now because AMAE members, women from two villages, are learning how to shell and process cashews for export. It is in fact a training-of-trainers project, as the current beneficiaries will later train other women throughout Guinea-Bissau in how to use the simple, low-technology, hand-operated processors. Because of the valued-added from this processing, TIPS estimates that incomes for rural women could be raised by as much as \$3 to \$6 daily, an exceptionally significant increase in a country where the average rural income is less than \$1 per day.

USAID/TIPS is providing business training to private firms through ANAG, CCIA, AGUIPEC and others.

It is clear that USAID/TIPS' work with private sector associations has had a significant impact on the civil society landscape in Guinea-Bissau.

### **C. WORK PLAN**

Although the Contractor performed extremely well during 1994, implementation was closely monitored and controlled by USAID/Bissau and was largely a continuation and expansion of activities previously directed by USAID/Bissau under the OYB-funded IPC and Chamber of Commerce activities, as well as the numerous activities and studies funded by HRDA, PD&S, and 116 (E).

USAID/Bissau worked closely with the TIPS Contractor in providing the team with technical directions and exercising close management control, including approval of all scopes of work for technical assignments of expatriate short-term experts, consultant

reports, PIO/Ps for training programs, and the AWP. All these documents had to be in form and substance satisfactory to USAID/Bissau.

The Mission maintained tight management control during the first 18 months of TIPS Contractor operations for two reasons. First, the TIPS team both in its Bissau and its U.S. home offices had little previous experience with long-term, field-based technical assistance projects, let alone with projects as complex and administratively-demanding as TIPS. Second, both the Guinea-Bissau development context and the TIPS project were complex, requiring Mission guidance until the Contractor could demonstrate adequate understanding and mastery of the Contract, the project design, and Goal, Strategic Objective, and Program Outcomes.

Year 1 was very management-intensive for USAID/Bissau, because the Mission was staffed by only one USDH. Preparing the first-year's AWP was particularly time-consuming, as the Contractor had to submit several revisions of the plan before winning USAID/Bissau approval.

By the end of 1994, USAID/Bissau was satisfied that the Contractor's field team understood the project and interrelationships within it. The team also demonstrated an improved understanding of the how and why of developing detailed work plans, crafting scopes of work, and critiqueing reports. Although the Mission was not yet completely satisfied with these products, the Contractor was judged to be well on its way toward producing satisfactory Goal Achievement, Contract Primary Objective, and other reports and then using them as basic inputs to the development of the annual work plan.

Thus, USAID/Bissau decided to relax the degree of control it exercised. This resulted in the Contract Modification described in Chapter 9.

## **D. SUMMARY**

1994, the first year of the TIPS Contract implementation, was promising for Guinea-Bissau, USAID/Bissau's program, and the TIPS Contractor.

Guinea-Bissau had a smooth transition to its new multi-party democracy, while at the same time it maintained strict discipline in its management of the economy.

From the Mission's perspective, 1994 demonstrated the value of:

1. The Mission's program/TIPS design that builds on (a) governance-to-economic-growth linkages and (b) a participatory approach that channels program efforts into assisting Guinea-Bissau private associations and reform working groups.

2. The ambitious program that the Mission developed and implemented prior to the arrival of the TIPS Contractor.
3. The prior procurement of commodities and space for the Contractor so that, along with the program accomplishments mentioned in earlier chapters, the Contractor was able to immediately begin project implementation in January 1994.
4. Close USAID/Bissau guidance and oversight of the Contractor's team to help them understand the project design and develop associated operational techniques.
5. Preparing AWP's not only for their value in organizing and focussing all contractor resources but also as a device to help the contractor understand the project and how each of the TCs contributes to achieving the Contract Primary Objective.

USAID/Bissau also re-discovered that:

6. Contractor start-up is a very management-intensive and time-consuming challenge.

## CHAPTER 9

# THE FIRST NINE MONTHS OF YEAR 2

## JANUARY 1995 TO SEPTEMBER 1995

1995 differs from the first year of TIPS Contract implementation in that a new government was installed after the 1994 elections; a modification in the TIPS Contract was executed; and both contractor management and implementation issues have arisen that USAID/Bissau believes could possibly affect continuing progress under the project.

### A. CHANGE IN GOVERNMENT

The new democratically-elected government installed a new prime minister and cabinet. USAID/Bissau's closest counterparts, the leaders of policy and economic reform in past years, were replaced by younger, less experienced, but more formally educated, cabinet ministers. The new faces, however, appear less reform-minded, and at least a few of them are reported to reject some reform measures their predecessors set in motion. Similar changes were made at the Director General level, and many strong reformers involved in working groups created and assisted by TIPS were removed. The TIPS challenge for 1995 was to get the new government to follow up on the successes registered previously.

The new government began its tenure by relaxing macroeconomic-management discipline. As a result, inflation increased significantly, which in turn caused shortfalls in meeting 1995 IMF/WB targets. The GOGB prepared an emergency management plan to correct the consequences arising from its initial management failures. A September 1995 draft of this plan calls for some immediate, draconian measures.

These measures and their dampening effects on the economy suggest that the TIPS Contractor will not score very high this year on the success indicators under the Contract Primary Objective. On the other hand, the GOGB's new strict management guidelines and other recent actions should encourage economic growth in out-years and, also, contribute to the learning of new ministers responsible for resource-poor ministries. TIPS is providing some training in basic economics that should help the new cabinet and others to better understand why the country's future lies with the private sector and with the removal of government constraints on it. Moreover, the TIPS Contractor is making good progress in shifting its efforts to the more reform-minded ministries.

## **B. TIPS PROGRESS**

The Contractor is continuing its first-year activities and building on them. For example, the ten laws drafted earlier on the new judiciary were passed and are being implemented with TIPS assistance. Work continues and is expanding with the new legislature; and the pilot program of household-level processing of cashew nuts is being expanded.

The Contractor's second-year AWP demonstrated that the field team has a much better understanding of the project design, the individual technical components, how they relate to one another, and how to prepare an annual work plan. There are, of course, areas for further strengthening. The forthcoming mid-term evaluation of TIPS will examine both the Contractor's and project design's strengths and weaknesses, as well as means to further enhance project success.

## **C. TOWARDS A PERFORMANCE-BASED CONTRACT**

Chapter 6 traced how the TIPS project design was incorporated in three legal documents: the Project Authorization, the Grant Agreement, and the scope of work for the TIPS Contract. This scope of work recognizes that, although achievement of the Contract Primary Objective is not completely within the Contractor's manageable interest, "it is at this level that overall and ultimate Contractor success or failure will be measured." The Contractor is also responsible for achieving the objectives and their associated outputs for four separate TCs. AWP's detailing how the Contractor proposes achieving outputs and objectives have to be approved "*in form and substance satisfactory to USAID.*" The Contractor is then responsible for implementing the approved plan.

The Contractor made very satisfactory progress the first year, and USAID/Bissau believes the second-year (1995) AWP is even better. On this basis, Mission management thought it appropriate to provide the Contractor with increased flexibility in organizing its resources.

USAID worldwide supports such flexibility and a move toward performance-based contracts. According to the Office of Federal Procurement Policy (OFPP), scopes of work in these contracts "would describe the work in terms of 'what' is to be performed rather than 'how' it is to be performed and should include specific, measurable performance goals (i.e., quantity, quality, and timeliness)." (See Stanley Kaufman.) The Government Performance and Results Act of 1993 incorporates this approach in law.

As a pilot re-invention laboratory, the Agency for International Development is promoting the use of performance-based contracts. Procurement officers are encouraged not only to urge that new contracts be performance-based but that existing level-of-effort contracts be similarly amended (but presumably only as appropriate).

REDSO/WCA's regional contracting office urged USAID/Bissau to move beyond the Mission's initial concept of flexibility to something in line with OFPP's views. An extreme position would hold the TIPS Contractor solely responsible for the Contract Primary Objective only, not the governance approach (i.e., the four TCs) required to assure that the targeted increases in private sector economic activities are sustainable. Under this extreme position, the Contractor could put the project's entire resources into one TC only, perhaps TC-4 (private sector), that might generate short-term increases in private economic activity, but which would not be sustainable. That extreme position would also require that the Mission amend the Project Authorization and re-negotiate the Grant Agreement.

For these and other reasons, Mission management decided to retain the basic structure of the Contract's scope of work while, at the same time, providing the Contractor with great flexibility *below the TC output level*. This agreement led to a Contract Modification that became effective June 1, 1995. To confirm that the Contractor understood the meaning of the modification before signing it, the Contracting Officer sent a clarification memorandum to the Contractor on May 23. (The Contractor signed the modification on June 15.)

Despite the specific language contained in the modification and the clarification memorandum, the Contractor's home office (not the field office in Bissau) informed USAID/Bissau that the Contractor is only responsible at the Primary Objective Level. Although this misunderstanding is, with great effort and difficulty, being corrected, it could possibly arise again this year or next. Therefore, the modification and its clarification will be briefly reviewed below.

The Contractor is still responsible for submitting and obtaining USAID/Bissau's approval for AWP's that must be structured as in the original Contract.

#### Modification

*"The basic form and general substance of the AWP shall be that of the Contractor's (1994) 'Annual Work Plan' dated 10/29/94 ..." (page 8)*

*"Upon the joint written approval of the AWP by the COTR and the CO, **and in conjunction with PART 1, SECTION C - STATEMENT OF WORK, ARTICLE II - CONTRACT SCOPE OF WORK as it sets forth:**" ... Contract Goal-level Requirements, Contract Primary Objective and Contractor Success*

The Contracting Officer defined the Contractor's performance and implementation responsibilities as follows:

Modification

*"The Contractor's performance obligation is defined by the Statement of Work and the approved Work Plan." (p.14)*

Clarification

*"The Contractor cannot unilaterally change project design (i.e. the primary objective, or technical component objectives and outputs) that was agreed to at time of contract award."*

*"Contractor success will continue to be judged on achievement of the primary objective and, as required by the project design, implementation of the four technical components and accomplishment of the objectives and outputs under each technical component."*

*"... we regard our annual review and approval of your workplan and its supporting rationale as a key part of our technical directions and monitoring responsibilities."*

*"The Contractor's performance objectives under the Contract consist of achievement of the Contract Primary Objective, implementation of the technical components, and accomplishment of the objectives and outputs under each technical component."*

*"... success is measured by achievement of the Contract Primary Objective, implementation of the technical components, and accomplishment of the objectives and outputs under the technical components."*

The modification provides flexibility only at the sub-output, AEP (activity, event, or product), technical inputs (technical assistance [expatriate or local], training [in-country, or third- country or U.S.], commodities, and miscellaneous input categories), and associated budget levels, as well as on how the Contractor organizes its administrative/logistical operations in the home office and in Bissau. Flexibility is constrained, however:

## Clarification

In developing its Annual Work Plan (AWP):

*"... we expect that the Contractor will be free to shift inputs as it sees fit in order to achieve the contract primary objective, technical component objectives, and technical component outputs." and*

*"... during annual (AWP) implementation we fully expect limited changes to inputs, activities, events or products (AEPs), or perhaps sub-output portions of an Annual Workplan ..."*

USAID/Bissau would decide the meaning of "*limited*" changes.

Given the wording in the modification and the clarification provided prior to the Contractor signing the modification, it is not clear why the Contractor's home office misinterpreted its contractual obligations. The Contractor's interpretation, as noted earlier, would contravene and require amendments to the Project Authorization and Grant Agreement, not just the Contract. Under these circumstances, it is quite possible that, should the Contractor's home office persist, the Mission would be forced to cancel the Contract and re-procure services to implement the TIPS project.

As of mid-September 1995, the Mission reports indications that the Contractor's home office now appears to be "on board," but Mission management will need to monitor implementation closely.

## **D. CONTRACTOR MANAGEMENT ISSUE**

USAID/Bissau is very pleased with the Contractor's Project Coordinator in Bissau, as he has the best grasp of the project design, the Guinea-Bissau environment, and how to manage the implementation of policy change. He is clearly one of the most, if not the most qualified long-term expert for the Project Coordinator position, and USAID/Bissau does not wish that his role be in anyway diminished from that which had been anticipated. However, USAID/Bissau believes the Contractor's management structure is inherently prone to difficulties that could affect how resources are used, the relative emphasis given to different TCs, and staff morale.

This concern has several bases. First, the Project Coordinator is an employee of one of the four Sub-Contractors, which means he reports to the Prime Contractor but is responsible to his own firm. Second, the Prime Contractor's primary representative (employee) on the three-person Bissau team now has responsibility for the local administrative/logistical support for the Bissau office, as well as TC-4 (private sector).



He rightly has the confidence of his home office (as do all three team members) and deals directly with it, bypassing the Project Coordinator, at least on administrative/logistic matters. Third, the other member of the three-person team (responsible for TCs 2 and 3) was shifted from his university employer (a Sub-Contractor) to the Prime Contractor because of internal management policy procedures of this university. It is not clear what other backstopping and, possibly, technical directions were also shifted in the process. And, fourth, USAID/Bissau failed to contractually define the Project Coordinator's roles, authority, and responsibilities both with regard to the home office project management and with regard to the other two team members, their technical support staffs, their portions of the Annual Work Plan, and the Coordinator's ability to supervise the implementation of those portions of the plan.

It appears to USAID/Bissau that the Project Coordinator may be more of an advisor to his colleagues, not a chief-of-party with authority to give technical directions. The potential danger in this situation is that there could develop three semi-autonomous contract/project sub-units sharing common support services that the Prime Contractor's team member controls. The longer this unbalanced conditions exists, the more difficult it will be to clarify it.

From Mission management's perspective, USAID/Bissau has lost some of the supposed advantages of a Master Contract. With no one in charge, or with the hidden hand of power wielded by a home office project manager, the Mission may also find itself being forced to by-pass the Project Coordinator and work directly with each long-term expert. This would not be a desirable situation.

While the Contractor's management structure has its downside, it may also have positive features. If the Project Coordinator were an employee of the Prime Contractor, it would be much easier for the Prime to shift a disproportionate share of Contract resources to the TC for which the Prime has major responsibility (this is TC-4, private sector). Under the current structure, USAID/Bissau is not the sole counter to such a shift. The Sub-Contractors' home offices perform this service, no doubt because they have a different understanding of the project design and, also, because they have an interest in maintaining their respective TCs.

It is quite possible that the above management problem is inherent to TIPS, a project with several components requiring specialized skills that no single consulting firm or university is able to provide. Rather than only faulting the lack of precision in defining roles, authorities and responsibilities, USAID/Bissau might better fault itself for relying on a single Master Contract. And instead of moving toward a performance-based contract, the Mission might have been advised to seek increased control over the Contractor or to use several contracts (a less desirable implementation mode for a small mission). Finally, a contract's structure and mode need to adapt to how the

interests of contractors (prime and their subs) are likely to affect the relative emphasis given to different components of a multi-component contract.

## **E. SUMMARY**

Guinea-Bissau, USAID/Bissau and TIPS are paying the costs of democracy. It is perhaps remarkable, however, that the new government continues to work well with TIPS and that it initially responded so strongly to correct its own economic management mistakes.

The design of TIPS allows it to successfully respond to the problems associated with the recent cabinet changes. This is because there are four different TCs, allowing shifts in emphasis (upon USAID/Bissau approval) from one to another. Even within individual TCs, flexibility in the scheduling of AEPs (activities, events and products) and inputs is possible. For example, TC-1 (policy) was readily able to give more emphasis to ministries most supportive of important CGS-related reforms, e.g., the Ministries of Commerce and Fisheries, while waiting for the Ministry of Agriculture to better define its own position and objectives.

The relevant lesson of experience here lies in the value of designing projects in modules (TCs) that provide the flexibility to respond constructively to temporary changes in the larger economic and counterpart environments.

Modules *per se* serve a valuable purpose. However, they also invite an unstable division of labor among a prime contractor and its sub-contractors, each viewing itself as perhaps solely responsible for individual modules/technical components. TIPS suffers some of the downside from this type of project design. The forthcoming evaluation of TIPS will need to examine whether it was appropriate to have a master contractor for TIPS, whether a performance-based contract is fully appropriate for this project, and how USAID/Bissau and the Contractor can best correct some of the inherent difficulties that the Mission believes the project could be experiencing.

The Mission wishes to stress that the TIPS project and TIPS Contract implementation are going well and that it feels that the above-noted difficulties are normal and will be satisfactorily resolved during the development and approval of the 1996 workplan. This will be done in Bissau over a three-week period in October and November 1995 by representatives from the Mission, REDSO, the Prime Contractor, and all Sub-Contractors.

## CHAPTER 10

# SUMMARY

This report described USAID/Bissau programs during three different periods and the factors influencing program changes over time.

The present section briefly summarizes in chart form the major differences (and similarities) among the three programs (one for each time period). These three do not, of course, cover all possible program options. For example, a program could be limited to a single PVO under a grant or cooperative agreement divorced from any consideration of policy issues. Or USAID/Bissau could funnel its funds through an international agency, such as USAID/Bissau has done at different times with FAO.

The categories used for the three-program comparison do not allow one to assess the relative success of each. This is because they differ in the major problems they define and their associated program purposes. An assessment of relative success would require that all three periods share the same purpose (the same manageable interests) but differ in their approaches to achieving their common objective.

Comparisons are further complicated by the absence of pre-1988 information, changes over time during this (long) earlier period, the fact that the 1989-90 program was not fully implemented, and the realization that it is still too early to give a definitive judgement on the current program's likely long-term success. The comparisons and comments on them, therefore, are necessarily suggestive and tentative. It is not possible to say which of the three was actually "best," although the reader will certainly agree that the present Mission is in many respects a good model.

The chart on the top of the next page suggests that there was some continuity over time. As noted earlier, 1988 witnessed a major shift, one from supply-side, production-oriented projects to a program that addressed the larger policy and legal environment affecting private sector growth.

USAID/Bissau's current program differs in six important respects from the one set in motion in 1989-90:

1. The list of constraints to development is more comprehensive but also more specific. Still, 1991-95 built on 1989-90.

2. The program purpose (strategic objective that is within the Mission's manageable interest) is much more specific, focussed, and measurable.
3. The implementation modality narrowed from three options to one.
4. The number of bilateral management-units dropped from a proposed four to just one. This excludes a PL-480 PVO program inherited from 1989-90.

| <b>USAID PROGRAM SUMMARY</b>      |   |  |  |
|-----------------------------------|---|--|--|
|                                   | <u>Pre-1988</u>   | <u>1989-1990</u>   | <u>1991-1995</u>   |
| <u>Problem</u>                    | Supply-side constraints to ag production; extreme poverty; lack of human resources              | Policy/legal, market, & business skills constraints on private sector                            | Policy, governance, adjudication & business support services for T&I in specific CGS   |
| <u>Program Purpose</u>            | Increase ag production; improve life of poor; rice self-sufficiency; human resource development | Reinforce a supportive environment for private sector in ag; strengthen rural entrepreneurship   | Increase private sector T&I in CGS through improved governance                         |
| <u>Program Modality</u>           | Projects  | NPA, PVO, Projects   | Project  |
| <u>Number of Management Units</u> | Varied; up to 4   | 4 (proposed)   | 1  |
| <u>Average Annual OYB</u>         | Varied; up to around \$2.2 million  | \$7 million (proposed)   | \$5 to \$5.5 million   |
| <u>USDH</u>                       | Varied; up to 6 or 7  | 4 (proposed)   | 2  |
| <u>Impact</u>                     | Limited & unsustainable   | GOGB met NPA conditionalities; PVO operating in remote, low-density area with no national impact | Promising, with USAID playing important, active role in economic and political reforms |

5. This means that the single TIPS project is the program. Program and project are largely interchangeable. (PD&S, HRDA, and ATLAS are non-bilateral projects and excluded from these comparisons.)

6. As a consequence of this consolidation (i.e., focus and concentration), the number of USDHs dropped from a proposed four to the present two.

Although it is too early to assess the long-term impacts of the three different program options, the evidence to date suggests that the present-day USAID/Bissau is a very active and important player in Guinea-Bissau's economic and political reforms, and that these reforms are having a beneficial effect on increased private sector activities in the CGS. That is, *a governance program can (as anticipated) positively impact on private sector growth.*

The Mission's program strategy/TIPS project design includes four technical components (modules), each with its own objectives and outputs that, when achieved, will result in increased and sustainable private sector economic activities in critical growth sub-sectors. These modules and the constraints they remove define the project's governance approach (along with the emphasis placed on participation and civil society).

Project *means* (governance) are incorporated in the definition of the project *ends* (*sustainable* increases in economic activities). USAID/W saw this when it added "*through governance*" to the Mission's single Strategic Objective. That is, the Strategic Objective includes both the end and the means to achieve it.

This design feature limits the degree to which the project contract can be converted into one that is performance-based. The Contractor can not be held responsible only for performance at the primary objective level but must be responsible for performance for the governance outputs as well. Only in this way will increased economic activities in the CGS be sustainable.

It was decided that the TIPS Contract should be design-driven rather than having a contract mode (performance) that would allow the Contractor to use any design, perhaps one at variance with the Authorization and Project Grant Agreement. Nevertheless, the Mission encouraged greater flexibility in how the Contractor uses its resources *after* the Contractor demonstrated its understanding of the project design, *after* it demonstrated the ability to prepare an acceptable Annual Work Plan, scopes of work, reports, and implementation based on them, and *after* there were clear Contractor successes. Having successfully accomplished all three requirements, the Contractor now has greater freedom in managing its resources below the output level.

The model design of TIPS arises from the nature of the governance constraints the project addresses. They require the Contractor to have a range of skills not available from any one firm. As a consequence, the Contractor is a five-member consortium. No single member of it has competencies across the full project design and its four technical components. The resulting management structure of the Contract contains

some inherent difficulties that possibly could affect the roles, authority and responsibilities of the Project Coordinator (provided by a Sub-Contractor, not the Prime), the relative emphasis given to different technical components, the morale of the Contractor's field staff, and the management burden placed on USAID/Bissau.

Despite these apparent difficulties, *TIPS is a remarkably successful project*. The Contractor got off to a very rapid start because it built on a coherent program that USAID/Bissau developed and implemented since early 1991; the Mission procured equipment and space for the Contractor so that implementation could begin as soon as the long-term team arrived in-country; the Contractor was able to send its team to Bissau twice before formal start-up began in January 1994; the Contractor consortium provided excellent long-term and short-term experts; the public and private sector stakeholders and customers of USAID/Bissau and the project accept the premise of the Mission's program/TIPS project; and the project design and the Contract are themselves model documents.

Finally, it needs to be emphasized over and over again that the Mission is managing a program, not a project. This has important implications for the concept of sustainability. The TIPS project, in and of itself, is not meant to be sustainable. Rather, the approach to problem-solving (i.e., improved governance) is what assures sustainability. One needs to view the program from the perspective of GOGB agencies and private sector trade associations. They are incorporating the TIPS approach and assistance within their own on-going operations.

It is true that some of these (counterpart) agencies are well on their way to sustainability. They include the court system, parliament, and trade associations. But instead of organizations and institutions, USAID/Bissau's program emphasizes governance, procedures, policy reforms, the appropriate legal and institutional infrastructure -- including democratic governance, fair and impartial adjudication of T+I conflicts, civil society, and participation. Program outcomes (targets) are what TIPS will make sustainable. Evidence to date indicates that significant progress is being made by the TIPS Contractor in achieving the objectives of the Contract, of the project, and of the Mission's program.

## CHAPTER 11

# LESSONS LEARNED

USAID/Bissau learned a number of lessons in the course of developing and implementing its model program. This chapter organizes the more important lessons under three headings:

1. The structure of a small Mission's program.
2. Handling controversial projects and programs.
3. Selecting a contract mode.
4. Designing a governance program.

### A. STRUCTURE OF A SMALL MISSION'S MODEL PROGRAM

1. ***Narrow the program focus to a single strategic objective.***
2. ***Concentrate program funds in a single project so that the program and project are largely interchangeable.***
3. ***It is possible (up to a point) to design and implement a program without bilateral funds.***
4. ***Managing a program rather than a project requires that the entire portfolio of assistance activities (e.g., PD&S and training outside the project) be deployed as contributing components to a single focussed strategic objective.***
5. ***Sustainability under programs refers to impacts and results, not projects, inputs, or institutions.***
6. ***Operational constraints, although important, should not unilaterally and uncritically shape program decisions.***
7. ***Effective policy dialogue does not have to focus only on particular policy issues. USAID/Bissau had considerable success in explaining***

*and promoting frameworks for identifying policy issues and the means to address them.*

## **B. HANDLING CONTROVERSIAL PROJECTS AND PROGRAMS**

8. *A new Mission with responsibility for shaping a controversial Project Identification Document (PID) into an acceptable Project Paper (PP) should seek USAID/W's early reactions to fresh ideas and variations to the PID's design concepts. By trying to save time in moving directly to the PP, the Mission ultimately lost time.*
9. *If a Mission is in the vanguard of Agency thinking, the Mission should shape the debate with Washington by identifying where and why the prevailing wisdom is weak, and how the proposed alternative compensates for the weakness.*

## **C. LESSONS ON PROCUREMENT**

### Performance-Based Contracts

10. *Performance-based contracts narrowly focusing on performance only at the strategic objective level are inappropriate for complex programs that incorporate Program Outcomes and Project Sub-Outcomes as necessary and sufficient to achieve the expected Strategic Objective impacts and for which process (especially governance-related processes) are critical.*
11. *Graphically displaying Contractor responsibilities in matrix, chart, or other form helps the Contractor to focus on its specific responsibilities.*

### Master Contracts

12. *A project whose design includes separate but related technical components (modules) allows the contractor to better adjust to changing local conditions by shifting resources among the components.*
13. *Master contracts may not be the most suitable implementation mechanism for a project with several technically-specialized*



*components, especially if the prime contractor has little experience or expertise in major portions of the contract.*

14. *Master Contracts should include specific wording on the Project-Coordinator's roles, authorities and responsibilities with regard to different members of a multi-member consortium of contractors.*
15. *A Mission needs to understand what and why Contractor interests are different from those of the Mission.*
16. *Require the Contractor to collect and report on goal-level indicators, as well as on the project purpose and outputs. When combined with specific indicators of Contractor success/failure, this requirement will help the Contractor to be constantly aware of what the project is about, and it also contributes to a critical re-examination of project design and Contractor performance. Both USAID/Bissau and the Contractor become learning organizations. This is especially important for governance programs.*

#### **D. DESIGNING FOR GOVERNANCE**

17. *Governance can be a successful approach to increasing private sector economic activities. Governance, however, should be operationalized, as in the objectives and outputs of the four technical components in the TIPS contract and the four program outcomes in the Mission's program. These objectives and outputs identify the results of removing governance constraints to private sector activities in specific sub-sectors of the economy.*
18. *Projects to assist a country's reform program will differ according to (1) who (international financial institutions [IFIs] or the host government) is defining the program agenda and (2) how broad-based the agenda is. The GOGB took on both economic and political reforms but had minimal structures and procedures to manage the reform process. A Mission strategy that narrowly focusses only on individual reforms (e.g., rice policy) may have little effect unless attention is given to resolving more systemic problems.*
19. *Many obstacles to policy reform are more political than technical in nature. Understanding these obstacles requires that USAID/Bissau staff have expertise in political and governance analysis.*

20. *Successful governance reform initiatives need not involve ministers on a continuing basis. Instead, there is proven merit in involving the "best, brightest and boldest" in problem-identification, research, development, and implementation tasks that give the counterparts ownership of the initiatives.*

## ANNEX A

# GLOSSARY

|         |   |
|---------|---|
| AA/AFR  | Assistant Administrator, Africa Bureau                |
| ABS     | Annual Budget Submission                              |
| AFR     | Africa Bureau   |
| AFR/MGT | Management Office of AFR                              |
| AFR/ONI | Office of New Initiatives of AFR                      |
| AID/W   | Agency for International Development in Washington    |
| API     | Assessment of Program Impact                          |
| APPLI   | Agricultural Policy, Private and Legal Initiatives    |
| ATLAS   | Africa Training for Leadership and Advanced Skills    |
| AWP     | Annual Work Plan                                      |
| CCWA    | Office of Central, Coastal and West Africa of AFR     |
| CGS     | Critical Growth Sub-Sectors                           |
| CO      | Contracting Officer                                   |
| COTR    | Contracting Officer's Technical Representative        |
| DFA     | Development Fund for Africa                           |
| EOPS    | End of Project Status                                 |
| FAO     | Food and Agricultural Organization                    |
| FY      | Fiscal Year   |
| GDP     | Gross Domestic Product                                |
| GGOB    | Government of Guinea-Bissau                           |
| HRDA    | Human Resources Development Assistance                |
| IFI     | International Financial Institutions                  |
| IMF     | International Monetary Fund                           |
| IPC     | Implementing Policy Change                            |
| LOP     | Life of Project                                       |
| LSRP    | Legal Sector Reform Project                           |
| NPA     | Non-Project Assistance                                |
| OE      | Operating Expenses                                    |
| OFPP    | Office of Federal Procurement Policy                  |
| OYB     | Operating Year Budget                                 |
| PASA    | Participating Agency Service Agreement                |
| PD&S    | Program, Development and Support                      |
| PID     | Project Identification Document                       |
| PIO/P   | Project Implementation Order for Participant Training |
| PO      | Program Outcome(s)                                    |
| PP      | Project Paper   |
| PVO     | Private and Voluntary Organization                    |

|           |   |
|-----------|---|
| REDSO/WCA | Regional Economic Development Support Office, West and Central Africa |
| RFP       | Request for Proposals   |
| SAC       | Structural Adjustment Credit  |
| SOW       | Scope of Work   |
| SWA       | Office of Sahel and West Africa of AFR                                |
| TC        | Technical Component   |
| T&I,T+I   | Trade and Investment  |
| TIPS      | Trade and Investment Promotion Support                                |
| UNDP      | United Nations Development Fund                                       |
| USAID     | United States Agency for International Development                    |
| USDH      | U.S. Direct Hire  |
| USG       | United States Government  |
| USRH      | U.S. Resident Hire  |
| WB        | World Bank  |
| WID       | Women in Development  |
| 116(E)    | USAID fund to support democracy activities                            |

## ANNEX B

# BIBLIOGRAPHY

The author was able to draw on a vast number of reports, cables, and internal USAID correspondence. Only a sampling of these documents is presented here. They exclude IMF, World Bank, and the large number of USAID-sponsored reports, technical assistance activities, and training programs implemented over the years.

### Annual Budget Submissions (ABS) and Action Plans

#### **ABS by Fiscal Year**

1978  
1979  
1980  
1981  
1982  
1983  
1985  
1987  
1988  
1990  
1992  
1993  
1994  
1994-1995

#### **Action Plan**

1995

### Assessment of Program Impact (API)

1990  
1991  
1993

Cables

|                  |   |
|------------------|---|
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| 90 Bissau 3157   | Guinea-Bissau Agricultural, Private and Legal Initiatives PID   |
| 90 State 207377  | Program Review, Guinea-Bissau Country Program Strategic Plan  |
| 90 State 386349  | Guinea Bissau ECPR Guidance, Ag Policy, Private and Legal Initiatives (657-0021)  |
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| 91 Bissau 0089   | Proposal for Support Under FY-91 Africa Human Rights Fund   |
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| 91 State 275380  | AID/W Review of Guinea-Bissau's Draft Project Paper for Legal Sector Reform   |
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| 91 State 414018  | Beyond Policy Reform -- A Concept Paper   |
| 92 Bissau 0966   | Guinea-Bissau 1992 Assessment of Program Impact (API) AID/AFR Report Review   |
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| 93 Bissau 2191   | Status Report on USAID/Bissau's Program   |

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