

**AMIP Trust Fund Termination and Fund Reallocation
under The Marketing and Investment Project (AMIP)**

**A Task Order under the General Business Development,
Trade and Investment IQC**

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**Presented by:
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Executive Summary

The Chemonics GBTI project team of Kenneth Peoples and Chris Barltrop (the Team) visited Conakry from August 26 to September 18, 1999. The visit was at the request of USAID/Guinea and in cooperation with the Government of Guinea (GoG) to implement the recommendations of the assessment of the Agricultural Marketing Loan Guarantee Fund (AMLGF) conducted from June 27 to July 11, 1999.

Background

The Guinea Agricultural Marketing and Investment Project (AMIP) is a \$20 million project (\$12.5 million AID Grant and \$7.5 million in local currency equivalent) whose purpose is to promote and increase efficiency in the Guinean agricultural markets. The Government of Guinea (GoG) and the United States signed the AMIP Project Grant on August 13, 1992.

Two components comprise the AMIP:

- **Agricultural Marketing Foundation (AMF)**, a non-governmental organization, designed to assist the Guinea private sector to increase domestic and export marketing, to provide training and business services to the Guinean agricultural sector, and to promote increased investments in agricultural production, processing and related activities.
- **Agricultural Marketing Loan Guarantee Fund (AMLGF)**, the financing component to AMIP, organized to provide resources to financial institutions to increase short, medium and long-term credit for agribusiness activities, develop an autonomous and sustainable private sector business institution, strengthen commercial banks' capacity to increase lending to agribusinesses, and to provide training to institutions, individuals, and commercial banks participating in the Loan Guarantee Fund program.

In the initial assessment, the team conducted an audit of AMGLF performance, examined options, and made specific actionable recommendations for the future use of the fund to support development objectives of AMIP. Through interviews with a wide range of GoG officials, USAID/Guinea staff, Guinean institutions and individuals involved with AMIP, research of pertinent documents, and analysis of the performance of AMLGF the team found that the AMLGF had not met its objectives. Additionally, the team found that the original project assumptions based on client base, bank enthusiasm, and AMF effect of borrower performance proved invalid and that the AMLGF did not constitute an independent, on-going, viable concern. Recommended action included the dissolution of the AMLGF and the reallocation of existing funds to support on-going activities in a manner that would reward success against agreed to benchmarks.

Objectives

When AMLGF was established in 1992, USAID obligated \$4.7 million in two tranches. Over two million dollars had already been committed and deposited at three commercial banks in New York. From November 1996, when AMLGF became operational, to May 1997, six loans were approved for a total amount of GNF 512 million. Of these, five had since gone in arrears, and participating banks had not granted any more loans. When the first of two GBTI delivery orders began in July 1999, the team faced a significant time constraint as the remaining \$2.6 million had to be either committed or de-obligated prior to the AMIP Project Assistance Completion Date (PACD) of September 30, 1999.

The team faced three principle objectives:

- To dissolve the Agricultural Marketing Loan Guarantee Fund and recover the assets for reprogramming.
- To reallocate AMIP funding in such a way as to generally support the Mission's original objectives and create measurable and sustainable results.
- To minimize the ongoing administrative burden to the USAID/Guinea Mission, while also providing an exit strategy through an automatic cut-off of funding if the new mechanism failed to meet the financial performance standards.

Solution

After conducting negotiations between USAID/Guinea and GoG to dissolve the AMLGF, the team set about to redirect available funds and to establish protocols and controls to direct the on-going disbursement of committed funds. The team developed a two-pronged approach that involved 1) setting forth the terms and conditions for the locally managed distribution of former AMLGF funds through an existing Guinean financial institution and 2) the safeguarding of funds through the establishment of a Trust/letter of credit disbursement mechanism.

The team selected PRIDE/FINANCE, a local financial institution, as the ideal mechanism to continue financing to support AMIP objectives. PRIDE/FINANCE was started as a USAID project managed by VITA, and after nine years is moving towards formalization and operation as an independent financial institution serving rural town markets. The team conducted extensive meetings with the management, financial staff, and advisors of PRIDE/FINANCE to firm up projections that would realistically lead to long term viability for this institution.

Parameters were clearly laid out by the team, in coordination with Mission officers and key personnel within the Central Bank of the Republic of Guinea, to measure PRIDE/FINANCE performance and to control disbursement. Next, milestones were established to guide PRIDE/FINANCE towards self-sustainability. While the team developed the basic structures of control, throughout this process, actual numbers originated with PRIDE/FINANCE management.

In this way it is hoped that a significant barrier to AMLGF viability, that of lack of local ownership, will be avoided.

Simultaneously, the team, working with a USAID legal advisor, devised a Trust management mechanism that uses stand-by letters of credit (L/Cs) as the vehicle of disbursement. The team canvassed indigenous banks until it found one sufficiently financially sound, technically competent, and service orientated to serve as a local Trustee. The team then arranged for the transfer of the first tranche of previously allocated assets to the local Trustee bank.

The team devised a disbursement mechanism, using stand-by L/Cs, under which controlled disbursements will be automatically effected. In order for PRIDE/FINANCE to qualify for each additional drawing of funds the terms of stand-by L/Cs require its compliance to the prescribed performance standards.

Next, the remaining unallocated \$2.6 million of the AMLGF obligation will be transferred to a Trustee bank in the US. Funds on deposit at this second Trust will be used to collateralize issuance of stand-by L/Cs in favor of indigenous banks lending to PRIDE/FINANCE or to cover PRIDE/FINANCE bonds issued to local banks. Thus, L/Cs will serve as guarantees to these local finance institutions against the perceived risk of lending to an improved but untested and, without the L/C guarantees, uncollateralized borrower. The additional funding provided by this second Trust will extend the local Trust sufficiently to ensure that PRIDE/FINANCE can reach break-even volume and thus attain viability.

Results

The approach developed by the team will provide USAID and GoG with an enduring and viable mechanism to finance to the Guinean agricultural sector. Additionally, the approach provides a local institution, PRIDE/FINANCE, with a road map to achieving sustainability. Benefits to PRIDE/FINANCE include the following:

- Lower borrowing costs during the period of the stand-by L/C by lowering the credit risk to the creditor while PRIDE/FINANCE demonstrates progress towards viability.
- Certainty of adequate loanable funds to achieve break-even point in a controlled-fashion, providing that the evolution of PRIDE/FINANCE's financial condition and performance is appropriate.
- Relief from pressure to develop an independent depository capability, thus allowing PRIDE/FINANCE to avoid incurring the related operation costs and control risks of institutions taking public deposits and simplifying supervision by the Central Bank.
- Access to a developing local money market.

Acknowledgments

The Team thanks USAID, the Government of Guinea and the management and staff of PRIDE/FINANCE for the outstanding support it received during this project. The USAID and Chemonics GBTI Consortium team worked together to develop the institutional, operational and legal structure of the successor trusts to apply the residual AMIP funding in support of micro-enterprise lending through PRIDE/FINANCE.

The Team worked particularly closely with Mr. Mohamed Fofana and Mr. Ibrahima Camara of the USAID/Guinea Mission, Ms. Natalie Freeman, Regional Legal Advisor, USAID/Senegal, and Mrs. Anicca Jansen, USAID/OMD/Washington. The Mission Director, Mr. Harry Birnholz, and Mission staff Mr. Henderson Patrick and Mr. Allen Fleming actively participated in key discussions. Mr. Michael Kitay, USAID Assistant General Counsel, joined in the discussions with Riggs Bank and their attorneys, Dickstein Shapiro Morin & Oshinsky LLP, and assisted in moving the process forward to agreement on the US Guinea Trust component.

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Acronyms & Abbreviations

AMF	Agricultural Marketing Foundation
AMIP	Agricultural Marketing Investment Project
AMLGF	Agricultural Marketing Loan Guarantee Fund
BCRG	Central Bank of the Republic of Guinea (Banque Centrale de la République de Guinée)
L/C	Letter of Credit
FICA	Fondation pour l'Investissement et la Commercialisation Agricole
GNF	Guinean Francs
GOG	Government of Guinea
MOAL	Ministry of Agriculture & Livestock
MOPC	Ministry of Plan & Cooperation
MOF	Ministry of Finance
PRIDE	Programme Intégré pour le Développement de l'Entreprise
PRIDE/FINANCE	Non-bank financial institution established from the PRIDE program
SGBG	Société Générale des Banques en Guinée
TA	Technical Assistance
USAID	United States Agency for International Development
VITA	Volunteers in Technical Assistance

Approach

A. Background

The project team of Kenneth Peoples and Chris Barltrop (the Team) visited Conakry from June 27 to July 11, 1999 at the request of USAID/Guinea and in cooperation with the Government of Guinea (GOG). Discussions during the visit focussed on the practical impact of the Agricultural Marketing Loan Guarantee Fund (AMLGF) and options for most effectively applying the funding provided by USAID to achieve the objectives of the Agricultural Marketing Investment Project (AMIP).

A number of competing interests in the future of the Trust Fund were found. The Team took these various interests into account in developing its recommendations. USAID/Guinea accepted these recommendations and decided on the following actions:

1. Dissolve the Agricultural Marketing Loan Guarantee Fund

The existing AMLGF component design is not suited to current conditions in Guinea and the time period for the project, after two extensions, is about to expire. In our opinion, continuation of the AMLGF as presently constituted, even with a substantial re-focus on achieving the project's original objectives, is unlikely to produce meaningful results and is not a viable option.

2. Re-allocate the Assets of the AMLGF Trust Fund

Instruct the depository banks to sell the assets of the Trust Fund currently on deposit in New York to the Central Bank of the Republic of Guinea (BCRG) for conversion to local currency as provided in Article 4 of the Trust Fund Agreement, as amended. The Guinean franc (GNF) proceeds would be deposited into restricted accounts established by USAID at the commercial banks to form a successor fund. Subject to agreement between USAID and PRIDE/FINANCE, all or part of these GNF funds would be allocated by USAID to PRIDE/FINANCE as grant funding in support of micro-finance lending. Disbursements would be contingent on compliance by PRIDE/FINANCE with agreed upon improvements in its performance ratios. An appropriate mechanism to effect these transfers automatically would be stand-by letters of credit (L/Cs) issued by the Guinean depository banks. The terms of these stand-by L/Cs would require PRIDE/FINANCE and its auditors to certify compliance with the conditions of each drawing. Any funds remaining after the expiry of the stand-by L/C would be automatically returned to a USAID account and re-allocated by mutual agreement between USAID and the GOG in conformity with the original project agreements. The interest on the undrawn restricted deposits would be paid to PRIDE/FINANCE as interest income until the expiration of the standby L/C.

3. Support Sustainable Results

In addition to channeling the assets of the Trust Fund to PRIDE/FINANCE, support entry of PRIDE/FINANCE into the Guinean interbank market using as catalyst the additional US\$2.6 million in obligated but as yet undisbursed funding.

The additional US\$2.6 million would be invested in a trust account with a depository institution in the United States and used to collateralize issuance of stand-by letters of credit (L/C) in favor of

Guinean banks lending to PRIDE/FINANCE or covering PRIDE/FINANCE bonds issued to Guinean banks. The amounts available would increase over time as PRIDE/FINANCE achieves objective and reasonable benchmarks demonstrating positive profitable growth towards a break-even volume. The US Trustee would provide for the issuance of a stand-by L/C to cover such lending as PRIDE/FINANCE demonstrates performance and need for the funds. Interest on the US\$2.6 million would pay for fees for the L/C and the US Trustee. This support for local funding would extend the approach taken in Recommendation 2 sufficiently to ensure that PRIDE/FINANCE can reach break-even loan volume in accordance with its business plan. Increases in availability under the stand-by L/C would be automatically suspended if the targets were not achieved, without the need for USAID oversight or intervention.

This approach would provide PRIDE/FINANCE with:

- Lower borrowing costs during the period of the stand-by L/C by lowering the credit risk to the creditor while PRIDE/FINANCE demonstrates progress towards viability.
- Certainty of adequate lendable funds to achieve the break-even point in a controlled fashion, providing that the evolution of PRIDE/FINANCE's financial condition and performance is appropriate.
- Relief from pressure to develop an independent depository capability, thus allowing it to avoid incurring the related operation costs and control risks of institutions taking public deposits and simplifying supervision by the BCRG.
- Access to a developing Guinean money market.

The stand-by L/C would be structured with a time limit to force PRIDE/FINANCE to seek independent funding over time. Once PRIDE/FINANCE becomes credit worthy, the banks will be motivated to fund PRIDE/FINANCE without the support of the stand-by L/C in order to justify a higher interest rate.

Funding stability would require that drawings under the stand-by L/C should be based on an increase in lending risk based on failure by PRIDE/FINANCE to maintain agreed financial performance indicators, not non-renewal of bank funding due to tightening in market liquidity. Documentation must conform to this objective.

Activation of this additional support would require that PRIDE/FINANCE be able to certify compliance with the financial performance indicators so that independent access to the Guinean financial market is foreseeable. In principle, no drawings should be necessary if financial viability is achieved, in which case the stand-by L/C would expire and the covering funds released. If after activation a drawing does occur, then claims on all Guinean bank lending to PRIDE/FINANCE would be honored but no new lending would be covered, the stand-by L/C would not be renewed, and any remaining funds would be returned to the US Treasury.

The level of supplemental funding should be verified prior to final implementation of this recommendation. The simplified financial projections prepared by the Team based on information received from PRIDE/FINANCE show a need for supplemental support of some US\$1 million, somewhat less than the \$2.6 million available. Should CGAP (??) agree to provide this funding, then

the supplemental support from USAID may not be necessary. The actual level of maximum support agreed to should correspond to revised projections developed by PRIDE/FINANCE and fully reviewed on behalf of USAID to ensure that PRIDE/FINANCE has access to sufficient funding to ensure it can reach a break-even volume. Over funding should be avoided. The agreed to funding level should be made available to PRIDE/FINANCE in toto so long as it continues to meet the prescribed performance indicators even after it has reached the break-even volume. This approach permits PRIDE/FINANCE the opportunity to reach a level of profitability needed to access funds from the Guinean financial sector.

4. Set Realistic Conditions for Funding

PRIDE/FINANCE is and is likely to remain fragile. Its ultimate success will require that the GOG assure a positive enabling environment, including the following:

- Formalization of the Non-Bank Financial Institution legal and regulatory framework. The objective should be to ensure that the legal framework is clear and that regulatory involvement is limited to that which is essential to protect depositors and market stability.
- Assurance of continued independence. PRIDE/FINANCE does not receive GOG support but provides essential support to rural development. The priorities must remain:
 - ◇ Financial viability to assure its continued existence and ability to serve the rural markets.
 - ◇ Management's focus on achieving financial viability while serving rural markets.

PRIDE/FINANCE does not have the resources to support larger GOG objectives. Any initiative to divert funding away from its core objectives will directly act to reduce PRIDE/FINANCE's ability to support rural markets and must be avoided. Any involvement by GOG in the management or operations of PRIDE/FINANCE would undermine management's sense of responsibility for achieving these results and must be avoided.

These objectives are to be met by implementing a controlled expansion of funding support based on PRIDE/FINANCE meeting specific performance targets. Since these performance targets can be defined in advance, control can be limited to simple, objective verification of compliance. Such controlled disbursement can most efficiently be achieved through stand-by (or "clean") L/Cs in conformity with the rules and procedures established for such transactions in International Chamber of Commerce publications.

The accounts that will hold the GNF proceeds of the Trust Fund should be established in a trust account that clearly reflects their status. Instructions on use of the funds should be specific, and provide for drawings under the L/C by PRIDE/FINANCE, or if the L/C expires before all drawings are made, for automatic release of the funds to a USAID account for reallocation as determined by USAID and the GOG.

Implementation of the proposed support for PRIDE/FINANCE and achieving a structure that accomplishes the objectives above with minimum need for ongoing involvement by USAID required very careful structuring of agreements and documents. Additional fine-tuning of the level of support was necessary to conform most realistically to the expected evolution of PRIDE/FINANCE.

USAID/Guinea requested that the Chemonics/Prime team assist with the implementation of this program.

B. Objectives

The Team's objective was to reallocate the remaining AMIP funds while accomplishing the following tasks:

- Close out the existing Agricultural Marketing Loan Guarantee Fund (AMLGF) and recover the assets of some US\$2.1 million.
- Comply with the AMIP agreement stipulations that the foreign exchange remaining from the AMIP funds should be transferred to the BCRG.
- Comply with the AMIP agreement stipulation that Government of the GOG, while named beneficiary of the AMIP project, should not receive any of the project funds.
- Reallocate the US\$ 2.1 million and the additional obligated funds of US\$2.6 million in such a way as to generally support the original objectives of the AMIP project and create measurable and sustainable results.
- Minimize the ongoing administrative burden to USAID.
- Complete the time bound components of the process by September 30, 1999.

C. Solution

USAID/Guinea has been supporting the development of PRIDE/FINANCE, a micro-lending institutions with offices in the larger towns across Guinea and certain smaller satellite towns. The institution building process, led by VITA, is essentially complete and ongoing funding for technical assistance from USAID is expected to be completed with disbursement of the recently approved US\$1.8 million, half of which is intended to complete technical assistance and the remaining half to provide operating subsidies. The need now is for PRIDE/FINANCE to shift from project to self-sustaining non-bank financial institution under Guinean management. The structural changes to the institution's legal form that are necessary for this transformation are well under way.

A key constraint to PRIDE/FINANCE commercial viability is a breakeven loan volume that is significantly higher than its available, lendable resources. Unless this breakeven volume can be reached, continued operating losses will be unavoidable and the benefit of the existing USAID investment in technical assistance and institution building will be lost.

Estimates of interest income and operating expense projected by the management and advisors¹ of PRIDE/FINANCE show that income will exceed expenses towards the end of 2002, as shown in Figure 1, providing that PRIDE/FINANCE:

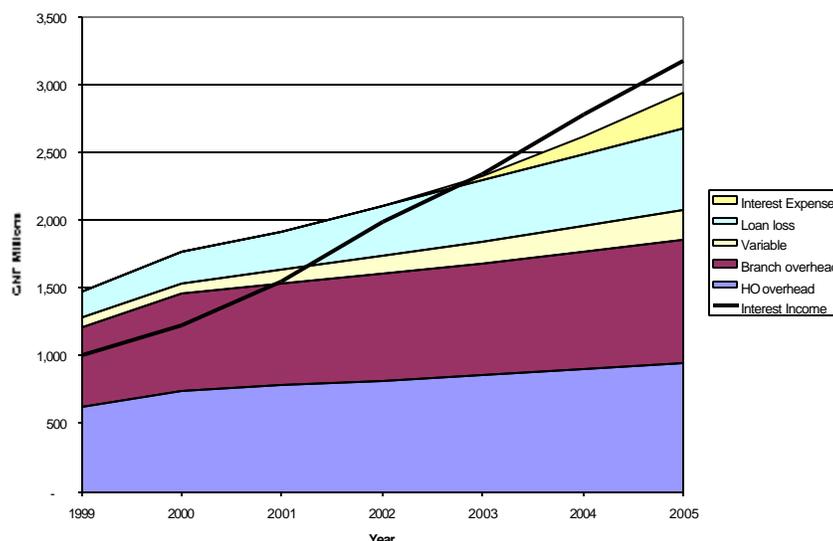
- maintains tight control over its operating expenses and loan losses, and
- has the lendable resources and market needed to expand the portfolio as planned.

To support, while motivating, PRIDE/FINANCE's evolution, the Team in cooperation with USAID/Guinea sought to:

1. Redirect the AMIP funding to support PRIDE/FINANCE portfolio growth,
2. Build clear performance criteria that ensured that PRIDE/FINANCE would have certainty of funding provided it met reasonable standards for improved financial performance as it approached the break-even volume, and
3. Provide an exit strategy through an automatic cut-off of funding if PRIDE/FINANCE failed to meet the financial performance standards.

This solution has been implemented through a two phase program with the following documentation structure depicted in Figure 2:

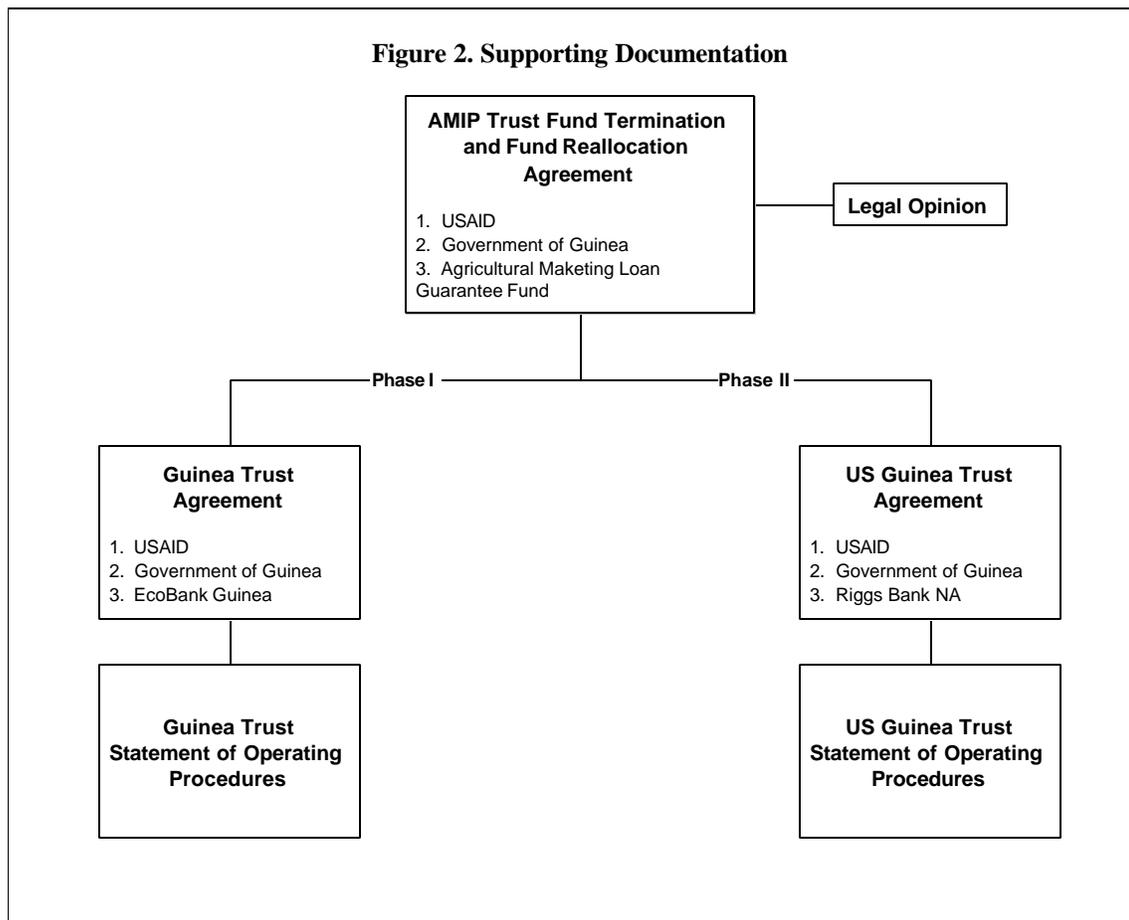
Figure 1. Income & Expenses



¹ PRIDE/FINANCE's advisors had developed a complex Excel spreadsheet used in the business plan. A review of this spreadsheet showed:

- 1) The structure was designed primarily as a cost analysis tool, as would be needed in a project where the core management need was to justify donor support for operating expenses. It did not produce a balance sheet or a profit and loss statement, as would be required of a real financial institution.
- 2) Actual business volume was about half what had been projected only a year ago, so the model assumptions were not supported by actual performance even in the short term.
- 3) The spread sheet contained the following errors: a) multiple circular logic, b) fields that contained a mix of formulae and source data, c) formula fields that had been overtyped with numbers to force results.

While this model was certainly a useful learning tool to encourage PRIDE/FINANCE management and staff to think through the issues, the structure and errors prevented the model from providing credible data. The Chemonics/Prime team developed a simplified model that was used in discussions with management to achieve mathematically more consistent projections, and the numbers and graphs shown in this report reflect the Team's model.



1. Phase I – the \$2.1 million

a. *Reconsolidation of the funds*

The \$2.1 million AMIP funds were on deposit in the New York affiliates of three of the French banks in Guinea. These funds were invested, with all of the investments maturing during the latter part of September 1999. The Team recommended that USAID/Guinea cause the AMLGF to reconsolidate these funds with the Société Générale de Banques en Guinée. This action reconstituted the funds in the account in which they had originally been placed. USAID/Guinea also caused the AMLGF to close out the accounts with the other banks. This re-consolidation established a clear audit trail in preparation for sale of the foreign exchange to the Central Bank of the Republic of Guinea (BCRG), as required by the AMIP agreement.

The Chemonics GBTI and USAID project team developed the requisite legal agreement between USAID and the GOG to terminate the AMLGF program and re-allocate the funds to support the growth in PRIDE/FINANCE lending activities. This agreement was reviewed by Maitre Sow, a prominent local attorney and legal advisor to the AMLGF, to ensure consistency with Guinean legal practice. The legal opinion is shown in Annex A.

b. Establish controlled disbursement methodology and criteria

The team had proposed that these funds be disbursed to PRIDE/FINANCE through the use of a letter of credit that would provide the financial resources to PRIDE/FINANCE to fund loan portfolio growth provided it met financial performance and other certification requirements. The objective was to provide management with predictability of funding, while clearly defining the performance criteria expected. Substantial discussions were held with PRIDE/FINANCE management and VITA advisors to develop performance standards that were fully understood and conformed to management's own realistic expectations. While the team provided the structure of minimum return on asset ratios for each asset level during the growth to break-even point, it was important that the actual numbers originate with management. This was essential to ensure full management ownership of the standards, and that they not be seen simply as arbitrarily imposed requirements. The graph of the financial performance projected by these numbers is shown above. Based on this analysis, PRIDE/FINANCE management suggested the performance criteria shown in Table 1:

Table 1. PRIDE/FINANCE Performance Criteria

Year	Line #	Projections		Minimum Criteria	
		Risk Assets in GNF Billions	Return on Risk Assets	Risk Asset Range in GNF Billions	Return on Risk Assets
1999	1	2.3	-20.33%	2.0 - 2.5	-35.0%
2000	2	2.7	-19.89%	2.5 - 3.0	-30.0%
	3		-14.74%		
2001	4	3.7	-9.60%	3.5 - 4.0	-20.0%
	5		-6.05%		
2002	6	4.7	-2.50%	4.5 - 5.0	-10.0%
	7		-1.12%		
2003	8	5.6	0.26%	5.5 - 6.0	0.0%
2004	9	6.5	2.46%	6.0 - 6.5	1.0%
2005	10	7.5	3.16%	> 6.5	1.0%

The PRIDE/FINANCE management's projections are shown in the Projections columns, while the agreed criteria for access to funding support are shown in the Minimum Criteria columns for each risk asset level. Return on risk assets was selected as the single evaluation criteria since it was judged simpler to verify by the external auditors than return on all assets.

The criteria agreed to within PRIDE/FINANCE management are deliberately set to leave a margin of error. It was important that the criteria establish a trend line leading to viability, but that they not be so tight that any unforeseen event would derail the program. Management's intent is to outperform the agreed criteria.

The year when PRIDE/FINANCE management expects to reach the projected asset levels is indicative only, since the trigger for release of funding support is based exclusively on achieving the minimum return on risk assets for whatever risk asset range is appropriate. Given the uncertainties of market absorption for sound credit, forcing the pace of portfolio growth was considered counter-productive. However, since operating losses will continue to accumulate until PRIDE/FINANCE reaches the break-even point, PRIDE/FINANCE will be motivated to grow its portfolio as rapidly as it can without jeopardizing its return on assets through loan losses. If management is able to achieve the performance standards ahead of the tentative schedule however, then either a) the pace of growth

can be accelerated and funding released earlier than currently anticipated, or b) management's target risk assets may be scaled back if that is deemed prudent to maintain positive financial performance.

c. Selection of Guinean Trustee

Trustee services are not widely used in Guinea, so the team expected that the range of banks capable of reliably providing such services would be limited. Discussions with the three large affiliates of the French banks during the initial visit had indicated that they probably possessed the requisite expertise, but since these banks dominated the Guinean banking system, including government related business, and since a further concentration was likely with the potential merger of some of the parent banks in France, the GOG had expressed the wish that a smaller bank with local roots be selected. The team concurred with this approach to spreading the risk, providing that a smaller bank could be found that had the requisite technical skills. All the smaller banks were visited and the objectives of the project were discussed with the managements of each to determine capacity to handle the transaction. Only EcoBank was found to have the broad management and technical skills needed – the team recommended, and USAID accepted, that the Guinea Trust be placed with the EcoBank.

d. Development of Implementation Documents

The objectives of the Trust were discussed in detail with EcoBank management and a formal Trust Agreement and accompanying Operating Procedures were developed by the Team in close collaboration with the USAID project team. These were provided to EcoBank for comment. EcoBank forwarded these documents to their regional head office for legal review, and agreed to act as Trustee. The Guinea Trust documents were finalized and formally signed in a televised ceremony on September 29, 1999.

2. Phase II – the \$2.6 million

The projections provided by PRIDE/FINANCE show that the level of funding provided by Phase I may not be quite sufficient to grow the portfolio to the breakeven point. Rather than providing additional grant funding, however, PRIDE/FINANCE should be required to seek funding, and with it financial independence, in the domestic Guinean money market, once it has demonstrated that its management is sound and that it is on track to profitability. Phase II, therefore, will provide the equivalent of a commercial paper stand-by line through a standby letter of credit issued at PRIDE/FINANCE's request to Guinean banks willing to place funds with PRIDE/FINANCE. Key concerns in the design of this component were to:

- Activate the funding support only once PRIDE/FINANCE had demonstrated that it was moving soundly towards independent viability,
- Minimize the risk to the Guinean funding institutions by covering the credit risk in case PRIDE/FINANCE was not able to maintain its trend towards positive performance, thus allowing PRIDE/FINANCE to enter the domestic money market before it had established a sustained track record of financial viability, and
- Ensure that the funding banks would not cut funding to PRIDE/FINANCE for reasons other than PRIDE/FINANCE performance, such as in response to a general tightening of market liquidity, thus shielding PRIDE/FINANCE from circumstances beyond its control.

In principle, as the stand-by facility will only be activated once PRIDE/FINANCE demonstrates it is on track to profitability, drawings under the facility should be avoidable. If PRIDE/FINANCE is able to maintain its performance, then no drawings would be necessary. In addition, once PRIDE/FINANCE has fully demonstrated financial viability, then the Guinean banks should be willing to drop the cover of the stand-by letter of credit so as to allow an increase in their lending rate to PRIDE/FINANCE.

The requisite documentation, US Guinea Trust Agreement and US Guinea Trust Operating Procedures, were largely developed by the Team in country, and finalized in Washington after extensive negotiations with Riggs Bank through their legal council.

3. Caveats

Achieving financial viability will be no small challenge for PRIDE/FINANCE management, as has been demonstrated by recent events within the financial system in Guinea. It is particularly important that PRIDE/FINANCE not incur any expenses that are not a normal part of business, e.g., providing support for programs that lie outside of its field of expertise or that would incur losses, or support other government activities. The cost burden of such activities would impair PRIDE/FINANCE's efforts to achieve the target minimum return on risk assets, thus cutting off funding to the detriment of continued funding support of PRIDE/FINANCE's Guinean target market. The Team has built into the design of the program appropriate protection and positive motivators, but success will nevertheless depend on sound management by PRIDE/FINANCE and active support for PRIDE/FINANCE as an independent institution by the GOG.

The technical support provided to PRIDE/FINANCE has been extensive. However, PRIDE/FINANCE has been run as a project that was not expected to be independently viable. The management process must rapidly evolve towards the management by objectives approach needed for successful management of an independently viable business. Survival as a business entity is a pre-requisite for PRIDE/FINANCE's long term ability to support the development of the Guinean economy. But survival will require that the objectives that management sets for the institution must be primarily financial rather than social. While its target market should remain, management will have to make hard decisions on the nature of its products and services based predominantly on business considerations rather than achieving social objectives, if these social objectives prove inconsistent with reasonable business objectives.

Project Activities

The Team for the follow on activity was required to develop a Trust Fund Disposition Agreement between USAID and the GOG coordinating this draft agreement and all necessary documents with the Regional Legal Advisor. The Team was also requested to draft an agreement between USAID/Guinea and PRIDE/FINANCE setting forth the terms and conditions for PRIDE/FINANCE receiving support from the AMLGF assets. Finally the Team was requested to assist USAID/Guinea to take the necessary steps to commit additional funding of \$2.6 million to support PRIDE/FINANCE reaching break-even. Both of these activities needed to occur prior to September 30, 1999, the date that the AMIP Agreement terminated and with it USAID's authority to take any actions with regard to the funds.

After a thorough study of the appropriate financial structure needed for facilitating the dispersal of funds to PRIDE/FINANCE, the Team concluded that the contractual arrangements should follow these basic principles:

- For the administrative convenience of USAID/Guinea and the GOG, agreements should be as comprehensive but simple as possible;
- Agreements should be designed to allow the mechanism to operate automatically with minimal, if any, role of USAID in taking any action with respect to the funds and their use;
- PRIDE/FINANCE should receive funds under the mechanism only if it met and continued to meet financial and loan portfolio performance standards;
- Involving commercial banks to disperse funds or to provide funding support to PRIDE/FINANCE through a trust mechanism required reducing all indicators to completely objective criteria that could easily be verified;
- Grant funding or funding support for their commercial borrowings should continue or cease automatically based on the performance of PRIDE/FINANCE alone without the intervention of USAID, the GOG, or other outside parties; and
- PRIDE/FINANCE should be provided both grant funds to increase its capitalization in support of its lending activities, as well as funding support for aiding PRIDE/FINANCE's market entry to commercial sources of funding for its lending activities in Guinea.

To accomplish the requested tasks with these principles in mind, the Team concluded that the best approach was first an overall, comprehensive agreement between USAID and the GOG setting forth the basic provisions covering all transactions to be undertaken with this effort. Separate agreements could involve USAID, the GOG, but also other parties to accomplish the various tasks--funding grants from GNF funds in trust, fund supporting from US dollar funds in trust, and supporting agreements and documents for both. All documentation for the use of the different funding sources needed to be driven off of PRIDE/FINANCE's financial performance to ensure that PRIDE/FINANCE only received money if it maintained a positive financial performance. In addition, the funds needed to increase or at least maintain their value, and be protected and available for reprogramming for other purposes in case PRIDE/FINANCE did not perform. In short, the Team

prepared the draft documents listed in Table 2, complete with translations into French², to accomplish the scope of work. Brief explanations are provided on what each document accomplishes.

Table 2. Documentation Summary

Document	Purpose
AMIP Trust Fund Termination and Fund Reallocation Agreement	Global Agreement between USAID, GOG and AMLGF: <ul style="list-style-type: none"> • Closes old trust and discharges Trustee • Establishes Guinea Trust & Guinean Bank as Trustee • Establishes US Guinea Trust with US Bank as Trustee • Reserves Rights to Reprogram funds if PRIDE/FINANCE fails
Guinea Trust Agreement	Parties: USAID, GOG, AMLGF Trustee, EcoBank. Trust Agreement establishing EcoBank as trustee. <ul style="list-style-type: none"> • AMLGF Trustee sets up new Guinea Trust • Ecobank as Trustee • Guinea Trust receives funds of old AMLGF • PRIDE/FINANCE receives funds through bank standby L/C • Trust terminates if PRIDE/FINANCE does not perform • USAID and GOG reprogram funds

² Translations were provided by Marguerite Zandrowicz (under contract by Chemonics International) and were reviewed and polished by the Chris Barltrop (Chemonics) and Mohamed Fofana (USAID/Guinea).

Document	Purpose
Guinea Trust Operating Procedures	<p>Incorporated by reference into the Guinea Trust Agreement. Detailed description of actions and responsibilities of Trustee and how PRIDE/FINANCE may access the funds, including sample key documents:</p> <ul style="list-style-type: none"> • Form of Standby letter of credit • Certification PRIDE/FINANCE to draw under the L/C • Board Resolution of PRIDE/FINANCE authorizing signatures, taking funds only for lending activities, making representations. • Signature Form of PRIDE/FINANCE officer(s) • Signature Form of auditors of PRIDE/FINANCE firm of independent accountants
US Guinea Trust Agreement	<p>Parties: USAID, GOG, Riggs Bank. Trust Agreement establishing Riggs Bank as Trustee.</p> <ul style="list-style-type: none"> • Riggs Bank NA as Trustee • US Guinea Trust receives funding support using previously obligated but undisbursed AMIP Funds through bank standby L/C • Trust terminates if PRIDE/FINANCE does not perform • USAID and GOG reprogram funds
US Guinea Trust Operating Procedures	<p>Incorporated by reference in the US Guinea Trust Agreement. Provides detailed instructions to the Trustee on how PRIDE/FINANCE can access funding support and provides sample key documents:</p> <ul style="list-style-type: none"> • Form of Debt Coverage Request including Certification PRIDE/FINANCE to draw under the L/C • Board Resolution of PRIDE/FINANCE authorizing PRIDE/FINANCE to issue debt, accept standby L/Cs • Signature Form of PRIDE/FINANCE officer(s) • Signature Form of auditors of PRIDE/FINANCE firm of independent accountants

As the Team drafted the Global agreement, various Trust agreements, and supporting documents, it became clear that working through a bank using standby letters of credit would not need a separate

agreement between USAID and PRIDE/FINANCE. PRIDE/FINANCE provided financial indicators based on its financial statements and business plan projections. Based on these indicators, the Trustees can determine whether PRIDE/FINANCE is eligible for a draw of funds from the Guinea Trust or funding support of its debt obligations from the US Guinea Trust. If the certification requirements are met, then PRIDE/FINANCE will receive funds or funding support.

Table 3 offers an Action Plan that details the steps identified in the previous report. Corresponding actions during this follow up project are shown as well:

Table 3. Recommendations & Actions Taken

Action Recommended	Action Taken
1. Develop Trust Fund Disposition Agreement between USAID and GOG.	Agreement developed by the team, verified by Guinean legal council, and signed by USAID and GOG.
a) Action: Negotiation of Disposition Agreement—Issues to be covered.	
Sale of hard currency to CBRG and transfer new GNF trust account.	Agreement reached with BCRG on methodology. Funds consolidated by AMLGF for FX sale to BCRG.
New GNF trust or blocked account for conditional benefit.	Banks surveyed, EcoBank chosen, trust agreement developed and signed.
Purposes of new trust for quarterly funding to PRIDE/FINANCE.	Included in Agreement.
Resolution of final AMLGF administrative expenses.	AMLGF
Resolution of claims against loan guarantees.	AMLGF
Loan recoveries to go to new GNF trust (1) or banks (2)	AMLGF
End Trusteeship of AMLGF and provide for closing of AMLGF and charter cancellation.	Agreement between GOG and USAID drafted and signed.
b) Action: Address Outstanding Commitments of Trust Assets.	USAID/AMLGF
Resolve all outstanding claims on loan guarantee	
Claims	
- Option 1: Provide a reserve to cover outstanding but unsatisfied claims.	

Action Recommended	Action Taken
- Option 2: Satisfy outstanding claims prior to PACD.	
Sub-option 1: Pay off guarantee.	
Sub-option 2: Deny claim as ineligible use of proceeds.	
Recoveries	
- Option 1: Transfer all recoveries into the account of the transferred trust assets.	
- Option 2: Allow banks to have 100% of the recovery to encourage collection.	
Resolve all allowable administrative expense issues.	
Obtain final statement of AMLGF expenses.	
Review and confirm expense budget.	
Transfer confirmed final expense amount to account for AMLGF operational expenses.	
c) Disposition and Transfer Trust Assets.	
USAID and BCRG enter into agreement for the sale of the remaining US dollar denominated trust assets in exchange for equivalent amount of GNF.	Agreement reached with BCRG on process in discussions between the Governor, USAID and the team.
Transfer GNF equivalent of trust assets to trust account of Guinea bank to be transferred to PRIDE/FINANCE quarterly provided financial standards are met.	Funds consolidated at request of USAID by AMLGF at Societe Générale, sold to BCRG with GNF proceeds transferred to EcoBank.
Option 1: Establish trust account managed by the bank trust department as trustee and provide fund to PRIDE/FINANCE quarterly as financial standards are met (confirmed by audit). Two quarterly missing standards triggers disbursement of remaining LC amount to USAID account for reallocation for new activity.	Guinea Trust Agreement and Guinea Trust Operating Procedures, including L/C disbursement mechanism agreed with EcoBank.
Option 2: Establish standby L/C with the trust funds to be a deposit against. The terms of the LC would allow draws quarterly by PRIDE/FINANCE provided standards are met. Two quarterly missing standards triggers disbursement of remaining LC amount to USAID account for reallocation for new activity.	
Income from GNF trust should be paid to PRIDE/FINANCE on a quarterly basis, net of any bank fees for managing the Trust.	Fees agreed to with EcoBank.
2. Winding Up the Affairs of AMLGF.	
a) USAID and GOG agreement on closedown of AMLGF.	
GOG issues decree withdrawing the charter of AMLGF.	GOG responsibility

Action Recommended	Action Taken
b) Board of Directors Adopt Plan of Liquidation.	AMLGF
c) Obtain a final accounting of all AMLGF administrative expenses	USAID/AMLGF
Give Employees Notice of AMLGF closing.	
Determine Employee Severance.	
If written employment agreement, then pay severance by agreement formula.	
If prior Trustee policy, then provide severance in accordance with policy.	
Otherwise, by reasonable amount appropriate for Guinea, consistent with Guinean law, and related to salary, position, and length of service.	
Obtain final expense accounting on line items: electricity, water, rent, etc.	
USAID Confirm Administrative Expense Accounting	
d) Transfer the confirmed expense amount to the local bank administrative account.	USAID/AMLGF
e) Pay administrative expenses.	
f) Transfer remaining trust assets as set forth above.	
Transfer AMIP property used by the AMLGF in accordance with USAID—GOG Agreement.	
3. Agreement between USAID and PRIDE/FINANCE.	Agreement codified in the structure of the Trust agreements – no separate agreement between USAID and PRIDE/FINANCE needed.
Cooperative Agreement to set forth terms and conditions of receiving agreed quarterly amounts, provided specified objective quantifiable standards are met.	Cooperative Agreement standards reviewed and found not contradictory.
Establish standards, such as the following, that PRIDE/ Finance must meet quarterly confirmed by independent accountants.	Financial model developed for core income and expense categories and content provided by PRIDE/FINANCE management.
Increasing loan volume (% per quarter).	Minimum Return on Risk Assets for each Risk Asset level agreed with PRIDE/FINANCE management based on analysis of financial model.
Positive return on assets (quarter by quarter).	
Positive net interest margin.	
Declining negative operating expense margin (quarter by quarter).	
Increasing total interest income (decreasing loss).	

Action Recommended	Action Taken
Establish amount of each tranche. Final standards to be determined based on more thorough analysis of PRIDE/FINANCE financial statements and plans.	
Failure to meet during subsequent quarter, PRIDE/FINANCE given six months to meet standards to gain additional funding or access to funding terminates permanently from GNF (1) trust or (2) standby L/C and remaining funds transferred to USAID account for reallocation or reprogramming as determined by USAID and the GOG.	Termination of access incorporated into Trust Agreement and Letter of Credit wording.
After PRIDE/FINANCE has obtained \$2 million from GNF trust, PRIDE/FINANCE may submit request to the US Trust on a quarterly basis for a standby L/C to back debt borrowings as set forth below if PRIDE/FINANCE continues to meet the same performance standards quarterly.	US Guinea Trust Agreement, and US Guinea Trust Operating Procedures, negotiated with Riggs Bank in Washington and agreement reached.
4. Commit additional US\$2.6 million to support PRIDE/FINANCE reaching break-even.	Disbursement to be initiated by USAID
Establish trust of funds in US bank in income producing account.	Riggs accounts open and all necessary agreements and procedures in place.
Engage Trust Management to manage funds and cause stand-by letters of credit to be issued.	
Accept PRIDE/FINANCE debt funding requests accompanied by audited and certified statements of meeting performance standards.	
Direct bank to issue stand-by L/C (100%) collateralized by trust assets to back bank borrowing or PRIDE/FINANCE bonds for purchase by banks.	
Authorize re-issue of stand-by L/C to support roll over of outstanding PRIDE/FINANCE borrowing or bonds so long as PRIDE/FINANCE meets financing standards.	
Should PRIDE/FINANCE fail to meet performance standards, a new L/C will not be issued for a new borrowing or bond. Borrowings with stand-by letters of credit will be resumed if standards are met within the time frame of the stand-by letter credit.	
Should PRIDE/FINANCE continue to fail to meet performance standards and fail to meet repayment of any borrowing as it comes due, the stand-by L/C triggers and all other bank borrowings or PRIDE/FINANCE bonds are become due and payable from the stand-by L/C.	
Upon default on any debt borrowing, PRIDE/FINANCE can no longer make any request for standby letters of credit to support debt borrowing.	

Action Recommended	Action Taken
All standby letters of credit pay claims of debt or bond as the debt or bond matures.	
Any funds in the US trust remaining after default are returned to the US Treasury.	
Trust Manager Manages Trust Income.	
Provides for Trust Management Fees.	
Provide for L/C fees.	

A. Legal Opinion by Maitre Sow

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CONAKRY REP. GUINEE

Conakry, le 17 Septembre

A MONSIEUR CHRISTOPHER BALTROP
CHEMONICS INTL - U.S.A.I.D CONAKRY
S/C MONSIEUR FOFANA

Réf. : 207 ACS 09 99

Dossier : *Projet d'accord de Résiliation du Fonds en Fidéicomis de PICA et de Réaffectation des Fonds*

Objet : *Avis*

Monsieur,

Le Projet d'accord de résiliation du Fonds en Fidéicomis de PICA et de Réaffectation des Fonds, soumis à notre lecture ne souffre d'aucun désaccord particulier, ni avec les lois en vigueur qui régissent la présente matière, ni avec les textes de création du fonds en Fidéicomis PICA, puisqu'il s'agit présentement de résiliation et de réaffectation .

Veillez agréer, Monsieur, l'expression de mes sentiments les meilleurs.

Maître Christian SOW

B. Trust Fund Termination & Fund Reallocation Check List

1. AMIP Trust Fund Termination and Fund Reallocation Agreement

Documentation

Action Needed	Party Responsible	Due Date/Status
Global Agreement Drafted	Chemonics/Prime	Completed
Draft Agreement reviewed by USAID: 1 st	USAID	Completed
Draft Agreement reviewed by USAID: Final	USAID	Completed
Global Agreement Translated	Chemonics/Prime	Completed
Global Agreement reviewed by GOG	Ministry of Plan and Cooperation & of Agriculture	Completed 9/22
Agreement Modified to Suit Parties	USAID/GOG/Chemonics/ Prime	Completed 9/23
Global Agreement Signed	USAID/Ministry	Completed by Televised Ceremony 9/24

Implementation

Action Needed	Party Responsible	Due Date/Status
Final Accounting of Trust Fund	AMLGF/Diop	Completed with Board resolution
Re-consolidation of Trust in 1 account at Societe Generale	By AMLGF & USAID order	Completed by 9/27/99
Reduction of debts to cash payments	AMLGF	Completed
Employee Severance Packages	AMLGF	Completed
Satisfaction of last outstanding Guarantee	AMLGF with USAID approval	AMLGF with USAID oversight
Payment of all outstanding debts	AMLGF Trustee	
Return of Vehicle and Office Equipment to USAID	USAID; AMLGF	
Creation of New Successor Trust—Guinea Trust	AMLGF Trustee; Follow Up--Fofana	Completed by execution of Guinea Trust Agreement 9/24

Action Needed	Party Responsible	Due Date/Status
Transfer of Funds from AMLGF to Guinea Trust through sale of foreign exchange Funds in Societe Général de Banque en Guinée (Sogen) to BCRG, with settlement of USD to BCRG account with Citibank New York (or as instructed by BCRG) and GNF to EcoBank for Guinea Trust account	AMLGF instructions to Sogen with USAID agreement	Completed by USAID
Close AMLGF accounts	AMLGF with USAID verification	AMLGF with USAID oversight
Formal Termination of Trust Fund	AMLGF	
AMLGF Petition GOG to Cancel Charter	AMLGF by Counsel	
AMLGF Charter Cancelled	GOG	Automatic in 30 days

2. Guinea Trust

Documentation

Action Needed	Party Responsible	Due Date/Status
Guinea Trust Agreement Drafted	Chemonics/Prime	Completed
Draft Agreement reviewed by USAID: 1 st	USAID	Completed
Draft Agreement reviewed by USAID: Final	USAID	Completed
Guinea Trust Agreement Translated	Chemonics/Prime	Completed
Guinea Trust Agreement reviewed by GOG	Ministry, Agriculture	Completed 9/22
Trustee and Trustee bank selected	USAID on recommendation of Chemonics/Prime	Completed
Guinea Trust Agreement reviewed by Bank	EcoBank	Completed
Guinea Trust Procedures reviewed by Bank	EcoBank	Completed
Agreement modified to suit Parties and incorporate dates of Global agreement	USAID/GOG/Chemonics/Prime	Completed 9/24.
Guinea Trust Agreement Signed	USAID/Ministry/AMLGF/EcoBank as Trustee	Completed 9/24
Guinea Trust Standby L/C Drafted	Chemonics/Prime	Completed
Draft L/C reviewed by USAID: 1 st	USAID	Completed
Draft L/C reviewed by USAID: Final	USAID	Completed

Action Needed	Party Responsible	Due Date/Status
Guinea Trust Standby L/C Translated	Chemonics/Prime	Completed
Guinea Trust Standby L/C reviewed by GOG	Ministry, Agriculture	Completed
Guinea Trust Standby L/C reviewed: Bank	EcoBank	Completed
Standby L/C modified to suit Parties	USAID/GOG/Chemonics/ Prime/EcoBank	Completed
Guinea Trust Procedures Drafted	Chemonics/Prime	Completed
Draft Trust Operating Procedures reviewed by USAID: 1 st	USAID	Completed
Draft Trust Procedures reviewed by USAID: Final	USAID	Completed
Trust Procedures Translated	Chemonics/Prime	Completed
Trust Procedures reviewed by GOG	Ministry, Agriculture	Completed
Trust Procedures reviewed: Bank	EcoBank	Completed

Implementation

Action Needed	Party Responsible	Due Date/Status
Guinea Trustee options reviewed through visits to banks	USAID/Chemonics	Completed
Trustee pricing proposal	EcoBank	Completed
Final agreement on pricing	USAID/EcoBank (Chemonics)	Completed
Trust Procedures modified to suit Parties	USAID/GOG/Chemonics/ Prime/EcoBank	Completed
Guinea Trust Agreement Signed	USAID/Ministry/AMLGF/ EcoBank	Completed 9/24
Guinea Trust Established in Guinea	USAID/AMLGF Counsel	Completed 9/24
Trust account opened	USAID/EcoBank	Completed
Funds received from Société Générale in GNF deposited in Trust account.	Per instructions issued above by AMLGF/USAID Trustee	Completed

Action Needed	Party Responsible	Due Date/Status
Funds Invested in GOG securities	Trustee	Trustee (EcoBank)
Trust Standby L/C opened for the benefit of PRIDE with use of Trust Operating Procedures Form A	Trustee	
PRIDE Funding Request with Certification	PRIDE/FINANCE; Auditor	As needed but no later than 1 year from Trust creation
PRIDE Request and Certification reviewed	Trustee	Accept or Reject in 7 Days
Rejection of Certification with Explanation—Trustee Review w/ PRIDE	Trustee	At the time of Rejection of Certification
Trust Funds Disbursement	Trustee	ASAP on Acceptance of Certification
Trustee Annual Audit	Trustee; Audit Firm	As of 9/30/00
Audit accepted	USAID	

3. US-Guinea Trust

Documentation

Action Needed	Party Responsible	Due Date/Status
US Guinea Trust Agreement Drafted	Chemonics/Prime	Completed
Draft US Guinea reviewed by USAID: 1 st	USAID	Completed
Draft US Guinea Trust reviewed by USAID: Final	USAID	Completed
US Guinea Trust Agreement Translated	Chemonics/Prime	Completed
US Guinea Trust Agreement Draft reviewed by GOG	Ministry, Agriculture	Completed
US Guinea Trust Agreement and Procedures reviewed by Bank	Riggs Bank	Completed 12/8
Agreement Modified to Suit Parties	USAID/GOG/Chemonics/Prime	Completed 12/8
US Guinea Trust Agreement Signed	USAID/Ministry/Riggs Bank	Initial draft establishing Trust signed by USAID & GOG 9/29 Revised final signed by Riggs on 12/8 – pending USAID and GOG signature

Action Needed	Party Responsible	Due Date/Status
US Guinea Standby L/C Drafted	Chemonics/Prime	Completed
Draft L/C reviewed by USAID: 1 st	USAID	Completed
Draft L/C reviewed by USAID: Final	USAID	Completed
US Guinea Standby L/C Translated	Chemonics/Prime	Pending, at translator
US Guinea L/C reviewed by GOG	Ministry, Agriculture	Pending
US Guinea Standby L/C reviewed by bank	Riggs Bank	Completed 12/8
US Guinea L/C modified to suit Parties	USAID/GOG/Chemonics/ Prime	Completed 12/8
US Guinea Procedures Drafted	Chemonics/Prime	Completed
Draft US Guinea Procedures reviewed by USAID: 1 st	USAID	Completed
Draft US Guinea Procedures reviewed by USAID: Final	USAID	Completed – Mission Pending – Legal
US Guinea Procedures Translated	Chemonics/Prime	Pending, at translator
US Guinea Procedures reviewed by GOG	Ministry, Agriculture	Pending
US Guinea Procedures reviewed: Bank		Completed 12/8
US Guinea Procedures modified to suit Parties	USAID/GOG/Chemonics/ Prime	Completed 12/8, subject to USAID & GOG acceptance (expected)

Implementation

Action Needed	Party Responsible	Due Date/Status
US Guinea Trustee Selected	USAID	Completed
US Guinea Trustee Bank Selected	USAID	Completed
US Guinea Trust Agreement Signed	USAID/Ministry/Trustee	Signed by Trustee 12/8 Pending signature of USAID and GOG
US Trust Documentation with Trustee	USAID/Chemonics/Prime	Completed
Trust accounts opened	Trustee	Completed
Funds Transferred to Trustee Bank Acct	USAID/Treasury	Pending
Funds Invested in US securities	Trustee	Pending

Action Needed	Party Responsible	Due Date/Status
Trust Standby L/C opened for the benefit of PRIDE/FINANCE with use of Trust Operating Procedures Form A	Trustee Bank/PRIDE	Pursuant to PRIDE/FINANCE request and estimated draw schedule
PRIDE/FINANCE negotiates bank loan or issues debt obligations (notes, bonds, etc) to financial institutions	PRIDE; Financial Institutions	When PRIDE/FINANCE meets financial progress standard
PRIDE/FINANCE request guarantee debt instrument by Trust Standby L/C accompanied by Certification	PRIDE; Auditing Firm; US Trustee; US Bank; Financial Institution	When debt instrument presented and Certification Verified
US Trustee Review and Verification	US Trustee	Accept or Reject in 10 days
Closing of Debt Issue backed by US Trust Standby L/C with US\$ Equivalent of PRIDE debt obligation	PRIDE; US Trustee; US Bank; Financial Institution	ASAP following Trustee Verification
Trustee Annual Audit	Trustee; Audit Firm	As of 9/30/00

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