

AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND  
THE GOVERNMENT OF THE REPUBLIC OF GUINEA  
FOR  
THE DONATION OF AGRICULTURAL COMMODITIES

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WHEREAS it is the policy of the Government of the United States (hereinafter referred to as the United States) to enhance food security in eligible countries through the use of agricultural commodities and local currencies accruing upon their sale to combat world hunger and malnutrition and their causes; promote broad-based, equitable, and sustainable development, including agricultural development; expand international trade; develop and expand export markets for United States agricultural commodities; and foster and encourage the development of private enterprise and democratic participation in such countries; and

WHEREAS the Government of Guinea (hereinafter referred to as the Cooperating Country) has a long-term plan for broad-based, equitable and sustainable development, has demonstrated the need for and capability to use food assistance effectively and has committed itself to policies that promote food security, including policies to reduce measurably hunger and malnutrition;

NOW THEREFORE, the Agency for International Development (A.I.D.), on behalf of the United States, and the Ministry of Foreign Affairs and Cooperation, on behalf of the Cooperating Country (hereinafter referred to as the Parties), desiring to set forth the understandings that will govern the supply of agricultural commodities to the Cooperating Country for a Food for Development Program pursuant to Title III of the Agricultural Trade Development and Assistance Act of 1954, as amended (hereinafter referred to as the Act or PL 480), and the measures the Parties will take in furthering the policies stated above, have agreed as follows:

Article I - Financing Arrangements.

Section 1.1 Donation. (a) A.I.D. shall donate to the Cooperating Country the following agricultural commodities during United States fiscal year 1992:

<u>Commodity</u>	<u>Approx. Quantity</u> (Metric Tons)	<u>Supply Period</u> (U.S. FY)	<u>Market Value</u> <u>of Commodity</u> (\$ 000)
Rice	8,000	1992	3,000
Other(1)			3,000

(1) Commodity marketing studies will be conducted subsequent to the signing of this Program Agreement to identify the balance of the commodities for FY 1992. A Program Implementation Letter will be issued to establish the remaining commodity list and their approximate quantity. The market value will be US Dollars 3,000,000. The supply period will remain FY 1992.

(b) A.I.D. also shall donate to the Cooperating Country approximately \$8,250,000 of commodities in U.S. fiscal year 1993, and approximately \$8,250,000 of commodities in U.S. fiscal year 1994.

(c) The donation of commodities to the Cooperating Country is made subject to the terms and conditions of this Agreement, the Plan of Operations in Annex A, the Commodity and Shipping Information and Requirements in Annex B and the Standard Provisions in Annex C, each of which is attached to and forms part of this Agreement. Within the limits of the Food for Development Program set forth in Article II of the Agreement, elements of the Plan of Operations in Annex A and commodity specifications or shipping terms and schedules in Annex B may be changed by written agreement of the authorized representatives of the Parties named in Section 4.1 without formal amendment of this Agreement.

Section 1.2 Payment of Costs. (a) Except as otherwise provided, the United States will donate the agricultural commodities without charge and will arrange for and pay the costs of purchasing, processing, handling and transporting the commodities to United States port(s) of export, ocean and other transportation to port(s) or point(s) of entry, and all surveys. The assistance provided by A.I.D. under this Agreement in fiscal year 1992 (including commodities and transportation) shall not exceed \$8,000,000.

(b) Unless otherwise authorized by A.I.D., the Cooperating Country shall be solely responsible to arrange and pay for the following, according to the terms of the freight contract:

(1) Full Berth Discharge. Subject to Annex C, Section C-3.1, all receiving, handling, transportation and other costs at the discharge port(s) of entry (or, with respect to shipments to landlocked countries under through bills of lading, point(s) of entry) to the extent not borne by carrier under the terms of the applicable freight.

(2) Free Out Discharge. Subject to Annex C, Section C-3.1, all discharge, vessel and container demurrage and/or detention, receiving, handling, transportation and other costs of the donated commodities at the discharge port(s) of entry, including inland transportation for landlocked countries, to the extent not borne by the carrier under the applicable freight contract.

Section 1.3 Maximum Export Value. Except as otherwise provided, the value of the total quantity of each type of commodity donated under this Agreement shall not exceed the maximum export value of the commodity specified in Section 1.1 and Annex B. A.I.D. may limit the total value of each type of commodity to be donated as prices decline or as other factors require so the quantities of such commodities donated will not substantially exceed the applicable approximate quantity specified in the Agreement.

Section 1.4 Title to Donated Commodities. Title to donated commodities shall pass to the Cooperating Country according to the terms of the freight contract:

(a) Full Berth Discharge. Except as otherwise stated in the freight contract, title to donated commodities shall pass to Cooperating Country at the time and place the commodity is discharged alongside the ocean vessel or into the receiver's conveyances alongside the vessel, whichever comes first. The term "ocean vessel" as used herein includes LASH barges and lightening vessels, subject to Annex C, Section C-3.1. If A.I.D. has agreed to arrange for and pay the costs of inland transportation from a designated port abroad to a point or points of entry in a landlocked Cooperating Country, title shall pass at the time and place delivery of the commodities to the point or points of entry in the Cooperating Country is completed.

(b) Free Out Discharge. Except as otherwise stated in the freight contract, title to the donated commodities shall pass to the Cooperating Country at the time and place the ocean vessel receives confirmation that the Notice of Readiness to discharge has been accepted, as required under the terms of the freight contract.

Section 1.5 Delivery Periods. All deliveries of commodities donated under this Agreement shall be made within the supply period(s) specified in the commodity table in Section 1.1 and Annex B, except as A.I.D. may otherwise agree in writing. For this purpose, delivery shall be deemed to occur as of the on-board date shown in the ocean bill of lading signed on behalf of the carrier.

Section 1.6 Subject to Availability. (a) The undertakings made by A.I.D. in this Agreement to donate commodities and pay costs are subject to the availability, during each fiscal year, of funds and commodities and to the mutual agreement of the Parties to proceed each year.

(b) In determining whether to proceed each year, A.I.D. shall review and consider the Cooperating Country's need for agricultural commodities, its performance in satisfying the terms and conditions of this Agreement and such other factors as A.I.D. deems appropriate, including the extent to which the Cooperating Country is:

- (1) making significant economic development reforms;
- (2) promoting free and open markets for food and agricultural producers; and
- (3) fostering increased food security.

## Article II - Food for Development Program.

Section 2.1 Use of Donated Commodities. In accordance with this Agreement and the Plan of Operations in Annex A, donated commodities shall be sold in the country by the Cooperating Country or its designee.

Section 2.2 Country Development Plan. Donated commodities or local currency sales proceeds shall be integrated into the overall development plans of the Cooperating Country to improve food security and agricultural development, alleviate poverty, and promote broad-based, equitable and sustainable agriculture in the manner described in Annex A.

Section 2.3. Sales Procedures and Ownership of Local Currency Proceeds. (a) The Cooperating Country shall sell donated commodities, and the sales price(s) for such commodities shall be established, in the manner described in this Agreement, including the Plan of Operations in Annex A, or in Program Implementation Letters issued by A.I.D. pursuant to Section C-1.2 of this Agreement.

(b) Local currency revenues generated by the sale of donated commodities (hereinafter referred to as local currency proceeds) shall be the property of the Cooperating Country.

Section 2.4 Separate Account. (a) Except as the Parties may otherwise agree in writing in a Program Implementation Letter, the Cooperating Country shall deposit local currency proceeds into a separate, interest-bearing account in the manner described in Annex A. Interest earned on such deposits shall be treated as local currency proceeds for all purposes of this Agreement. The Technical Unit of the newly established Counterpart Fund Management System (CFMS) (hereinafter referred to as the Account Manager), shall be responsible for the management of the separate account, including deposits to and disbursements from the account.

(b) The Account Manager shall maintain books, records and other documentation adequate to show deposits to the separate account and disbursements from the separate account for the purposes mutually agreed upon by the Cooperating Country and A.I.D., through the CFMS. In addition, the Account Manager shall provide A.I.D. and the Strategic Committee's permanent members (i.e. the Directors of Budget, Treasury, Public Investments and Cooperation) a quarterly report regarding deposits to, withdrawals from and disposition of local currency from the separate account and shall direct the bank at which the account is maintained to provide account statements to A.I.D., as well as to the Account Manager.

Section 2.5 Use of Local Currency Proceeds. (a) The Parties consider local currency proceeds to be an integral part of the overall development strategy of the Cooperating Country and A.I.D. To the extent and in the manner set forth in Annex A of this Agreement, or in local currency agreements between the Cooperating Country and A.I.D., local currency proceeds shall be used in the Cooperating Country for the following specific economic development purposes:

- the promotion of specific policy reforms to improve food security and agricultural development within the Cooperating Country and to promote broad-based, equitable, and sustainable development;

- the promotion of increased access to food supplies through the encouragement of specific policies and programs designed to increase employment and incomes within the Cooperating Country;

- the promotion of free and open markets through specific policies and programs; and

- support for United States private voluntary organizations and cooperatives and encouragement of the development and utilization of indigenous nongovernmental organizations.

(b) A nongovernmental organization may, with the prior written approval of A.I.D., invest local currency proceeds provided to it by the Cooperating Country under

this Section, and any interest earned on such investment may be used for the purpose for which assistance is provided to that organization.

Section 2.6 Local Currency Agreements. (a) Local currency agreements executed by the Cooperating Country and A.I.D. pursuant to this Agreement may be used to identify the purposes, programs, projects or activities within the scope of Section 2.5 for which the Cooperating Country and A.I.D., through the CFMS, have agreed that local currency proceeds may be disbursed. Each local currency agreement shall be deemed to include all the terms and conditions of this Agreement, irrespective of whether such terms and conditions are repeated or are incorporated by reference in such local currency agreements, together with such other terms and conditions as A.I.D. and the Cooperating Country consider appropriate.

(b) Except as otherwise agreed in writing by the Cooperating Country and A.I.D., or as provided in this Agreement, each local currency agreement and each recipient agency agreement between the Cooperating Country and a government or other recipient agency, defined in Section C-1.1, shall identify the specific, tangible results or achievements anticipated from the program, project or activity for which local currency proceeds will be provided (hereinafter referred to as performance indicators). Performance indicators should be those results which demonstrate that the purpose(s) of the use of local currency proceeds has or have been accomplished and must be described in a manner that is measurable and verifiable.

Section 2.7 Support for Indigenous Nongovernmental Organizations. Except as provided in Annex A or as A.I.D. may otherwise agree in Program Implementation Letters, not less than 10 percent of the local currency proceeds in the separate account shall be used by the Cooperating Country to support the development and utilization of indigenous nongovernmental organizations and cooperatives that are active in rural development, agricultural education, sustainable agricultural production, other measures to assist poor people, and environmental protection projects in the Cooperating Country.

### Article III - Administration of the Food For Development Program.

Section 3.1 Monitoring by the Cooperating Country. The CFMS/TU shall monitor the programs, projects or activities financed with local currency proceeds. In the event these responsibilities are performed by a government agency other than the Account Manager, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D., a written description of how the responsibilities will be shared by the Account Manager and the Program Monitor, including the kinds and frequency of reports that will be provided to the Account Manager about the use of local currency

proceeds for the purposes agreed upon by the Cooperating Country and A.I.D. and progress made toward achieving performance indicators.

Section 3.2 Disbursements for Specific Projects. Prior to the use of local currency proceeds for specific projects of government or other recipient agencies, the Account Manager shall assess the capability of the recipient agency to use and account for local currency proceeds. A report of this assessment of each project or recipient agency must be presented to A.I.D. in written form prior to any disbursement. Prior to each disbursement, A.I.D. must approve such disbursement in writing in a Program Implementation Letter. Thereafter, the Account Manager shall obtain and verify reports regarding the use of local currency proceeds by the recipient agency for the approved projects. The format and frequency of reports that will be obtained shall be described in Project Implementation Letters.

#### Article IV - Final Provisions.

Section 4.1 Representatives. For all purposes relevant to this Agreement, the Cooperating Country will be represented by the person holding or acting in the Office of the Ministry of Foreign Affairs and Cooperation and A.I.D. will be represented by the person holding or acting in the Office of Mission Director, USAID/Guinea, each of whom, by written notice, may designate additional representatives for all purposes other than the power to revise the Plan of Operations in Annex A and the commodity specifications or shipping terms and schedules in Annex B. The names of the representatives of the Cooperating Country, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 4.2 Language of Agreement. This Agreement is prepared in both English and French. In the event of any ambiguity or conflict between the two versions, the English language version shall control.

Section 4.3 Entry Into Force. This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives of the Parties, duly authorized for the purpose, have signed the present Agreement.

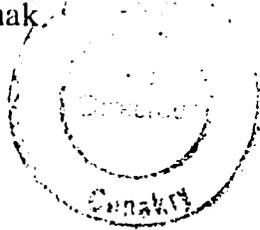
Done at Conakry, Guinea, in duplicate, this 1st day of June, 1992.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA

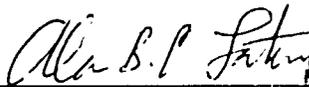
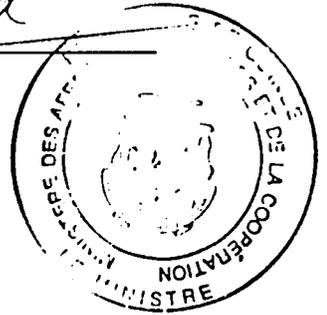
FOR THE GOVERNMENT OF THE  
REPUBLIC OF GUINEA



William G. Kaschak  
Director  
USAID/Guinea



Ibrahima Sylla  
Minister of Foreign  
Affairs and Cooperation



Alan B.C. Latimer  
Deputy Chief of Mission



JUN 01 1992

ANNEX A

FOOD FOR DEVELOPMENT PROGRAM

PLAN OF OPERATIONS

Article I - Program Strategy.

Section A-1.1 Development Conditions.

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

Since 1984 and the beginning of the Second Republic, the Government of Guinea (GOG) has implemented a series of major economic, social and political reforms geared towards the liberalization of Guinea's economy and the improvement of the living standards of the Guinean people.

In 1985, the GOG began its program of economic and financial reform (Programme de Réformes Economiques et Financières or PREF) which, during its first phase from 1985-88, concentrated on removing the most important economic distortions impeding the functioning and growth of the private sector. The guiding principle of this reform program has been to drastically reduce the interventionist role of the state and allow the private sector to become the engine of growth.

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

In order to revive agricultural production and promote food security the GOG decided to liberalize agricultural-related markets and support the development of private enterprise in agricultural marketing and processing. Specifically, the GOG: (1) abolished forced sales of produce to state agencies; (2) closed state produce marketing agencies; (3) eliminated fixed producer prices and decreased internal road blocks; and (4) allowed private sector trade in agricultural commodities.

The second phase of the PREF began in late 1988 and continues through the present day. It includes a much more complex process of reforming institutions and changing attitudes both within the administration and in the private sector.

Implementation of the second phase of the PREF (1989 to the present) is contributing to this economic growth and restructuring. The current phase builds upon the 1985-88 shock treatment by focussing on the more complex and difficult process of reforming institutions and changing attitudes both within the public administration and the private sector. Notable achievements during the current phase include continued progress in civil service reform, increases in some tax revenues, restructuring of the energy sector, and further devaluation of the Guinean Franc.

Although significant problems remain, Guinea's economy is making progress under the PREF, especially considering its point of departure. The economy grew by 3.1 percent in 1987, 6.0 percent in 1988, 4.1 percent in 1989 and 4.3 percent in 1990. A 2.4 percent growth rate is estimated for 1991. Slowing of growth is a reflection of the decline in world bauxite and aluminum commodity prices. The fiscal deficit, (including grants) as a percentage of GDP, declined from 6.6 percent on 1988 to 5.2 percent in 1990. This assisted the GOG to reduce the annual growth of the money supply, from 72.5 percent in 1986 to 24.5 percent in 1990. Inflation dropped from 72 percent in 1986 to 22 percent in 1990. The differential between the official and parallel exchange rates declined from 19 percent in 1986 to under 10 percent in 1990-91.

Even with all the continuing constraints, as a result of various reform measures, trade in agricultural products now takes place in a relatively competitive environment. As mentioned, the private sector is permitted to engage in all levels of internal and external marketing. As private sector activity has expanded, food production is increasing (rice production increased from estimates of 374,000 tons in 1975 to 643,000 in 1991), small-scale enterprises are developing, and per capita income is projected to rise annually between 1.5 percent and 1.9 percent, in real terms, in the 1990's.

Further results are the notable supply response in the agricultural sector: coffee plantings were rehabilitated, and the area under rice cultivation increased. Coffee exports increased from negligible amounts in 1985, to approximately 13,250 MT in 1990. Exports of palm kernel also increased from 77 MT in 1985 to 3,300 MT in 1988. Private investors responded to this liberalization. Private investment as a percentage of GDP increased from almost zero in 1985 and stabilizing around 10 percent through 1990.

Yet, in spite of the significant progress achieved, one of the major constraints for economic liberalization remains: the dilapidated condition of rural infrastructure, particularly roads. The state of rural roads provides a serious disincentive to agricultural marketing because of the high transport costs involved. In response to this, a multi-donor activity has been designed to partially address this constraint. The National Infrastructure Project (PNIR) is a \$94.8 million project, with \$33 million USAID participation. Under this umbrella project, over 2,000 kilometers of roads will be rehabilitated; USAID/Guinea's contribution will help rehabilitate 1,265 kilometers of roads.

The increased importance of the agricultural sector and the role of the private sector within the overall macroeconomic framework will depend on the GOG's ability to implement reforms and provide a framework to address the constraints to increase private sector agricultural production for export and domestic trade which must expand and become more efficient to increase non-mining household income and, thereby food security.

#### Section A-1.2 Program Objectives.

##### 1. Program Policy Objectives

The purpose of the FY1992-94 Title III Multi-Year Program is to contribute to the achievement of USAID/Guinea's strategic objective one: **growth and increased efficiency in agricultural markets**. Indicators for achievement of that strategic objective, which also serve for measuring the M-Y Program End of Program Status, include: (1) increase in agricultural production for selected commodities (cereal and non-cereal crops); (2) increase in agricultural exports by commodity and market; (3) increase in use of key agricultural inputs; (4) decrease in differential between rural/(semi-)urban prices for rice between key markets (percentage difference); and (5) increase in competition among intermediaries for agricultural commodities.

It is also important to note that achieving the first strategic objective will result in **improved food security for Guineans**. As agricultural marketing expands, the flow of food commodities and the capacity of consumers to purchase food will increase. Increased market efficiency should mean that food prices should reflect real market levels, benefitting consumers as well as producers.

Given Guinea's natural resources, abundant rainfall and proximity to regional and overseas markets, the potential for dramatic increases in agricultural productivity and market-related income is clear. Accordingly, the centerpiece of USAID/Guinea's strategy is to contribute to sustainable growth by promoting real increases in Guinea's agricultural markets. The policy objectives for the M-Y Program are focused on initiatives to stimulate sustainable growth through the achievement of USAID/Guinea's first strategic

objective: **growth and increased efficiency in agricultural markets**. The policy objectives of the M-Y Program will provide a démarche for the **first Program Target** under that strategic objective: improved policy and regulatory environment for agricultural marketing. Progress in the achievement of the program policy objectives will be the key measures as conditionality for shipment of M-Y commodities.

Program level activities, discussed below, will provide support to the achievement of other targets under that strategic objective. The Mission intends to leverage the \$30 million multi-year food aid program to affect changes in the Government of Guinea's (GOG) policies so as to facilitate a wider, more active participation of the private sector in the conduct of the economy, particularly in agricultural marketing. Specific policy objectives under the M-Y program include: the implementation of the land tenure code; reduction of informal tax collection; and development of revenue and investment budgeting which includes P.L. 480 LC counterpart funds in the GOG budget. Key conditionalities in the Policy Framework Paper and, thus, the IMF and World Bank economic reform-related programs are directly related with these objectives.

## 2. Program Activity Objectives and Sector Problems to be Addressed

Specific M-Y program activity objectives to be supported by LC funding through the counterpart fund management system include important elements under the first, second, and third targets under strategic objective number one. The first target, as cited above, is an improved policy and regulatory environment for agricultural marketing. The M-Y program will generate local currency which will be programmed to support efforts to implement the land tenure code and to enforce and monitor the reduction of informal tax collection points. As a result, by the end of the M-Y program, the land tenure code will be implemented in the Fouta Djallon Highlands through formally established Land Commissions which are implementing land policies in accordance with a National Action Plan; and a GOG private sector commission will have assessed marketing distortions due to informal taxation, and developed, approved, and initiated an Action Plan to decrease informal taxation.

The second target is effective financial intermediation and investment services in the agricultural sector and the third target is lowered costs of agricultural marketing. As a result of the M-Y program, under the financial intermediation target, there will be: will increases in private sector agricultural lending through USAID-assisted intermediaries; increases in equity investments by clients of USAID-assisted intermediaries; increases in employment by clients of USAID-assisted intermediaries (measured in numbers of jobs created); increases in the number of clients accessing investment and market information from USAID projects; and sustained high repayment rates by clients of USAID-Assisted intermediaries. Under the marketing costs target, there will be decreases in transportation tariffs per kilometer per ton between key markets; decrease in travel time between key markets; and increase in volume of products and goods transported (tonnage) between key markets.

The Mission's Target of Opportunity, sustainable management of natural resources for marketed agricultural products in selected areas, depends on preservation of Guinea's natural resource base. The M-Y program will supply LC to support development and transfer of sustainable technologies for market production in three watersheds, in conjunction with the Natural Resources Management project 675-0216.

### Section A-1.3 Country Development Plan.

Under the FY 92 Title III program, all the commodities will be sold and the proceeds in local currency will be used for specific economic development purposes as required under Section 306 (A) of the 1990 Food, Agriculture, Conservation, and Trade Act. The new Counterpart Funds Management System, designed under the FY 91 Title III program, will determine which programs, projects and activities will be eligible to receive counterpart funds. (For an outline of the new system, see section A-1.5 in this Annex). The system itself is governed by the following general development goals in its effort to integrate all local currency proceeds into the overall development plans of Guinea:

1. Promotion of specific policy reforms to improve food security and agricultural development in Guinea and to promote broad-based, equitable, and sustainable development;
2. Promotion of increased access to food supplies through the encouragement of specific policies and programs designed to increase Guinean employment and incomes;
3. Promotion of free and open markets through specific policies and programs;
4. Support of U.S. PVO's and cooperatives and encouragement of the development and utilization of indigenous NGO's;
5. Development of rural infrastructure such as roads, irrigation systems, and electrification to enhance agricultural production.

All of these activities are fully integrated into the overall development plans of Guinea, and the USAID/Guinea portfolio, and strive at increasing sustainable agricultural production, and agricultural marketing, thereby contributing to the improvement of the economic and social well-being of all Guineans.

### Section A-1.4 A.I.D. Strategy.

A.I.D.'s development assistance objectives for Guinea continue to place the most emphasis on the liberalization and expansion of agricultural markets and the development of private enterprise in agricultural marketing and processing. The

rationale behind this emphasis stems from USAID/Guinea's long-term country strategy involving the diversification of Guinea's economy as a means to achieve a more reliable, sustainable and equitable productive framework for both the domestic and export markets.

The objectives of the FY 1992-1994 Title III program are well integrated into this long-term strategy in that they:

- 1) to the maximum extent possible, make use of the private trading sector for the import, storage, handling and distribution of the donated commodities;
- 2) provide food assistance in an effort to complement commercial imports in order to assure that consumption needs are met and to save foreign exchange; and
- 3) provide approximately \$22.5 million worth of local currency proceeds which will be used as counterpart funding for investments that are prioritized as follows:
  - (a) **First Priority** - bilateral USAID/GOG projects;
  - (b) **Second Priority** - GOG or Guinean private sector projects which meet the eligibility criteria of this Agreement;
  - (c) **Third Priority** - multilateral or bilateral projects with GOG or Guinean private sector entities which meet the eligibility criteria of this Agreement.

#### Section A-1.5 Country Policy.

Actual measures indicating progress in attaining M-Y program policy objectives are cited below. The schedule of individual actions which must be taken to indicate sufficient progress to allow release of M-Y commodities is related to progress in achievement of the program policy objectives as follows:

##### 1. Performance Indicators for the FY 1992 Shipment

On or before 5/31/92, the GOG will submit documentation which is in form and substance acceptable to USAID/Guinea that significant progress has been made to ensure that:

- a) The Land Tenure Code has been formally approved and published.
- b) The new permanent Counterpart Fund Management System has been formally approved and all key staff positions have been filled by personnel jointly approved

by the GOG and USAID. The GOG should request long term technical assistance be provided to implement the system.

c) A report published on the feasibility of depositing the LC proceeds of M-Y Program commodity sales in an interest bearing account in a private commercial bank.

## 2. Performance Indicators for the FY 1993 Shipment

On or before 4/30/93, the GOG will submit documentation which is in form and substance acceptable to USAID/Guinea that significant progress has been made to ensure that:

- a) The Land Tenure Code is being implemented by regional jurisdiction in the Fouta Djallon through the establishment of Land Commissions.
- b) A Commission established to draft a National Land Tenure Action Plan which will include:
  - i. identification of weaknesses in the existing code and recommendations for revisions;
  - ii. identification and means of implementing necessary complementary legal reforms;
  - iii. assessment of traditional land tenure mechanisms currently in place and incorporation into Plan;
  - iv. time-phased plan for establishing operating Land Commissions for all geographic jurisdictions; and
  - v. assessment of and provision for budgetary and institutional requirements for period of Plan.
- c) GOG/private sector Commission established to assess the nature and extent of agricultural marketing distortions and develop a national plan for increasing free market flow of agricultural commodities. The Commission will contract with an international accounting firm to undertake a formal assessment of marketing distortions due to informal taxes; will review the assessment; and will develop a formal action plan to address the issues raised.
- d) Evidence from the GOG budget that indicates formal registration of P.L. 480 LC proceeds in the revenue accounts and P.L. 480 counterpart funds in the

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expenditure as GOG revenue in the national public investment budget during its implementation in 1993. The system should insure effective programming, timely disbursements, and comprehensive audit and evaluation.

### 3. Performance Indicators for the FY 1994 Shipment

On or before 4/30/93, the GOG will submit documentation which is in form and substance acceptable to USAID that significant progress has been made to ensure that:

- a) The Land Tenure Action Plan is approved and published by the GOG.
- b) The Land Tenure Code is being implemented in the Fouta Djallon as follows:
  - i. Land Commissions established and functioning;
  - ii. Clear procedures established and published for landholders to obtain officially sanctioned security of tenure; and
  - iii. Clear procedures established to adjudicate land disputes.
- c) The Action Plan addressing agricultural marketing distortions caused by informal tax collections is approved by the GOG/private sector Commission and implementation is initiated to decrease informal taxation.

## Article II - Use of Donated Commodities.

### Section A-2.1 Allocation of Donated Commodities.

All of the donated commodities will be used to support the stated program objectives. All LC generated by the Program will be programmed, disbursed and monitored by the CFMS, with the concurrence of USAID/Guinea, according to the priorities indicated above.

### Section A-2.2 Participation of Private Sector.

The involvement of private traders and small businesses has been and will continue to be maximized in the sale of Program commodities. The private sector participates in all aspects of commodity handling (purchasing, storage and marketing). All commodities

imported under the Program will be auctioned off to the private sector prior to the arrival of each shipment. USAID has encouraged the participation of small traders in the bid process by reducing the size of bid lots. Winners of bids will take delivery of the commodities directly at the port during discharge and they are involved fully in storing and marketing of the commodities. Thus, all the benefits of commodity transactions accrue to the private sector rather than to a state-owned or state-controlled enterprise.

### Article III - Sale of Donated Commodities.

#### Section A-3.1 Sale Procedures.

The Program commodities will be sold in an auction organized in cooperation with the GOG. The procedures to be followed are briefly summarized below.

◆ **Organizational Structure.** The auction process will be conducted by two committees, an Auction Design Committee (a committee which will coordinate the definition and negotiation of the parameters and rules of the auction) and an Auction Implementation Committee (a committee which will coordinate the implementation of the auction). Both committees will be part of the Counterpart Fund Management System (CFMS), which is charged with monitoring the sales, distribution, and delivery of P.L. 480 commodities to the private sector. The Auction Design Committee will operate at the same institutional level as the Strategic Committee of the CFMS; the Auction Implementation Committee will have a direct reporting relationship with the Technical Unit (TU) of the CFMS.

The Auction Design Committee (ADC) is responsible for establishing a clear, comprehensive, and compatible set of auction rules and bid documents consistent with the policy objectives set forth by USAID/Guinea and the GOG. The Auction Implementation Committee (AIC) will be responsible for screening and ranking bids, as established by the ADC, and for preparing bid/awards lists for review by USAID/Guinea before public posting. Commodity purchase contracts will be signed by the chairman of the AIC and the Minister of Commerce, Transportation, and Tourism or their designate.

Collection of LC (whether in the form of bid bonds, partial payments, or complete payments) will occur outside of the two committees. All transactions (whether deposits, or justified withdrawals in the case of reimbursement of bid bonds) will occur at a designated counter/teller at the appropriate bank (initially the Central Bank, and possibly in later years, at a commercial bank).

◆ **Staffing.** Membership on the ADC will include representatives from government ministries concerned with donor programs and government sales, in addition to USAID/Guinea. As such, membership would include individuals from Ministry Plan

and Finance (MPF), Ministry of Foreign Affairs and International Cooperation (MAECI), Ministry of Commerce, Transportation, and Tourism (MCTT), and USAID/Guinea. The AIC will have a larger membership, covering representatives from all interested groups: Ministry of Plan and Finance (MPF), Ministry of Commerce, Transportation and Tourism (MCTT), Ministry of Foreign Affairs and Cooperation (MAEC), the State Inspector General, the Technical Unit of the CFMS and the private sector. The Executive Director of the CFMS/TU or his/her designate will be a permanent member of the AIC.

◆ **Reports.** Keeping records of the auction process and monitoring auction results beyond the announcement of the awards list will be the responsibility of the CFMS/TU. The AIC representative from the CFMS/TU will act as secretary and keep the committee's minutes, as well as compile records for the purpose of monitoring and evaluation. The minimum reporting requirements include the following:

- copies of the announcements (tender notices or "appel d'offres") made, with a list of the dates of publication;
- a copy of the bid documents (or "cahier des charges");
- a list of all bids submitted, with prices and quantities bid, and an indication of the stop-out (or uniform) price and which bids were declared non-responsive or otherwise ineligible;
- the initial awards list, showing the trader's names, the price to be paid, and the quantities allocated;
- the alternative awards list (compiled to continue allocations in the case of defaults or non-serious bids);
- an accounting of final sales, showing dates of payments, and commodity pick-ups, by trader and in total;
- an accounting of the auction's revenue and costs, itemizing the amounts deducted from gross proceeds and indicating the amount deposited in the special P.L. 480 account.

Copies of auction documents (such as announcements and "cahier des charges") should be filed as soon as they are made available to the public.

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Bidding information, such as the bid and awards lists, will be filed within three days of the bid opening; the initial set filed will be marked duplicate, the original set having sent to USAID/Guinea for review and approval. The original set of lists will be returned by USAID to the Committee Secretary/CFMS/TU within 24 hours, bearing USAID's stamp or sign of approval. As soon as the original set of lists are filed, the duplicates should be thrown out.

Final sales reports should be initiated as soon as USAID/Guinea's approval of auction results (the awards list) arrives at the CFMS/TU, and completed within three months, the last day for payment by buyers of rice relying on bank credit.

Auction expense reports should be started at the beginning of the auction process, at the moment auctions are announced. Legitimate expenses, approved by the AIC should be entered onto the reports as incurred. Net revenue reports should be developed from the final sales reports and the auction expense reports no later than three months after bid opening.

Eight interrelated steps will be followed in the auction of the Program commodities. They are listed in summary form below:

Step 1: Establish auction committees.

Step 2: Establish auction parameters.

Step 3: Establish pricing procedures.

Step 4: Provide adequate notice of the auction and develop bid documents.

Step 5: Accept bid submissions and bid bonds.

Step 6: Open and rank bids.

Step 7: Announce auction results.

Step 8: Accept payment and deliver commodities.

Deposits of LC proceeds from the sale of Program commodities will be made directly by the merchant (purchaser of the commodities) to the separate account managed by the CFMS/TU. An initial deposit of 25 percent of the total purchase price will be required, after which the merchant shall pay in full any balance within three months.

The Technical Unit of the CFMS is responsible for tracking the deposits into the special account. Merchants purchasing commodities under the auction system will be responsible for depositing monies into the special account. A contract will be signed with

the successful merchants indicating that their 25 percent down payment will be deposited into that account whose number and bank location will be specified in the contract that the merchants sign with the auction committee after their bids have been chosen.

The merchant will make the deposit and take proof of deposit and a proof of the bank guarantee for the remainder of the funds owed to the Technical Unit's Accounting Department. The Accounting Department will make copies of the documents and stamp both the proof of deposit and bank guarantee. The stamp on these documents will enable the merchant to acquire the commodities for which he has bid.

The Accounting Department will note the name of the merchant, the amount purchased, the value of the purchase and the date the guarantee is due. At this point, the Technical Unit begins to account for all new funds added to the special account. It will report all deposits to the donor, the Strategic Committee, and the Directors of Budget, Treasury, Public Investment, and Cooperation.

#### Section A-3.2 Separate Account.

a) The local currency generated will be deposited in a separate account. The account currently open is a non-commingled account in the Central Bank. Merchants/traders pay directly into this Central Bank account. However, once the Counterpart Fund Management Unit is operating, it is expected that the special account will be placed in a private Guinean commercial bank. This private commercial bank will pay interest on the funds deposited in the non-commingled account; the rate at which it will do so is not set yet.

b) The deposit mechanism has been described above. The entities responsible for and the disbursements mechanism of LC from separate account are explained below.

Article VII, below provides complete detail on the implementation arrangements for management of the disbursements under the Separate Account.

#### Article IV - Joint Programming of Local Currency.

##### Section A-4.1 Detailed Plan for Local Currency Uses.

In the M-Y Program, the local currency (LC) generated through the sale of commodities will finance activities that will contribute to the achievement of the Mission's first strategic objective. These activities will focus on the three program targets under Strategic Objective One: (1) improved policy and regulatory environment for agricultural marketing; (2) effective financial intermediation and investment services in the

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agricultural sector; and (3) lowered costs of agricultural marketing. The M-Y Program will also provide support for the attainment of the USAID country program's Target of Opportunity: sustainable management of natural resources for marketed agricultural products in selected areas.

The first target, an improved policy and regulatory environment for agricultural marketing, will be addressed through local currency which will be programmed to support efforts to implement the land tenure code and to enforce and monitor the reduction of informal tax collection points. As a result, by the end of the M-Y Program, the land tenure code will be implemented in the Fouta Djallon Highlands through formally established Land Commissions which are implementing land policies in accordance with a National Action Plan; and a GOG/private sector Commission will have assessed marketing distortions due to informal taxation, and developed, approved, and initiated an Action Plan to decrease informal taxation.

The promotion of agricultural investments to provide effective financial intermediation and investment services for agricultural marketing will be spearheaded by the Agricultural Marketing and Investment Project (AMIP), 675-0221, which will be designed and authorized in FY 1992. The project will feature a decidedly private sector bias in promoting the expansion of Guinean agricultural marketing activity, through promoting investment oriented towards export marketing of agricultural commodities as well as domestic agribusiness. The principal mechanism for achieving the project's objectives will be the launching of a nongovernmental organization to serve as the private sector agricultural marketing foundation and the supply of investment funding for agricultural marketing enterprises.

The AMIP will attack the overwhelming need to promote investment for sustainable exploitation of Guinea's agricultural potential through improved marketing opportunities, both export and domestic, by enabling financial intermediaries to function efficiently. In order to do this, financial intermediaries need to be able to transfer resources from the dynamic but crowded import sector to medium and long-term investments in other productive sectors.

USAID/Guinea will provide a missing link to connect economically profitable investments with banks and with other potential investors by strengthening business advisory, financial, and information service delivery by the Foundation. This will establish an intermediary between commercial banks and potential investors and improve access to financial resources necessary for investment. The resources and dynamism of the commercial sector could be harnessed to expand agricultural production, processing, and marketing. Business services and support in export and domestic agricultural marketing will provide: (1) investment opportunity identification through carrying out feasibility studies to develop commercially and financially sound projects; (2) market information gathering and dissemination including product specifications, grades, and standards; (3) policy studies on social, economic, and institutional issues related to increasing the

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agricultural marketing; and (4) liaison with financial institutions to increase the confidence and collaboration of agricultural marketing entrepreneurs and those institutions. USAID/Guinea's proposal to establish a non-profit private sector Foundation to promote agricultural marketing provides a much-needed institution to address the above issues. It will do this through a combination of support for start-up and operating costs from P.L. 480 generated Local Currency and technical assistance, credit and training financed by the AMIP.

Lowered agricultural marketing costs is another key ingredient to fostering increased agricultural production and productivity and promoting market competition. The Mission strategy includes a concerted effort to address the physical transport infrastructure constraint which currently inhibits increases in agricultural output through high costs and inefficiencies.

The major constraints in the roads subsector to be addressed are: scarce GOG resources for investment in rehabilitation; lack of a firmly established system for road maintenance; human resource gaps in planning and managing rural infrastructure work; inadequate facilities and equipment for the National Rural Engineering Department (DNCR) which is responsible for all rural road construction, rehabilitation, and maintenance; and poorly trained and financially insecure small and medium-scale local contractors (SMC's). To address these constraints, the GOG and the International Development Association (IDA) designed a five-year, \$94.8 million multi-donor project called the National Rural Infrastructure Program (PNIR). USAID/Guinea, through its Rural Roads Project (RRP), is contributing \$33 million as its participation in the PNIR. Over 2,000 km of rural roads are to be rehabilitated under the PNIR.

The purpose of USAID's RRP is to improve market access for rural producers. The outputs will be the rehabilitation of up to 1,265 km of rural roads, the growth and development of SMC's, and the establishment in DNCR of a monitoring and evaluation system. The activity is designed to complement the assistance of other PNIR donors. RRP will provide the major share of financing for road rehabilitation of up to 1,265 km out of a total of 2,073 km. Existing LC generated from past P.L. 480 Title II, Section 206 programs and the FY91 Title III program will be programmed as counterpart funds for the Rural Roads Project in the amount of \$3.75 million. M-Y Program funds will be programmed in the amount of \$3 million.

The Title III multi-year program will finance up to seven million dollars on development of feeder and smaller farm-to-market roads, increasing the impact of USAID's and other donors' road programs by ensuring that even more farm-to-market roads will be rehabilitated. There is insufficient quantitative data available to do a cost/benefit analysis for farm-to-market roads which will be financed under the M-Y Program. However, available data, showing economic rates of return for rural roads of 26.5 percent and for farm-to-market roads of 35 percent, suggest that the proposed investments will have acceptable rates of return. The road projects will be selected from those already planned

in the GOG's national investment budget to maintain the integrity of expenditure planning under the macro-economic reform program. Other infrastructure such as small-scale irrigation and public markets may be considered for financing with LC counterpart funds.

LC funding of up to three million dollars will also be provided for the Mission's Target of Opportunity, sustainable management of natural resources for agricultural production in selected areas. Experience has shown that widespread investment in natural resource management at the local level will only occur when resource users have adequate prospects for increased income and crop yields to provide incentives for investment of their scarce resources. Therefore, the M-Y will complement USAID/Guinea's strategy in natural resource management which is designed to improve the conditions considered prerequisite for resource users to make investments which will lead to increased sustainable agricultural production and find sustainable ways to provide technologies and information to farmers to make the investments. Indicators of progress for this target (all apply to three specific watersheds) are: increase in adoption rates for recommended technologies; increase in marketed agricultural production per hectare; increase in number of watershed residents with secure land tenure; increase in availability of water in the January-April dry season (number of weeks during which water is available); stabilization in household use of wood; and increase in the number of seedlings planted.

#### **Policy Performance Indicators**

The Multi-Year Program, as indicated above have Program Policy Objectives which will be related to promotion of specific policy reforms to improve food security and agricultural development within the country and to promote broad-based, equitable and sustainable development as called for under Section 306(a)(1) of PL 480 as well as promotion of increased access to food supplies through the encouragement of specific policies and programs designed to increase employment and incomes within the country, under Section 306(a)(3). The relation of these policies to the provision of Program commodities is provided for each fiscal year in Section A.1.5.

#### **Article V - Illustrative Program Financial Plan**

Cost Estimates and Financial Plan

The table below presents a breakdown of costs and expenditures for activities to be undertaken with the LC generated from the Title III program.

ILLUSTRATIVE LOCAL CURRENCY USE PLAN				
Activities to be financed in thousands of US Dollars				
Project Title	1992	1993	1994	TOTAL
Rural Roads				
‡ Feeder Roads	1,000	1,000	1,000	3,000
‡ Farm-to-Market Roads	3,000	1,500	1,000	5,500
Policy Implementation Support	2,000	2,000	3,000	7,000
Agricultural Marketing and Investment		1,500	1,000	2,500
Natural Resources Management	1,000	1,000	1,000	3,000
Reserve Funds	500	500	500	1,500
<b>TOTALS</b>	<b>7,500</b>	<b>7,500</b>	<b>7,500</b>	<b>22,500</b>

Article VI - Indigenous NGOs.

Section A-6.1 Programs for Indigenous NGOs.

a) USAID/Guinea and the GOG will provide support, through LC programming under the Agreement, for the NGO which will support the improvement of agricultural marketing as presented in Section A.4.1. above. Local currency (LC) proceeds will be jointly programmed by the GOG and USAID/Guinea to help establish an indigenous non-governmental organization (NGO) and to meet its initial operating costs. This NGO foundation will be completely managed and staffed by Guinean private sector individuals, responsible only to the NGOs's board of directors. The funds committed to this foundation by the GOG will be used to cover operating and recurrent costs. The foundation will be further supported with technical assistance and training through USAID/Guinea's Agricultural Marketing and Investment Project.

To the extent practicable, USAID/Guinea will take the programming needs of other indigenous non-governmental organizations and cooperatives into account as it assesses its allocation of local currency proceeds from the FY 92-94 Title III program. However, it should be understood that these organizations are in their relatively incipient stages of development in Guinea. Proper stewardship of the local currency resources will require the mission to proceed cautiously in its encouragement of local currency programming for those organizations. At the same time, the strengthening of those organizations is likely to be a priority item in our support to Guinea through various DFA funded efforts in the future. To the extent that their management capacity is sufficiently enhanced in the future, it is likely that USAID/Guinea will increase their participation in the programming of counterpart fund resources.

#### Article VII - Implementation Arrangements.

Once the Strategic Committee approves the projects, it will send, via letter, an official request to the donor responsible for the counterpart funds to be applied to the project. The letter will officially request project authorization by that donor in the form of a program implementation letter (PIL) in the case of USAID/Guinea, or other mechanism established by the particular donor. The letter will include the list of projects, a line item budget for each and a copy of the Technical Units recommendation regarding funding. USAID prepares this PIL based on the detailed request and sends it to the Strategic Committee, with a copy to the Executive Director of the Technical Unit.

The PIL can be used to authorize funding for one or several projects at one time. The PIL will authorize disbursement up to the total project amount according to the line item budget submitted by the implementing organization and reviewed by the Technical Unit. Once the PIL is issued, the Technical Unit assumes over responsibility for the management and control of the counterpart funds.

Upon receipt of the PIL, the accounting department of the Technical Unit prepares a check for each approved project in an amount that meets the project's requirements for a period of approximately 90 days. The checks, with all accompanying documentation, are then passed to the TU's auditor who approves the disbursement. The Executive Director then signs the checks and they, along with the supporting documentation, are taken to the National Director of Treasury in the Ministry of Economy and Finance for his countersignature. The Treasury Director should be one of the signatories so that the system is in compliance with stipulations included in the national finance law.

Operationally the system will benefit if the MEPF representative to the Strategic Committee is the National Director of Treasury or Budget so that the same person is involved in both the programming and disbursement of funds.

The signed checks are then disbursed to the project implementing organizations. For efficient tracking of funds, the disbursements to the projects must be deposited into a separate account, or subaccount, in the project implementor's commercial bank. The time period between the Technical Unit's receipt of the PIL and the disbursement to projects is recommended to be no more than seven working days.

Before the first payment is made, the project implementing organization must sign a contract with the Technical Unit. The contract will stipulate the following: (a) an agreement to keep funds in a separate account, (b) that funds will be spent according to the approved line item budget, (c) that there will be permitted a 10 per cent flexibility in line item spending, but that any line item change of more than 10 per cent must be approved by the Technical Committee, (d) that no funds will be disbursed without the receipt of complete and accurate financial reports, and (e) that the implementor agrees that either the Technical Committee or an outside group contracted by the Strategic Committee can audit the organization's books at any time.

After a period of ninety days, or when the project implementor has expended at least 80 per cent of the first tranche, the Technical Unit will provide an additional tranche to the project implementor for an additional 90 days. The second disbursement will be made only after receipt of documentation verifying the expenditure of 80 per cent of the original disbursement. Such verification must be provided to the Technical Unit with the quarterly financial report that each project implementor will be required to submit. Verification will include copies of original receipts and payment vouchers for personnel. No new disbursements can be made without verification of expenditures against line items approved under each PIL.

The Technical Unit will be responsible for all subsequent disbursements. After a satisfactory accounting of the expenditure of the previously disbursed funds, the Technical Unit will prepare another check to cover the an additional ninety days of project costs. The check will be prepared by the Accounting Department, cleared by the auditor and then signed by the Executive Director and the National Director of Treasury. Disbursements will continue in this manner until either the entire amount authorized by the PIL is expended, or the project has no need for additional funding. The total amount disbursed by the Technical Unit cannot exceed the amount approved in the PIL. Any additional funding would have to be approved by the Strategic Committee and authorized by USAID.

As the new system is being initiated and for all new project implementors, i.e. those who have no prior track record in managing counterpart funds, the disbursement of the second tranche will be contingent on a Technical Unit audit of the project implementor's expenditures. This audit will occur prior to the end of the first ninety days to detect any problems that must be corrected prior to the second disbursement and to avoid any delays in disbursements to the project. The audit will include verification of purchases made by the project implementing organization and assurance that all procurement has

met with GOG procurement regulations. After this initial audit, subsequent audits will be carried out on a periodic basis to ensure that funds are being utilized for their intended purposes.

The following reports will be submitted to USAID/Guinea to monitor LC generated from the multi-year Title III program.

- ◆ Reviews of all internal transactions to ensure compliance existing GOG regulations with the financial framework established to monitor the use of counterpart funds.
- ◆ Pre-audits of potential project implementing organizations to certify that they possess adequate financial capability to manage and account for funds provided under the program.
- ◆ Audits of all project implementing agencies' accounts to insure that funds have been used as agreed to under project contracts. Each implementing organization will be audited at least once a year and preferably more often on an intermittent basis.
- ◆ External audits that will be contracted periodically to monitor the Counterpart Fund Management System.

Specifically, the Technical Unit will prepare quarterly financial reports that will be sent to the donor, the representatives of the Strategic Committee, the National Budget Director, the Director of Treasury, the Director of Public Investment, and the Director of Cooperation.

USAID will contract an auditing firm to carry out external audits of the Technical Unit and the project implementing organization. These external audits will be carried out on an intermittent basis to monitor the management of counterpart funds. Any serious irregularities discovered by the external audits will result in a suspension of disbursements, until a resolution can be found to the problem.

#### Article VIII - Audit, Monitoring, and Evaluation Plan.

The Program will implement a comprehensive plan for monitoring, evaluation, reporting, and audit. The impacts of the Program, as it contributes to major strategic elements of the USAID/Guinea country program will be the subject of evaluation and monitoring by the Mission through its Program Impact MER activities. Project evaluation and pre- and post-project audits of the operational level of the Program will be primarily managed by the CFMS TU as detailed below. USAID reserves the authority to conduct external evaluations and audits.

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All projects funded through local currencies generated from the sale of P.L. 480 Title III program commodities will be supervised, monitored, evaluated and audited by the new Counterpart Fund Management System, created under the FY 1991 P.L. 480 Title III program. The normal monitoring and evaluation plan (M/E) for program implementation tracking will be the responsibility of the CFMS' Technical Unit. The TU will also carry out audits in the form of management audits for appraising the management capabilities of implementing organizations for proposed projects as well as for end use checks and verification as discussed above. However, the Mission in Guinea reserves the authority to independently implement, manage and/or organize impact and operational evaluations and audits for the M-Y program.

Related to M/E work to be performed by the CFMS, the following details are provided regarding annual progress reports.

- 1) The Technical Unit will be comprised of three discrete departments which will be supervised by an Executive Director, including the Projects Department, the Accounting/Administrative Department and the Audit Department, all of which will have a role in various aspects of the M/E work.
- 2) The Audit Department will not only assess the financial management capabilities of potential projects to be funded, but also undertake periodic audits of ongoing projects as well as close-out audits of completed projects. In addition, the audit department will play an internal audit role and serve as a liaison and support to external auditors that should be contracted on a periodic basis.
- 3) The Projects Department will: (a) monitor the implementation of projects financed with counterpart funds through field visits; (b) prepare semi-annual project reports for presentation to the Strategic Committee, and annual reports for presentation to the both the Strategic Committee and donors (should the CFMS be expanded to include other donors); and (c) coordinate with the Project implementation organization to carry out project evaluations.
- 4) The Technical Unit's Accounting section will prepare quarterly financial reports that will be sent to USAID, the representatives of the Strategic Committee, the Directors of the MPF's National Budget, Treasury Public Investment Offices, and the MAEC's Cooperation Office.

Evaluation, audit, and reporting will also be done by USAID/Guinea. The Program and Project Development Office will take the lead in all impact and evaluation work. Mid-term and final evaluations will be conducted by external consultants managed by PPD. In addition, PPD will integrate the CFMS TU's semi-annual reports on project implementation with the Mission's semi-annual PIR's. Impact monitoring for contributions to the preparation of the annual Assessment of Program Impact will also

be managed by PPD. The Controller's Office will jointly manage external auditing with PPD. External audits will be undertaken on an annual basis.

**USAID/Guinea**

**FY 1992-1994 Title III  
Program Proposal**

**February, 1992**

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ATTACHMENTS

(available on request from AFR/CCWA)

- A. Scope of Work for Commodity Analysis
- B. Conakry 00576: USAID/Guinea FY 1991 P.L. 480 Title III  
Program Progress Report
- C. USAID/Guinea Table 3: Country Program Strategy
- D. A Model for Establishing a Counterpart Fund  
Management Systems in Guinea

# MULTI-YEAR P.L. 480 TITLE III PROGRAM PROPOSAL

## USAID/GUINEA

### FISCAL YEARS 1992-1994

#### I. Executive Summary

##### A. Program Objectives - USAID Country Program and Multi-Year P.L. 480 Title III Program

The goal of the USAID/Guinea country program is to **improve the economic and social well-being of all Guineans in a participatory society**. The sub-goal to which the Multi-Year P.L. 480 Title III Program (M-Y Program) will contribute most is **increased per capita income from non-mining activities**. The strategic objective relevant to the M-Y Program to contribute to the attainment of this sub-goal is **growth and increased efficiency in agricultural markets**. The policies to be promulgated and implemented and the activities to be financed with P.L. 480 generated Local Currency (LC) funding under the FY 1992-1994 Title III, as measured by expected changes in performance indicators, will be completely integrated under that strategic objective.

The FY 1992-1994 Multi-Year Title III Program (M-Y Program) is the immediate successor to the FY 1991 Title III program. That single year program had two vectors of action represented by its performance indicators. On the one hand, it focused on the establishment of the legal code regulating access to land; on the other, it created an integrated and autonomous management system for P.L. 480 program generated local currency independent from, but coordinated with, the GOG public budget management system, responsible for counterpart generated by that program in terms of programming, evaluation, and audit and control for all local currency use.

The M-Y Program will build on its predecessor's accomplishments. The implementation of the legal codes will be required in order to provide incentives for increased investment for rational exploitation of Guinea's resources. The land tenure code will be essential to improve support from the financial intermediation system. The Counterpart Fund Management System (CFMS) is indeed an integral mechanism of the M-Y Program, and all LC will be channeled through it. Improving management of counterpart funds is helping meet the policy reforms in revenue management and public investment planning and implementation necessary to achieve the first strategic objective.

USAID/Guinea designed and is implementing the FY 1991 Title III Program as a hybrid between non-project and project assistance modes. In authorizing the FY1991 program, the AA/AFR concurred with this approach in the context of the Guinean situation. The Mission firmly believes that the M-Y Program must continue to be a hybrid. Achieving program policy objectives through policy dialogue tied to satisfying conditionality for commodity shipments is as important as specifying program activity objectives through identifying and tracking uses of LC proceeds from sales of M-Y Program commodities as counterpart funds.

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The "pure" form of non-project assistance is not appropriate at this stage of Guinea's development because confidence in the budgetary system is not warranted. While admittedly increasing the management burden of the Mission, the hybrid approach will support attaining focused policy objectives and improve the efficiency and transparency of management of counterpart funding for key project activities.

It must be understood, however, that the Mission considers progress in achievement of M-Y Program policy objectives as measured by the performance indicators as **the necessary element** in the Program. We are prepared to delay or cancel commodity shipments for lack of performance. The Mission has established a clear understanding on the part of the GOG of the seriousness of its approach in applying conditionality as evidenced by the freezing of GOG access to counterpart funds generated by earlier P.L.480 programs in 1990 and 1991 until total restitution of those funds was made through deposit in a special, non-commingled account and the cancellation of the 1990 P.L.480 program related to the same issue. Implementation of the M-Y Program will in no way be dependent on the flow of LC as counterpart funds.

### 1. Program Policy Objectives

Given Guinea's natural resources, abundant rainfall and proximity to regional and overseas markets, the potential for dramatic increases in agricultural productivity and market-related income is clear. Accordingly, the centerpiece of USAID/Guinea's strategy is to contribute to sustainable growth by promoting real increases in Guinea's agricultural markets. The policy objectives for the M-Y Program are focused on initiatives to stimulate sustainable growth through the achievement of USAID/Guinea's first strategic objective: **growth and increased efficiency in agricultural markets**. The policy objectives of the M-Y Program will provide a demarche for the first Program Target under that strategic objective: improved policy and regulatory environment for agricultural marketing. Progress in the achievement of the program policy objectives will be the key measures as conditionality for shipment of M-Y commodities.

Program level activities, discussed below, will provide support to the achievement of other targets under that strategic objective. The Mission intends to leverage the \$30 million multi-year food aid program to affect changes in the Government of Guinea's (GOG) policies so as to facilitate a wider, more active participation of the private sector in the conduct of the economy, particularly in agricultural marketing. Specific policy objectives under the M-Y program include: the implementation of the land tenure code; reduction of informal tax collection; and development of revenue and investment budgeting which includes P.L. 480 LC counterpart funds in the GOG budget. Key conditionalities in the Policy Framework Paper and, thus, the IMF and World Bank economic reform-related programs are directly related with these objectives. The discussion of constraints provided below will provide fuller understanding of the conditions for freer and more efficient operating of market mechanisms within a more positive enabling environment.

### 2. Program Activity Objectives and Sector Problems to be Addressed

In the M-Y Program, the local currency (LC) generated through the sale of commodities will finance activities that will contribute to the achievement of the Mission's first strategic objective. These activities will focus on the the first program target, described above, and on the **two other program targets under Strategic Objective One: 1) effective financial intermediation and investment services in the agricultural sector; and 2) lowered costs of agricultural marketing.** The M-Y Program will also provide support for the attainment of the USAID country program's Target of Opportunity: sustainable management of natural resources for marketed agricultural products in selected areas.

The first target, an improved policy and regulatory environment for agricultural marketing, will be addressed through local currency which will be programmed to support efforts to implement the land tenure code and to enforce and monitor the reduction of informal tax collection points. As a result, by the end of the M-Y Program, the land tenure code will be implemented in the Fouta Djallon through formally established Land Commissions which are implementing land policies in accordance with a National Action Plan; and a GOG/private sector Commission will have assessed marketing distortions due to informal taxation, and developed, approved, and initiated an Action Plan to decrease informal taxation.

The promotion of agricultural investments to provide effective financial intermediation and investment services for agricultural marketing will be spearheaded by the Agricultural Marketing and Investment project (AMIP), 675-0221, which will be designed and authorized in FY 1992. The project will feature a decidedly private sector bias in promoting the expansion of Guinean agricultural marketing activity, through promoting investment oriented towards export marketing of agricultural commodities as well as domestic agribusiness. The principal mechanism for achieving the project's objectives will be the launching of a non-governmental organization to serve as the private sector agricultural marketing foundation and the supply of investment funding for agricultural marketing enterprises.

The AMIP will attack the overwhelming need to promote investment for sustainable exploitation of Guinea's agricultural potential through improved marketing opportunities, both export and domestic, by enabling financial intermediaries to function efficiently. In order to do this, financial intermediaries need to be able to transfer resources from the dynamic but crowded import sector to medium and long-term investments in other productive sectors.

USAID/Guinea will provide a missing link to connect economically profitable investments with banks and with other potential investors by strengthening business advisory, financial, and information service delivery by the Foundation. This will establish an intermediary between commercial banks and potential investors and improve access to financial resources necessary for investment. The resources and dynamism of the commercial sector could be harnessed to expand agricultural production, processing, and marketing. Business services and support in export and domestic agricultural marketing will provide: (1) investment opportunity identification through carrying out feasibility studies to develop commercially and financially sound projects; (2) market information gathering and dissemination including product specifications, grades, and standards; (3) policy studies on social, economic, and institutional issues related to increasing the agricultural marketing; and (4) liaison with financial institutions to increase the confidence and collaboration of agricultural marketing entrepreneurs and those institutions. USAID/Guinea's proposal to establish a non-profit

private sector Foundation to promote agricultural marketing provides a much-needed institution to address the above issues. It will do this through a combination of support for start-up and operating costs from P.L. 480 generated Local Currency and technical assistance, credit and training financed by the AMIP.

Lowered agricultural marketing costs is another key ingredient to fostering increased agricultural production and productivity and promoting market competition. The Mission strategy includes a concerted effort to address the physical transport infrastructure constraint which currently inhibits increases in agricultural output through high costs and inefficiencies.

The major constraints in the roads subsector to be addressed are: scarce GOG resources for investment in rehabilitation; lack of a firmly established system for road maintenance; human resource gaps in planning and managing rural infrastructure work; inadequate facilities and equipment for the National Rural Engineering Department (DNCR) which is responsible for all rural road construction, rehabilitation, and maintenance; and poorly trained and financially insecure small and medium-scale local contractors (SMC's). To address these constraints, the GOG and the International Development Association (IDA) designed a five-year, \$94.8 million multi-donor project called the National Rural Infrastructure Program (PNIR). USAID/Guinea, through its Rural Roads Project (RRP), is contributing \$33 million as its participation in the PNIR. Over 2,000 km of rural roads are to be rehabilitated under the PNIR.

The purpose of USAID's RRP is to improve market access for rural producers. The outputs will be the rehabilitation of up to 1,265 km of rural roads, the growth and development of SMC's, and the establishment in DNCR of a monitoring and evaluation system. The activity is designed to complement the assistance of other PNIR donors. RRP will provide the major share of financing for road rehabilitation of up to 1,265 km out of a total of 2,073 km. Existing LC generated from past P.L. 480 Title II, Section 206 programs and the FY91 Title III program will be programmed as counterpart funds for the Rural Roads Project in the amount of \$3.75 million. M-Y Program funds will be programmed in the amount of \$3 million.

The Title III multiyear program will finance up to seven million dollars on development of feeder and smaller farm-to-market roads, increasing the impact of USAID's and other donors' road programs by ensuring that even more farm-to-market roads will be rehabilitated. There is insufficient quantitative data available to do a cost-benefit analysis for farm-to-market roads which will be financed under the M-Y Program. However, available data, showing economic rates of return for rural roads of 26.5 percent and for farm-to-market roads of 35 percent, suggest that the proposed investments will have acceptable rates of return. The road projects will be selected from those already planned in the GOG's national investment budget to maintain the integrity of expenditure planning under the macro-economic reform program. Other infrastructure such as small-scale irrigation and public markets may be considered for financing with LC counterpart funds.

The Mission's Target of Opportunity, sustainable management of natural resources for agricultural production in selected areas, depends on preservation of Guinea's natural resource base. The M-Y Program will supply LC to support development and transfer of

sustainable technologies for market production in three watersheds, conjunction with the Natural Resources Management Project, 675-0216.

#### B. Commodity Type, Level, Dollar Value, and Transportation Costs

The FY 1992-1994 Guinea PL 480 Title III program will import approximately \$7.5 Million of commodities per year, with ocean freight costs estimated at \$2.5 Million per year. Thus, the total value of the Title III grant program will be \$10 Million per year, or \$30 Million over the Life of Program. All commodities will be handled by and sold directly to the private sector by means of an auction and all the benefits of commodity sales will accrue to the private sector. USAID has encouraged the involvement of small traders in the auction process by having bid lots small enough for small traders to participate. Under the first year of the program, USAID is proposing three shipments. The first shipment, planned for arrival in May-June, would be for 10,000 mt of rice (valued at \$3.69 Million at current USDA price levels, with ocean freight costs estimated at \$1.25 Million). For the second and third shipments, USAID anticipates altering the commodity mix to include wheat flour and/or vegetable oil. As soon as the M-Y Program is signed, USAID intends to undertake marketing studies to determine the feasibility of importing wheat flour and/or vegetable oil under Title III (see Attachment A which provides a draft scope of work). Rice will be included in the second and third shipments along with the other two commodities depending on the outcome of the studies and further negotiations with the GOG. Final commodity allocations for the second and third shipments will be negotiated with the GOG by June 1, 1992 in order to allow sufficient time for shipments. The commodity mix for the following years will be determined after consultations with the GOG and the annual analysis of market conditions and import needs. A change in the commodity mix is an issue which has been voiced by the GOG and has the full concurrence of USAID/Guinea.

The shift away from a preference for rice as the principal if not exclusive P.L. 480 program commodity results from the fact that domestic rice production has been rising in response to the elimination of economic and marketing controls, higher price levels, and heightened demand. Increases in rice production appear to be a result of increased areas under cultivation rather than higher yields. Thus, while improvements in productivity do not seem to be occurring, there is nonetheless growing availability of domestically produced rice. The potential disincentive of continued large rice imports in future years creates the need to consider alternative commodities.

#### C. Commodity Needs Analysis for Rice

In 1991, the Ministry of Agriculture has estimated that approximately 680,000 ha of rice was under cultivation producing an estimated 643,000 mt (paddy rice). When seed use, post harvest losses and milling extraction rates are subtracted, the total amount of domestic rice (milled) available for consumption during 1992 will be approximately 334,000 mt. The calculation for commercial imports of rice in 1992 is 160,000 mt, or slightly above the 5 year average for total rice imports. Unofficial rice exports to neighboring countries are estimated at 20,000 mt per year and carryover stocks figured at 25,000 mt. If these figures hold true, the total rice supply available for consumption in 1992 is judged to be 499,000 mt.

With a per capita consumption of rice around 75 kg/year and a 1992 population projected at 7.30 Million, the total national rice consumption requirements are approximately 547,600 mt. Accordingly, prior to any Title III rice imports to Guinea in 1992, the rice deficit will be about 49,140 mt.

#### D. Conditions for Annual Commodity Ordering

Actual measures indicating progress in attaining M-Y program policy objectives for the program period will be specifically cited in the M-Y Program Agreement prior to its signing. The schedule of individual actions which must be taken to indicate sufficient progress to allow release of M-Y commodities is related to progress in achievement of the program policy objectives (See Section VI. B. for details).

## **II. Background : Macroeconomic and Institutional Environment/ Sectoral Framework**

### A. Macroeconomic Environment

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

#### 1. 1985-1988

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

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

At the end of 1985, a new currency, the Guinean Franc (GF), was issued and devalued fifteen-fold. A foreign exchange auction was implemented and a managed float policy was established. Gross foreign exchange sold by the Central Bank by auction to the private sector expanded by nearly 60 percent per annum between 1986 and 1988 (from \$US 90 million to \$US 222 million). Auction sales to finance imports of goods grew from US\$ 88 million in 1986 (99 percent of total Central Bank sales) to US\$ 195 million (89 percent of sales) in

1988. The composition of these import goods financed by the auction were foodstuffs (40 percent), non-food consumer goods (31 percent), capital and intermediate goods (19 percent), and 10 percent of which is undetermined. Although the availability of foreign exchange to the private sector increased, inappropriate fiscal and monetary policies as well as ineffective management resulted in consistent deficits in GOG budgets and balance of payments. The sustainability of the system has depended heavily on the availability of significant amounts of balance of payments assistance, debt rescheduling, the accumulation of arrears on external debts, and the occasional depletion of foreign exchange reserves.

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

The trade regime inherited by the Second Republic was highly protectionist, with tariff rates ranging as high as 1000 percent. A transitional basic tariff rate of 10 percent was introduced with adjustments for some essential commodities (5 percent), agricultural inputs (5 percent), and some luxury commodities (20-30 percent). The import licensing system was replaced by a simple system of import declarations available to all registered traders.

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

A major focus of the PREF was the privatization, liquidation, or restructuring of state-owned enterprises (SOE's). Many of these enterprises were already defunct. While progress has been made on the restructuring of those enterprises, with privatization or liquidation of over 100 SOE's, several of the most important enterprises (the national electric company or ENELGUI, the petroleum supply company or ONAH, the postal and telecommunications company or PTT, and Air Guinea) have not been completely privatized or liquidated.

The First Republic did not have a budgetary framework. Budgets merely constituted listings of desired expenditures without any concomitant binding legal implications. These listings were not formulated into a macroeconomic framework where their affordability or sustainability could be analyzed. With the advent of the Second Republic, the GOG undertook a series of reforms to rationalize public expenditure. An inventory of ongoing investment projects was drafted and the first public investment program (PIP) was introduced. An attempt was made to situate the PIP within a macroeconomic framework and the concept of incorporating recurrent cost implications into project appraisal was introduced. While these measures represented notable advances in the budgetary system, it was not until

1988 that a formal budget was introduced which incorporated significant procedural provisions.

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

## 2. 1989 - Present

Although significant problems remain, Guinea's economy is making progress under the PREF, especially considering its point of departure. The economy grew by 3.1 percent in 1987, 6.0 percent in 1988, 4.1 percent in 1989 and 4.3 percent in 1990. A 2.4 percent growth rate is estimated for 1991. Slowing of growth is a reflection of the decline in world bauxite and aluminum commodity prices. The fiscal deficit, (including grants) as a percentage of GDP, declined from 6.6 percent on 1988 to 5.2 percent in 1990. This assisted the GOG to reduce the annual growth of the money supply, from 72.5 percent in 1986 to 24.5 percent in 1990. Inflation dropped from 72 percent in 1986 to 22 percent in 1990. The differential between the official and parallel exchange rates declined from 19 percent in 1986 to under 10 percent in 1990-91.

In addition, financial indicators provide evidence of a growing private sector orientation of the economy. Central bank auction sales of foreign exchange to the private sector increased from \$222 million in 1988 to \$288 million in 1991. And, net domestic credit from the banking system to the private sector increased from \$33 million in 1986 to an estimated \$115 million in 1991.

Implementation of the second phase of the PREF (1989 to the present) is contributing to this economic growth and restructuring. The current phase builds upon the 1985-88 shock treatment by focussing on the more complex and difficult process of reforming institutions and changing attitudes both within the GOG and the private sector. Notable achievements during the current phase include continued progress in civil service reform, increases in some tax revenues, restructuring of the energy sector, and further devaluation of the Guinean Franc.

In order to combat growth in government spending the GOG has taken further steps to reform the civil service. Salary payments to phantom and former civil servants have been reduced. The GOG has terminated approximately 700 employees whose positions were not properly established or who do not have legitimate payroll and personnel files. And, the Government has begun to link promotions and pay increases to qualifications and performance.

On the revenue side, the GOG increased tariff rates on imports from 10 to 15 percent in March 1990, and customs collections have improved. The excise tax on petroleum products was increased in September 1990 and more revenues have been collected. Meanwhile, the

GOG has begun to withdraw from the marketing of petroleum products and has taken significant measures to restructure the parastatal electricity company, including reductions in waste and fraud.

The GOG has continued to adjust the value of the Guinean Franc downward to better reflect its market value. The accompanying increase in foreign exchange sales to the private sector at auction is beginning to contribute to a shift of the economy away from its heavy dependence on the mining sector. Agricultural exports are beginning to respond, though they still account for only 5 percent of total export earnings.

Two clear lessons are emerging from the second phase of the economic reform process: 1) for the right prices to have the desired effects on supply, the GOG has to significantly improve its formulation and implementation of economic policies; and 2) maintaining the right prices requires careful management of one key price -- the exchange rate. The exchange rate is central because it affects Guinea's ability to compete in international markets and because it plays an important role in regulating the rate of inflation. Managing the exchange rate will require a major and sustained increase in domestic revenue mobilization and the avoidance of excessive monetary financing of budget deficits. This fiscal and monetary discipline is especially important for exchange rate management given the expected external financing gaps. USAID estimates that Guinea's structural adjustment program requires official grants and loans and/or debt rescheduling averaging \$475 million per year between 1992 and 1994, inclusive of existing commitments (see Table I).

TABLE I

Foreign Exchange Sources and Uses (Millions of US Dollar)								
Element	1987	1988	1989	1990	1991	1992	1993	1994
Sources				(estimated)		(projected)		
Exports	623.8	622.3	699.0	788.0	798.1	802.2	841.4	872.4
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official Grants	82.8	83.5	98.0	101.1	119.3	137.8	146.3	153.4
Official Loans	169.7	190.0	227.4	202.2	267.0	233.4	226.2	238.0
Private Loans	21.2	24.5	26.4	36.0	57.9	43.0	52.9	35.8
Private Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF Purchases	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF SAF/ESAF	16.5	0.0	22.8	0.0	11.5	23.5	27.3	15.6
<b>Total Sources</b>	<b>922.5</b>	<b>920.3</b>	<b>1073.6</b>	<b>1127.3</b>	<b>1253.8</b>	<b>1239.9</b>	<b>1294.1</b>	<b>1315.2</b>
Uses								
Imports	507.1	605.1	589.4	692.6	727.9	737.0	779.5	802.6
Services	215.1	203.1	255.0	276.6	303.6	278.8	293.2	280.6
Interest Payments	81.1	106.8	99.4	101.8	55.1	86.5	103.8	103.7
IMF Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	96.4	141.4	121.1	124.1	109.5	149.7	135.9	135.5
Public								
Private								
IMF Repurchase/Repay	14.9	5.4	8.9	14.9	8.6	1.1	3.1	5.5
Arrears Paid	-7.5	-77.5	26.1	-87.3	14.0	289.1	0.0	0.0
Reserves Applied	36.2	-44.1	27.0	3.5	-30.8	-13.2	-21.4	-12.7
Errors and Omissions	11.0	3.3	22.2	1.8	65.9	0.0	0.0	0.0
<b>Total Uses</b>	<b>954.3</b>	<b>943.5</b>	<b>1149.1</b>	<b>1128.0</b>	<b>1253.8</b>	<b>1529.0</b>	<b>1294.1</b>	<b>1315.2</b>
<b>Net Financing Gap</b>	<b>31.8</b>	<b>23.2</b>	<b>75.5</b>	<b>0.7</b>	<b>0.0</b>	<b>289.1<sup>1</sup></b>	<b>0.0</b>	<b>0.0</b>
Debt Rescheduling	31.8	23.2	75.8	0.0	0.0	0.0	0.0	0.0
Residual Gap	0.0	0.0	-0.3	0.7	0.0	289.1 <sup>1</sup>	0.0	0.0
<b>Gross Financing Gap<sup>2</sup></b>	<b>309.3</b>	<b>296.7</b>	<b>423.7</b>	<b>304.0</b>	<b>397.8</b>	<b>683.8</b>	<b>399.8</b>	<b>407.0</b>
<sup>1</sup> It is assumed that the Paris Club will be convened in mid-1992 to consider debt rescheduling.								
<sup>2</sup> Net financing gap plus multi- and bi- lateral grants and loans, IMF purchases, and SAF/ESAF.								
Sources: IMF and GOG data.								

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

The IMF and the GOG negotiated an Enhanced Structural Adjustment Facility (ESAF) in late 1991. Reinitiation of disbursements from the World Bank's 1988 Structural Adjustment Credit is expected in 1992, once current efforts to put civil service reforms back on track are completed. The World Bank also indicated its interest in pursuing discussions on further structural adjustment credits. The implementation of economic and financial reforms has become a crucial issue in Guinea. With the recent doubling of civil service salaries, the drop in foreign exchange earnings due to declining bauxite prices, and continuing devaluation of the Guinean Franc, inflation has become a major concern again. To insure successful implementation of their IMF and World Bank macro-economic programs and to avoid lessening of external support, prompt and significant action needs to take place in: 1) management of the budget; 2) management of the exchange rate; and 3) the role and performance of government (in particular, continued civil service reform and the privatization and restructuring of SOE's). The M-Y Program will provide integrated support to several of the more important reforms through its policy initiatives.

The increased importance of the agricultural sector and the role of the private sector within the overall macroeconomic framework will depend on the GOG's ability to implement reforms and provide a framework to address the constraints to increase private sector agricultural production for export and domestic trade which must expand and become more efficient to increase non-mining household income and, thereby food security.

## **B. Institutional Environment**

Since the advent of the Second Republic following the military coup of April, 1984, Guinea has undergone radical institutional changes. The party-state was dismantled and the command economy of the Touré regime reversed in favor of a commitment to a liberal market economy. The macro-economic and administrative reforms, progress toward legal and regulatory systems, and the institutional and legal foundations are not yet completely established to sustain a liberal economy. Major obstacles to implementing administrative and economic reforms include: 1) the lack of precedence for an economy based on titled property, contractual relationships and courts; 2) lack of private sector institutions; and 3) bureaucratic inexperience and inadequate management qualifications of state officials.

Consistent with the political tradition of the colonial era and the First Republic, most institutional reforms of the Second Republic have been initiated from above with little popular consultation. Unrest is recurrent among predominantly urban-based groups that have lost ground economically because their favored status under the First Republic changed as

the economic reforms took hold. The process of generating popular support for financial, economic, administrative and legal reforms continues as the society is opened to democratic processes.

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

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

### C. Agricultural Sector Framework

Rice is the single most important agricultural crop in Guinea, with about seventy percent of total rice consumption supplied by domestic production. Rice also constitutes about one-third of the value of all food imports. Wheat flour, sugar, edible oils, and processed food commodities comprise the rest. Fonio, a coarse grain, is also produced in significant quantities, and livestock, fish, cassava, groundnuts, and fruit make important contributions to the local economy throughout the country. Coffee and palm-oil are mainly produced in the Forest Region, but the trees are old and yields are poor. Even though efforts are being made at rehabilitation of those tree crops, trade in those products is limited in relation to their potential. Cotton grown in Upper Guinea is another potentially important cash crop. Guinea is an important trading partner in regional markets mostly through informal exports of cola nuts and citrus. Initial efforts to develop export trade of horticultural crops have produced some marked success but long term growth in this area is constrained by many of the sector's problems discussed below.

Food crop production grew less rapidly than population during most of the independence period and, during the same period, cash crop production also declined. Since the inception of the Second Republic, these trends have been reversed.

In 1984, the Second Republic was established with a mandate to institute the widespread economic and political reforms discussed above. Agricultural marketing and trade were liberalized to correct for past market distortions. The GOG decontrolled prices, privatized

trade, reduced the number of roadblocks, liquidated most marketing and trade parastatals, simplified import and export procedures, and allowed purchaser prices to rise to more attractive levels. As a result, agricultural marketing activity increased.

Internal marketing channels in Guinea still closely follow those established before and during the colonial period. The volume of informal regional trade is significant (unofficial estimates place its annual value at \$100 to \$200 million), but formal export trade is limited. Formal or recorded agricultural exports are currently valued at \$30 million. Formal exports are primarily limited to coffee, cotton and small quantities of fruit. The rapid increase in food imports which occurred immediately after the beginning of the Second Republic has slowed in recent years.

Government import and export procedures are now less onerous than they were during the First Republic. Nevertheless, some are still redundant and unnecessarily difficult. The major problems for fruit and vegetable exports are produce quality and limited cold storage facilities. The arbitrary application of informal taxation on transport of goods and of customs regulations is another constraint.

Rural roads are in severe disrepair. They have not been regularly maintained since the country's independence in 1958. Rural transport is scarce and transport costs add greatly to marketing costs. The extremely poor condition of the network is a major constraint to the movement of produce along the coast, from the hinterland to Conakry, and from rural areas to regional market centers; in some instances these flows have almost ceased. Farmers are severely hampered in marketing their surplus crops and buying producer and consumer goods. These conditions jeopardize the GOG development policy of increasing productive, market-oriented agriculture as part of the newly liberalized economy.

The agricultural sector in Guinea is characterized by a widespread lack of sustainable natural resource management. Soil, water, and forest resources are not rationally used with a view towards the long-term need to husband resources effectively for the use of future generations. There is a generally missing link between exploitation of those resources for short-term profit and the need for continued profitability. Deforestation, erosion, salinization, and pollution are potentially important problems in Guinea. In the area of soil and water conservation and management, the transfer of technologies for profitable and sustainable production for the market needs to be made.

Despite of all these constraints, as a result of various reform measures, trade in agricultural products now takes place in a relatively competitive environment. As mentioned, the private sector is permitted to engage in all levels of internal and external marketing. As private sector activity has expanded, food production is increasing (rice production increased from estimates of 374,000 tons in 1975 to 643,000 in 1991), small-scale enterprises are developing, and per capita income is projected to rise annually between 1.5 percent and 1.9 percent, in real terms, in the 1990's.

Further results are the notable supply response in the agricultural sector: coffee plantings were rehabilitated, and the area under rice cultivation increased. Coffee exports increased from negligible amounts in 1985, to approximately 13,250 MT in 1990. Exports of palm kernel also increased from 77 MT in 1985 to 3,300 MT in 1988. Private investors

responded to this liberalization. Private investment as a percentage of GDP increased from almost zero in 1985 and stabilizing around 10 percent through 1990.

#### D. Country Commitment to Broad-based Sustainable Development and Food Security

As described above, since 1984 and the beginning of the Second Republic, the Government of Guinea (GOG) has implemented a series of major economic, social and political reforms. These reforms are geared towards the liberalization of Guinea's economy and the improvement of the living standards of the Guinean people. The GOG's commitment to policies that promote food security is part of an overall economic policy reform program aimed at achieving broad-based, equitable and sustainable growth.

In order to revive agricultural production and promote food security the GOG decided to liberalize agricultural-related markets and support the development of private enterprise in agricultural marketing and processing. Specifically, the GOG: (1) abolished forced sales of produce to state agencies; (2) closed state produce marketing agencies; (3) eliminated fixed producer prices and decreased internal road blocks; and (4) allowed private sector trade in agricultural commodities.

Thus, the GOG has developed a food security strategy, based on rural income increases, which:

- o promotes growth in agricultural production (especially rice production);
- o promotes growth in agricultural exports;
- o reduces reliance on agricultural imports;
- o removes the public sector from production and marketing in agriculture and encouragement of private sector initiatives in these areas;
- o removes trade barriers and liberalizes prices.

#### E. Other Donor Assistance

USAID/Guinea has implemented a system of quarterly reviews with representatives of the World Bank, International Monetary Fund, European Economic Community, Canadian International Development Agency, German Technical Cooperation, and other bilateral development organizations. At those meetings, the policies, procedures, and impact of all types of assistance including food assistance are discussed. Data and analysis are shared among the participating donors. For more detail on other donor's programs, please see the *USAID/Guinea FY1992-1996 Country Program Strategic Plan*, Section IV.

USAID also maintains a close and frequent dialogue on the support of donors to growth in the agricultural sector in general and in agricultural marketing in particular. Related to the latter, the support of the World Bank and the EEC in the policy and export production and marketing areas will be integrated closely with USAID's activities. All donors work from

the premise that growth and increased efficiency in agricultural markets will contribute directly to enhance food security through rising rural incomes and employment and greater availability of production.

Donor coordination is also maintained in the area of programming and use of local currency generated by food assistance. USAID's leadership in supporting the design of improved counterpart fund management is recognized and other donors, particularly the World Bank, EEC, and CIDA intend to closely coordinate with the implementation of the counterpart fund management system.

Annex 2, Table 2.2 provides information on official food assistance in the form of concessional imports for 1986-1990.

### **III. Program Description**

#### **A. Problems Addressed in M-Y Program: Introduction**

Agriculture in Guinea is not likely to contribute, in the short to medium term, as much to export earnings or to public revenue as does mining. However, international bauxite and aluminum prices are currently declining with little prospect of short term recovery. It is important to note that income generated in the rural agricultural sector is widely shared, production is labor intensive, markets are created or expanded for inputs and consumer goods, and agricultural production is made available for downstream processing and distribution. These linkage effects are essential for broad-based sustainable economic development in the rural areas. The basic premise of USAID/Guinea's program is that Guinea must diversify away from mining-based economic-led growth, and revitalize the agricultural sector, whose potential is tremendous given the abundance of natural resources, good soil and plentiful rains. Achieving such a revitalization will also improve food security, thus combatting malnutrition and its causes.

#### **B. Cross-cutting Constraints**

There are key cross-cutting constraints which affect all sectors and aspects of development in Guinea. By cross-cutting constraints, we mean the critical underlying factors that are inhibiting economic development in Guinea and that apply to more than one sector and program area. These constraints are: 1) uncompleted macro-economic policy and sectoral policy formulation and implementation (issues include an overvalued exchange rate, GOG budget deficits, and poor performance of the financial sector); 2) a culturally defined world view which militates against decision-making, risk-taking, and transparency in financial management; 3) deficient public and private sector institutions; 4) a very high population growth rate (2.8 percent); 5) inadequate infrastructure; and 6) a weak human resource base. Discussion below will focus on constraints specific to attainment of the objectives of the M-Y Program, but the cross-cutting constraints should be kept in mind as underlying all efforts in Guinea.

#### **C. Policy Constraints**

The Government of Guinea has made profound progress in policy reform since the economic

and social liberalization process began in 1985. Nonetheless the task is far from complete and further measures need to be taken as the GOG moves on implementing reform. On balance, the challenge for the future is the difficult one of making operational already-adopted policies rather than formulating new positions. The constraints most crucial for the M-Y program policy objectives are detailed below.

### 1. Budgetary Management

Concerning the expenditure side of the budget, most of the basic procedures necessary for sound fiscal management have been established. However, these measures must be internalized and consistently applied. In addition, there is room for improvement in the allocation process of public investment expenditures. Substantial public investments and increasing civil service salaries will put pressure on revenues through increasing recurrent costs. Diversification of revenue sources and strengthening revenue collection and administration efforts must occur. Specifically related to the M-Y Program, the GOG will be required to integrate the LC proceeds generated by commodity sales in its revenue accounts and to include LC programming and expenditure for counterpart funds in its public investment budgeting. Accomplishing this integration will directly contribute to the rationalization of budgetary management which is central to Guinea's economic reform program with the IMF and the World Bank.

### 2. Private Sector Promotion

The Second Republic's decision to redefine and reorient the role of the state and simultaneously enhance the role of the private sector in the conduct of the economy, has proven extremely difficult to implement. A primary example of this is the difficulty in privatizing or liquidating key state-owned enterprises (SOE's), most notably ONAH (the fuel distribution company), ENELGUI (the national electricity utility), PTT (the postal and telecommunications company) and Air Guinea.

The legal and regulatory framework related to private investment requires serious alteration. Although several legal and regulatory codes have been prepared or adopted including investment, customs, tax, and land tenure, implementation of these measures has lagged considerably. Onerous requirements, fees, and authorization procedures lead to costly delays, especially for marketing agricultural products. Arbitrary application of codes and ubiquitous rent seeking plague investors. Commercial activity and productive investment are hampered by: the lack of clear procedures to establish and operate private businesses; the non-existence of land titles and lack of property ownership legislation and registration procedures; the continued collection of informal transport taxes; and the pernicious effect of bribery in the customs system. The M-Y Program policy objectives are focussed on the latter two constraints.

### D. Infrastructure Constraints

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

river crossing operated.

Guinea is one of the more poorly served countries in Africa in terms of road density, having 4.3 kilometers of road per 100 square kilometers, compared with 11.9 km in Ghana, 13.6 km in Cameroon, and 14.8 km in Cote d'Ivoire. The road system totals 18,500 km. Of this total, about 4,000 km are national arteries connecting Conakry to most prefectures and to the main border points and sea ports. The national road network includes about 1,300 km of paved roads. About 3,000 km of feeder roads, termed the regional road network, connect administrative centers to the national road network and to secondary border points. Another 11,500 km, known as the rural road network, connect farming villages to market centers. Both the regional and rural networks essentially serve the agricultural sector.

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

#### IV. Integration

The Guinea multi-year P.L. 480 Title III Program forms an integral part of the USAID assistance program to Guinea, closely conforms to the development goals of the GOG, and fits well within the DFA Action Plan strategic objectives. The M-Y program specifically supports policy dialogue and project activities aimed at achieving Strategic Objective One, the principal objective for economic growth which is **growth and increased efficiency of agricultural markets**. It will provide direct support to the GOG and the Guinean private sector in meeting a shortfall in the supply of rice and other commodities, including wheat and/or vegetable oil, to satisfy domestic demand.

USAID/Guinea will combine the use of Title III program conditionality and program generated resources with DFA financing to achieve targets within that strategic objective: 1) improved policy and regulatory environment for agricultural marketing; 2) effective financial intermediation and investment services in the agricultural sector; and 3) lowered costs of agricultural marketing. For the first target, the Performance Indicators for the release of M-Y Program shipments are defined in specific **program policy objectives**, actions that will lead to the achievement of an improved policy and regulatory environment. Only by taking actions signalled in the performance indicators, will commodities be made available under the M-Y Program. The Mission's Economic Policy Reform Support Project, 675-0218, will be amended and will support GOG efforts in achieving these policy objectives.

The LC generated by commodity sales will be jointly programmed by the GOG and USAID/Guinea to achieve **program activity objectives** which provide support to projects which will contribute to achievement of the three targets of Strategic Objective Number One and the closely related target of opportunity, sustainable management of natural resources for

marketed agricultural products in selected areas. LC will be programmed for three priority projects: the Rural Roads Project (675-0216), the Agricultural Market Investment Project (675-0221), and the Natural Resources Management Project (675-0219). In addition, Title III resources will be programmed jointly with the GOG to; 1) support the implementation of the land tenure code and the enforcement and monitoring of the reduction of informal tax collection points; 2) finance start-up and operating support costs for a nongovernmental organization (NGO) to support agricultural marketing; and 3) fund the rehabilitation of rural roads in priority geographic areas (main highway, feeder roads, and farm-to-market roads).

These activities are integrated with the overall portfolio of USAID/Guinea projects at several levels. The NGO is the prime means of implementing the AMIP, 675-0221. The foundation will provide the Guinean private sector with improved market information, increased abilities to prepare bankable investments, enhanced capabilities to dialogue with the private sector on policies and implementation issues important for growth of agricultural marketing, and increased access to financial intermediation.

The rehabilitation of rural roads financed through the LC generated from the sale of Title III food aid, fully complements and strengthens the Mission's commitment to support Guinea's infrastructure network to lower agricultural marketing costs. USAID/Guinea has already invested \$33 million in the Rural Roads Project which will rehabilitate 1,265 km of roads. Furthermore, the Mission is also supporting alleviating the infrastructure constraint through two additional interventions; first, through the Agricultural Infrastructure Project, an integral component of the Fourth Highway Program, a GOG-World Bank infrastructure program (675-0213), and second, through support to the Farm-to-Market Roads project implemented by Africare (675-0224). The rehabilitation of rural roads through the Title III local currency, and the upgrading of priority roads through the RRP, are essential to lower the costs of agricultural marketing and to stimulate sustained agricultural production for markets in rural areas. Increased marketed outputs will lead to increased household incomes from agriculturally-based employment.

Marketing of PL 480 commodities will be done entirely by the private sector -- as it has been done with rice since 1986 when ALIMAG, the Guinean parastatal responsible for rice imports was abolished -- and has gradually involved smaller sized traders, increasing private sector participants. Benefits from the sale will accrue to the private sector. The successful participation of 33 Guinean private traders in the FY1991 Title III rice auction widely recognized as a groundbreaking activity for Guinea in terms of transparency and open competition (see Attachment B). This tracks closely with the principal theme in the Mission's economic growth strategy.

Finally, the M-Y Program is closely integrated with all four of the strategic objectives of the Development Fund for Africa Action Plan of May, 1989. First, the program policy objectives will contribute to the achievement of DFA Strategic Objective One - **improving management of African economies by redefining and reducing the role of the public sector and increasing its efficiency**, as well as DFA Strategic Objective Two - **strengthening competitive markets so as to provide a healthy environment for private sector-led growth**. The LC generated by the M-Y Program is to be used to support activities which will be related to DFA Strategic Objective One Two, Three - **developing the potential for long-term increases in productivity**, and Four - **improving food security**.

## V. M-Y Program Purpose: End of Program Status and Impact

As stated above, the purpose of the FY1992-94 Title III Multi-Year Program is to contribute to the achievement of USAID/Guinea's strategic objective one: **growth and increased efficiency in agricultural markets**. Indicators for achievement of that strategic objective, which also serve for measuring the M-Y Program End of Program Status, include: 1) increase in agricultural production for selected commodities (cereal and non-cereal crops); 2) increase in agricultural exports by commodity and market; 3) increase in use of key agricultural inputs; 4) decrease in differential between rural/(semi-)urban prices for rice between key markets (percentage difference); and 5) increase in competition among intermediaries for agricultural commodities. These indicators will also serve as measures of the impact of the M-Y in that they are above the level of accomplishment or "manageable interest" of the M-Y by itself but, implemented in combination with the Mission's DFA-funded project activities, lie within the manageable interest of the overall country program. The section on impact analysis below will discuss the relation of these impacts with beneficiaries.

It is also important to note that achieving the first strategic objective will result in **improved food security for Guineans**. As agricultural marketing expands, the flow of food commodities and the capacity of consumers to purchase food will increase. Increased market efficiency should mean that food prices should reflect real market levels, benefitting consumers as well as producers.

### A. M-Y Program Policy Objectives: Improving Market Investment and Food Security

USAID/Guinea believes that the M-Y Program must be a hybrid between non-project and project assistance modes. In authorizing the FY1991 program, the AA/AFR concurred with this approach in the context of the Guinean situation. The Mission firmly believes that the M-Y Program must continue to be a hybrid. Achieving program policy objectives through policy dialogue tied to satisfying conditionality for commodity shipments is as important as specifying program activity objectives through identifying and tracking uses of LC proceeds from sales of M-Y Program commodities as counterpart funds. The "pure" form of non-project assistance is not appropriate at this stage of Guinea's development because confidence in the budgetary system is not warranted. The common experience of donors in Guinea is one of great delays in counterpart fund availability and limited transparency in funds management. While admittedly increasing the management burden of the Mission, the hybrid approach will support attaining focused policy objectives and will help ensure the availability of counterpart funding for key project activities. To limit that burden and allow the Mission to achieve and monitor results in a focused set of activities, the number of management units or activities will be strictly limited.

Specific M-Y program policy objectives will include key issues under the first target of the first strategic objective: improved policy and regulatory environment for agricultural marketing. As a result of the M-Y Program, the following policy outputs will be produced: 1) the implementation of the land tenure code; 2) reduction of informal tax collection; and 3) development of revenue and investment budgeting which includes P.L. 480 LC counterpart funds in the GOG budget. Conditionality under the M-Y will require that the GOG make substantial progress in accomplishing these actions with a series of successive performance indicators tied to the release of program commodities and LC counterpart funds.

B. M-Y Program Activity Objectives: Improved Policy Environment and Market Growth by Providing Financial Resources and Lowering Costs

Specific M-Y program activity objectives to be supported by LC funding through the counterpart fund management system include important elements under the three targets under strategic objective one. The first target is improved policy and regulatory environment for agricultural marketing, the second target is effective financial intermediation and investment services in the agricultural sector, and the third target is lowered costs of agricultural marketing. As a result of the M-Y Program, under the first target, the land tenure code will be implemented in the Fouta Djallon through formally established Land Commissions which are implementing land policies in accordance with the National Plan and there will be enforcement and monitoring of a reduction of informal tax collection points. Under the financial intermediation target, there will be: increases in private sector agricultural lending through USAID-assisted intermediaries; increases in equity investments by clients of USAID-assisted intermediaries; increases in employment by clients of USAID-assisted intermediaries (measured in numbers of jobs created); increases in the number of clients accessing investment and market information from USAID projects; and sustained high repayment rates by clients of USAID-assisted intermediaries. Under the marketing costs target, there will be decreases in transportation tariffs per kilometer per ton between key markets; decrease in travel time between key markets; and increase in volume of products and goods transported (tonnage) between key markets.

LC funding will also be provided for the Mission's Target of Opportunity, sustainable management of natural resources for agricultural production in selected areas. Experience has shown that widespread investment in natural resource management at the local level will only occur when resource users have adequate prospects for increased income and crop yields to provide incentives for investment of their scarce resources. Therefore, the M-Y will complement USAID/Guinea's strategy in natural resource management which is designed to improve the conditions considered prerequisite for resource users to make investments which will lead to increased sustainable agricultural production and find sustainable ways to provide technologies and information to farmers to make the investments. Indicators of progress for this target (all apply to three specific watersheds) are: increase in adoption rates for recommended technologies; increase in marketed agricultural production per hectare; increase in number of watershed residents with secure land tenure; increase in availability of water in the January-April dry season (number of weeks during which water is available); stabilization in household use of wood; and increase in the number of seedlings planted.

USAID/Guinea has completed a country program level exercise which identified the indicators provided above (see Attachment C). Those tables indicate the status of setting

indicator parameters and collection of baseline data for measuring progress in attaining the objectives.

The program activity progress indicators are the same as those in the attached country program strategy indicator tables. **They will not be used as conditionality for decision-making on M-Y commodity shipments.** Rather they are progress indicators which gauge the level of success of important program objectives. They will be monitored as part of the Mission's overall program impact monitoring system and will indicate how the M-Y is contributing to country program performance. Much of the data for those indicators will be not be identified until submission of the FY92 Assessment of Program Impact in October, 1992. As stated in the Agency Title III Guidelines (State 91 242313, Para VII. B.2.), "it is not necessary to track the LC to the achievement of performance indicators, it is necessary only to ensure that the mutually agreed events have occurred."

## VI. Implementation Arrangements

### A. Private Sector Participation in Commodity Handling

The involvement of private traders and small businesses has been maximized in the sale of Title III commodities (see Attachment B). The private sector participates in all aspects of commodity handling (purchasing, storage and marketing). All commodities imported under the M-Y Title III program will be auctioned off to the private sector prior to the arrival of each shipment. USAID has encouraged the participation of small traders in the bid process by reducing the size of bid lots. Winners of bids take delivery of the commodities directly at the port during discharge and they are involved fully in storing and marketing of the commodities. Thus, all the benefits of commodity transactions accrue to the private sector rather than to a state-owned or state-controlled enterprise.

### B. Performance Indicator Conditionality for Annual Commodity Ordering

Actual measures indicating progress in attaining M-Y program policy objectives for the first two fiscal years will be specifically cited in the M-Y Program Agreement prior to its signing. Measures for the third year, FY 1994, will relate directly to the first two years' indicators, but the Mission reserves their specification until the fourth quarter of FY1993 when they will be identified in a program implementation letter. The schedule of individual actions which must be taken to indicate sufficient progress to allow release of M-Y commodities is related to progress in achievement of the program policy objectives as follows:

#### 1. Performance Indicators for the FY 1992 Shipment

On or before 4/30/92, the GOG will submit documentation which is in form and substance acceptable to USAID/Guinea that significant progress has been made to ensure that:

- a. The Land Tenure Code has been formally approved and published.
- b. The new permanent Counterpart Fund Management System has been formally approved and all key staff positions have been filled by personnel jointly approved by the GOG and

USAID. The GOG should request long term technical assistance be provided to implement the system.

c. A report published on the feasibility of depositing the LC proceeds of M-Y Program commodity sales in an interest bearing account in a private commercial bank.

## 2. Performance Indicators for the FY 1993 Shipment

On or before 4/30/93, the GOG will submit documentation which is in form and substance acceptable to USAID/Guinea that significant progress has been made to ensure that:

a. The Land Tenure Code is being implemented by regional jurisdiction in the Fouta Djallon through the establishment of Land Commissions.

b. A Commission established to draft a National Land Tenure Action Plan which will include:

- identification of weaknesses in the existing code and recommendations for revisions;
- identification and means of implementing necessary complementary legal reforms;
- assessment of traditional land tenure mechanisms currently in place and incorporation into Plan;
- time-phased plan for establishing operating Land Commissions for all geographic jurisdictions; and
- assessment of and provision for budgetary and institutional requirements for period of Plan.

c. GOG/private sector Commission established to assess the nature and extent of agricultural marketing distortions and develop a national plan for increasing free market flow of agricultural commodities. The Commission will contract with an international accounting firm to undertake a formal assessment of marketing distortions due to informal taxes; will review the assessment; and will develop a formal action plan to address the issues raised.

d. Evidence from the GOG budget that indicates formal registration of P.L. 480 LC proceeds in the revenue accounts and P.L. 480 counterpart funds in the expenditure as GOG revenue in the national public investment budget during its implementation in 1993. The system should insure effective programming, timely disbursements, and comprehensive audit and evaluation.

## 3. Performance Indicators for the FY 1994 Shipment

On or before 4/30/93, the GOG will submit documentation which is in form and substance acceptable to USAID/Guinea that significant progress has been made to ensure that:

a. The Land Tenure Action Plan is approved and published by the GOG.

b. The Land Tenure Code is being implemented in the Fouta Djallon as follows:

- Land Commissions established and functioning;
- Clear procedures established and published for landholders to obtain officially sanctioned security of tenure; and

Clear procedures established to adjudicate land disputes.

c. The Action Plan addressing agricultural marketing distortions caused by informal tax collections is approved by the GOG/private sector Commission and implementation is initiated to decrease informal taxation.

### C. Negotiating Status

The M-Y program policy and activity objectives have been discussed with the GOG. As the M-Y Program Agreement is finalized, performance indicators as conditionality for permitting commodity shipment will be specified for the first two years of the program. Measures for the third year, FY1994, will relate directly to the first two years' indicators, but the Mission reserves their specification until the fourth quarter of FY1993 when they will be specified in a program implementation letter.

### D. Program Planning and Management

The M-Y Program's principal planning and management structures will involve five ministries of the GOG and the Counterpart Fund Management System's Strategic Committee and Technical Unit. For USAID/Guinea, Mission senior management and the Program and Project Development office will play the key roles in program implementation.

Six GOG agencies<sup>1</sup> and the newly created Counterpart Fund Management System (CFMS) will be involved in the direct management of P.L. 480 Title III generated local currency. These six agencies are:

1. The Ministry of Plan and International Cooperation (MPCI), is responsible for the overall management of the M-Y Program and of the CFMS. MPCI is responsible for: joint-programming and budgeting from establishment through implementation of its Public Investment Program; coordinating the action of other ministries; and providing the various reports required by donors. Finally, MPCI is responsible, along with MICA and USAID/Guinea, for managing the commodity auction.
2. The Ministry of Economy and Finance (MEF) is responsible for the financial management of the special account into which program-generated LC is deposited.
3. The Ministry of Industry, Commerce and Artisanry (MICA) is responsible for receiving, storing and transfer of title to private merchants who purchase M-Y Program commodities on behalf of the MPCI. MICA is also responsible for management of the commodity auction, along with MPCI and USAID/Guinea.
4. The Central Bank of Guinea (BCRG) is responsible for maintaining the separation of the special account for LC proceeds from commodity sales as counterpart funds under the CFMS.

<sup>1</sup> On February 6, 1992, a GOG reorganization was announced which could have implications for the management of the M-Y Program. The Mission is analyzing those implications and will make any adjustments as necessary.

5. The Ministry of Agriculture (MARA) - The National Directorate for Rural Engineering and the National Directorate for Forests and Wildlife will be responsible for the management of the rural roads and natural resources management activities, respectively, undertaken with the LC. They will contract out to the Guinean private sector for the implementation of these efforts.

6. The Ministry of Economic and Financial Control has responsibility for assuring that commodity auctions conform to established regulations.

The organization and roles of the Counterpart Fund Management System (CFMS) are presented here below in summary format. A complete explanation of the organization, functions and operation of the CFMS is provided in Attachment D.

The new counterpart fund management system is comprised of two entities designated the Strategic Committee and the Technical Unit.

#### 1. The Strategic Committee

The Strategic Committee is the policy and project programming entity within the counterpart fund management system. As such, it represents the overall goals and objectives of the donors and the Government of Guinea (GOG) regarding the use of counterpart funds in support of development activities.

The Strategic Committee will be composed of two permanent voting members and several non-voting members who will participate in meetings upon the invitation of the permanent members. One representative each from the Ministry of Economy and Finance (MEF) and the Ministry of Plan and International Cooperation (MPCI) will be designated as the permanent members. The respective ministers will decide on the appropriate representatives to represent the GOG in managing counterpart funds. The Strategic Committee will be created by a bilateral agreement initially between the Government of the United States and the Government of Guinea.

USAID/Guinea will maintain observer status at all Strategic Committee meetings, and will be responsible for final concurrence with all activities approved for funding by the Strategic Committee.

Other ministry representatives will also be appointed to the Strategic Committee to participate on a "voice with no vote" basis and upon the invitation of the Strategic Committee. The Ministry of Industry and Commerce (MICA) will provide advice regarding issues related to the importation and commercialization of commodities imported under the various programs; the Central Bank will advise the SC regarding any macroeconomic policy considerations related to the disbursement of funds and; the various technical ministries (agriculture, health, etc.) will provide support for decisions regarding sectoral investments. The Executive Director of the Technical Unit will also be present at Strategic Committee meetings to report to the members regarding relevant issues and act as the secretary, preparing minutes of all meetings.

The Strategic Committee will meet on a quarterly basis to review policy issues, receive progress reports and make project funding decisions as necessary. Additional meetings may be held based on need and at the request of any member, the Donor or the Director of the Technical Unit. The Strategic Committee will meet individually with each donor to establish bilateral programming objectives and plans. For example, the Strategic Committee will meet only with USAID to program the funds generated under the PL-480 program. Periodic meetings will be held between the Strategic Committee and all donors utilizing the CFMS. These meetings will as a forum for discussion of issues related to the operation of the CFMS which are of mutual interest to all the donors.

The Strategic Committee will be responsible for ensuring that all financial reports required by USAID are submitted on a timely basis by the Technical Unit (see Attachment D for specification). Tardiness in submissions of financial reports will result in suspension of the disbursements until that time that all reports are satisfactorily completed and submitted.

## 2. Technical Unit

The Technical Unit will be created to implement the policies determined by the Strategic Committee; oversee the sale of commodities; ensure that all counterpart funds generated are deposited into the appropriate special account; and monitor the disbursement and expenditure of counterpart funds to eligible projects. The Technical Unit will be comprised of three discrete departments which will be supervised by an Executive Director. A proposed outline of staffing, role and responsibilities of the Technical Unit in the counterpart fund management system appears in Attachment D. Negotiations on the permanent structure of the TU are being completed and will be approved by the GOG and USAID as a condition for the release of the FY1992 commodity shipment. The operating expenses for the TU will be funded by LC counterpart funds generated by previous P.L. 480 programs.

### a. Projects Department

The Projects Department will be comprised of approximately three technicians. The technicians will be responsible for reviewing the projects that are submitted for funding and determining their eligibility and technical feasibility; ensuring that all projects comply with environmental impact criteria; and certifying that the project implementing organization has the technical capacity to carry out the proposed project. The technicians will also supervise approved projects and maintain all project tracking records to meet reporting requirements of the counterpart fund program. The three technicians will be chosen according to the focus of the program and will be professionals in fields such as agriculture, civil engineering, agricultural marketing, natural resources management, and rural development for example. The section will be headed by a technician in one of these fields with several years experience in project implementation and management.

### b. Accounting/Administrative Department

The Accounting/Administrative Department will occupy itself with the overall financial management of the counterpart fund management system including internal administrative controls. This department will account for all funds that are generated by commodity sales, ensure that they are deposited into the donor's special account and that all project transactions are recorded, accounted for and reported. The Department will also provide technical assistance to project implementors to ensure their accounting systems are adequate to account for funds provided under the counterpart program. In addition, since this section will be responsible for the administration of the technical unit, the general internal administration, secretarial and motor pool oversight duties will be under its purview.

The Department will be headed by a Controller and will be staffed with two staff accountants, and three assistant accountant/bookkeepers. In addition, there will be two drivers and two secretaries.

### c. Audit Department

The Audit Department will assess the financial management capabilities of potential projects to be funded and also undertake periodic audits of ongoing projects as well as close-out audits of completed projects. In addition, the section will play an internal audit role and serve as a link to external auditors that will be contracted on a periodic basis.

The Director, Auditor and the Chiefs of each of the Departments will be named by the Strategic Committee after a review of candidates. These are the key positions which must be filled to satisfy part of the conditionality for approval of the FY 1992 commodity shipment. The other employees of the Department will be selected jointly by their supervisors in the Technical Unit and the Strategic Committee, with final approval of the donors. The members of the Technical Unit will carry out the candidate search and pre-screening of applicants and will identify two to three potential candidates for each position. Once the pre-screening is accomplished, a meeting will be held with the Strategic Committee to make the final selections.

The programming and financial management requirements of the new CFMS will require a great deal of technical expertise, especially as the system is first being implemented. It is important that a long term advisor to the Technical Unit be contracted to assist in establishing the new CFMS. The direct counterpart of the advisor will be the Executive Director of the Technical Unit. The advisor will provide on-the-job management and financial training to the Technical Unit to help in building greater technical capacity in the overall management of counterpart funds.

### 3. USAID/Guinea

A permanent Food for Peace Committee will be established in USAID/Guinea. The chief of the Program and Project Development Office will chair the committee which will include the PPD Food for Peace Coordinator, the technical assistance advisor for the CFMS, and a representative from the Controller's Office. Representatives from the technical offices will participate when issues relevant to their program areas are considered by the committee.

The committee will be responsible for coordination with the GOG and other donors on all aspects of management of the M-Y Program. The management of these resources will be an integrated part of the overall management system for counterpart funds.

The PPD Food for Peace Coordinator will maintain the implementation of a system of countersigned program implementation letters for approval of each project activity proposed for funding with LC generated by the M-Y Program. The permanent Food for Peace Committee will review proposed project activities and, if in agreement, recommend approval by the Mission Director. The Coordinator, in coordination with the Controller's Office and the technical assistance advisor, will manage a system of independent audits of disbursements and end use by approved projects. Finally, the Coordinator will establish and implement a system to monitor social and economic impact achieved by the approved project activities. While the workload of the Mission in taking on its role in the CFMS will increase, the management structure described will be adequate to maintain quality

control and fulfill financial oversight responsibilities.

E. Financial Plan

TABLE II

<b>ILLUSTRATIVE LOCAL CURRENCY USE PLAN Activities to be Financed (in thousands of US Dollars)</b>				
<b>Project Title</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>TOTAL</b>
<b>Rural Roads</b>				
- Feeder Roads	1,000	1,000	1,000	3,000
- Farm-to-Market Roads	3,000	1,500	1,000	5,500
<b>Policy Implementation Support</b>	2,000	2,000	3,000	7,000
<b>Agricultural Marketing and Investment</b>		1,500	1,000	2,500
<b>Natural Resources Management</b>	1,000	1,000	1,000	3,000
<b>Reserve Funds</b>	500	500	500	1,500
<b>TOTALS</b>	<b>7,500</b>	<b>7,500</b>	<b>7,500</b>	<b>22,500</b>

F. Audit, Monitoring and Evaluation Plan

The M-Y Program will implement a comprehensive plan for monitoring, evaluation, reporting, and audit. The impacts of the Program, as it contributes to major strategic elements of the USAID/Guinea country program will be the subject of evaluation and monitoring by the Mission through its Program Impact MER activities. Project evaluation and pre- and post-project audits of the operational level of the M-Y Program will be primarily managed by the CFMS TU as detailed below. USAID reserves the authority to conduct external evaluations and audits.

All projects funded through local currencies generated from the sale of P.L. 480 Title III program commodities will be supervised, monitored, evaluated and audited by the new Counterpart Fund Management System, created under the FY 1991 P.L. 480 Title III

program. The normal monitoring and evaluation plan (M/E) for program implementation tracking will be the responsibility of the CFMS' Technical Unit. The TU will also carry out audits in the form of management audits for appraising the management capabilities of implementing organizations for proposed projects as well as for end use checks and verification as discussed above. However, the Mission in Guinea reserves the authority to independently implement, manage and/or organize impact and operational evaluations and audits for the M-Y program.

Related to M/E work to be performed by the CFMS, the following details are provided regarding annual progress reports.

1. The Technical Unit will be comprised of three discrete departments which will be supervised by an Executive Director, including the Projects Department, the Accounting/Administrative Department and the Audit Department, all of which will have a role in various aspects of the M/E work.

2. The Audit Department will not only assess the financial management capabilities of potential projects to be funded, but also undertake periodic audits of ongoing projects as well as close-out audits of completed projects. In addition, the audit department will play an internal audit role and serve as a liaison and support to external auditors that should be contracted on a periodic basis.

3. The Projects Department will: (a) monitor the implementation of projects financed with counterpart funds through field visits; (b) prepare semi-annual project reports for presentation to the Strategic Committee, and annual reports for presentation to the both the Strategic Committee and donors (should the CFMS be expanded to include other donors); and (c) coordinate with the Project implementation organization to carry out project evaluations.

4. The Technical Unit's Accounting section will prepare quarterly financial reports that will be sent to USAID, the representatives of the Strategic Committee, the Directors of the MEF's National Budget and Treasury Offices and the MPCI's International Cooperation and Public Investment Offices.

Evaluation, audit, and reporting will also be done by USAID/Guinea. The Program and Project Development Office will take the lead in all impact and evaluation work. Mid-term and final evaluations will be conducted by external consultants managed by PPD. In addition, PPD will integrate the CFMS TU's semi-annual reports on project implementation with the Mission's semi-annual PIR's. Impact monitoring for contributions to the preparation of the annual Assessment of Program Impact will also be managed by PPD. The Controller's Office will jointly manage external auditing with PPD. External audits will be undertaken on an annual basis.

## VII. Feasibility Analyses

USAID/Guinea finds that the M-Y Program is economically, socially, institutionally, and politically feasible. The analyses provide detailed discussion supporting our findings.

### A. Social/Institutional/Political Analyses

#### 1. Guinea's Commitment and Ability to Sustain M-Y Priority Policies

As described above, since 1984 and the beginning of the Second Republic, the Government of Guinea (GOG) has implemented significant economic, social and political reforms. These reforms are geared towards the liberalization of Guinea's economy and the improvement of the living standards of the Guinean people. The GOG's commitment to policies that promote food security is part of an overall economic policy reform program aimed at achieving broad-based, equitable and sustainable growth. This commitment was reaffirmed in the November 1991 agreement with the IMF for an Enhanced Structural Adjustment Facility.

In 1985, the GOG began its ambitious program of economic and financial reform (Programme de Réformes Economiques et Financières or PREF) which, during its first phase from 1985-88, concentrated on removing the most important economic distortions impeding the functioning and growth of the private sector. The guiding principle of this reform program has been to drastically reduce the interventionist role of the state and allow the private sector to become the engine of growth, particularly in the agricultural sector.

A Procurement Code was passed in 1988 and decrees of application enacted in 1990. This code defines the legal basis and rules for contracts between public agencies and suppliers of materials, goods, and services in the private sector. Application of the procurement code during the commodity auction under the FY1991 Title III Program contributed greatly to the transparency of contractor selection because the roles of the ministries were clear and procedures were delineated.

Difficulties in application of the 1987 Investment Code led to approval in 1990 of an ordinance which eliminated professional registration for commercial or industrial activities, facilitating a major breakthrough for investment. Establishment of a corporation was no longer required and a bond no longer required to constitute a commercial venture. Simplification of the rules governing entry into business, reduction in the areas in which administrative authorities give approval and greater transparency in the granting of tax exemptions will reduce transaction costs and promote a better climate for the private sector.

In order to revive agricultural production and promote food security the GOG decided to liberalize agricultural-related markets and support the development of private enterprise in agricultural marketing and processing. Thus, the GOG has developed a food security strategy, based on rural income increases, which:

- o promotes growth in agricultural production (especially rice production);

- o promotes growth in agricultural exports;
- o reduces reliance on agricultural imports;
- o removes the public sector from production and marketing in agriculture and encourages private sector initiatives in these areas;
- o removes trade barriers and liberalizes prices.

Specifically, the GOG: (1) abolished forced sales of produce to state agencies; (2) closed state produce marketing agencies; (3) eliminated fixed producer prices and decreased internal road blocks; and (4) allowed private sector trade in agricultural commodities.

The second phase of the PREF began in late 1988 and continues through the present day. It includes a much more complex process of reforming institutions and changing attitudes both within the administration and in the private sector.

One important area for increasing investments to produce growth and increased efficiency of agricultural markets is the establishment of property rights. The Land Tenure Code which has been prepared for final approval of the President clarifies property rights and compels claimants to register property in the Property Plan in their local jurisdiction and with the Property Preservation Service. Property rights will be recognized after publication of the Land Registry Book.

The proposed code gives government (executive branch) rather than the courts the initial role of resolving disputes over property. The code establishes a Land Commission in each local jurisdiction which will be charged with the following tasks:

- o conciliating contending parties with conflicting claims
- o conciliating contending parties involved in expropriation cases and advising on compensation due the owner in case of expropriation
- o advising on questions related to land policy orientation of the local jurisdiction.

The Land Commission will be composed of seven members, four of whom are representatives of the Ministries of Urbanism, Agriculture, Interior, and Mining. The other three members will be well-known local people named by the prefect, or by the Governor of Conakry in the case of Conakry's municipalities. The Land Commission will not hear cases already taken up by the courts. If the contending parties do not reach an agreement under the Land Commission mediation, the case goes to court. The court system and legal profession may need to expand to handle the backlog of litigation over property rights.

The Land Commission will also verify improvements made on property. In urban areas, improvements include putting up houses and other buildings on the property. In rural areas, improvements could refer to putting up permanent housing, investing in land improvements, or setting up a plantation.

The proposed Land Code gives the state property rights over the sub-soil. The mining sector provides the majority of state revenues. The Code also gives the state authority to ensure that land use conforms with the environmental code and urban planning schemes. It specifies conditions under which the state can expropriate property for public use and mechanisms for compensating the owners. Under the Code, the military has the right to take over land without a preliminary investigation.

Related to the FY 1991 policy objectives, the proposed code defines state property rights and mechanisms for individual ownership and registering property, but will require further refinement, as it is implemented, in explaining how rural land ownership rights will be determined. The Urbanism Ministry handles land and property questions in Conakry and the territorial administration intervenes in land disputes in the rural areas. Absence of reliable records and low quality of public administration create possibilities for rent seeking in registration and resolving disputes over ownership. Assistance under USAID/Guinea's Natural Resources Management Project, 675-0219, will focus on overcoming obstacles in implementation of the Code, especially for rural areas.

Registering property and establishing ownership through the proposed Code creates the potential for expansion of rural and urban credit since property could provide collateral for loans. The application of the Code would also stimulate the monetization of the economy by facilitating sale of property and, thus, the creation of functioning land markets. Finally, under the Code, married women would have the right to own and sell their own property without approval of their husbands.

Fiscal management reform, both on revenue and expenditure has been a major component of the PREF reforms. Since 1988, the GOG has been steadily improving the use of a formal budget through its annual *Loi de Finances*. Tax and customs administration have also been major emphases in the reform program.

Related to budgetary management, the establishment, in 1988, of Financial and Administrative Affairs Divisions in each line ministry was an initial step towards improving budgeting and financial control capabilities. By early 1990, most of the necessary procedural and institutional reforms in public expenditure management had been adopted. However, gaps and inefficiencies in expenditure still remain. One area for improvement is improved investment budget management under which planned expenditures are registered and justified. The improved CFMS for USAID/Guinea's Local Currency funds would respond to this need.

Customs revenue collection is an important area for efforts to improve revenue management. Computerized customs clearing and statistical collection procedures are being introduced, but implementation is difficult. The granting of exonerations, often related to corrupt practices, dilutes the impact of improved systems. Another area is the diminished but lingering practice of collection of informal taxes at points located throughout the transport system, with negative effects on the efficiency and costs of the flow of marketed goods. Both areas effect the confidence of investors and debilitate the improvement of public sector management to support private sector growth.

In conclusion, while there are many remaining improvements to be made, especially in

the implementation of reforms, the results of the PREF have been encouraging. The economy grew by an estimated 3.1 percent in real terms in 1987, 6.0 percent in 1988, 4.3 percent in 1989 and 4.3 percent in 1990. A 2.4 percent growth rate has been estimated for 1991. Slowing of growth is reflective of the decline in worldwide bauxite and aluminum commodity prices. A notable supply response in the agricultural sector has been documented: coffee plantings have been rehabilitated, and the area under rice cultivation has increased. Coffee exports have increased from negligible amounts in 1985, to an estimated 13,250 MT in 1990. Exports of palm kernel have also increased from 77 MT in 1985 to 3,300 MT in 1988. A response of private investment to this liberalization has been evident. Private investment as a percentage of GDP increased from almost zero in 1985 and stabilizing around 10 percent through 1990.

In spite of the ebbs and flows in implementing reforms, the GOG has the will and commitment to eventually carry them out. Evidence can be seen in the restitution in the last year of counterpart funds and the preparation and approval of the GOG's 1992 National Development Budget by early February, 1992, much earlier than any other previous year. The GOG is making significant progress in its stated commitments to increasing its efficiency and transparency.

## 2. Implementing Institutions for the Achievement of M-Y Program Objectives

### M-Y Program Policy Objectives

Previous discussion has provided detailed analysis of the CFMS which is being established. Establishment and functioning of the CFMS is being supported by technical assistance and training provided by the Economic Policy Reform Support Project, 675-0218. The institutional structure for implementation of the Land Tenure Code is to be designed over the next year and will be supported in part, as already mentioned, by technical assistance and training from the NRM Project through a buy-in to the ACCESS Project to provide technical assistance from the University of Wisconsin Land Tenure Center.

Institutional analysis of and support for the organizations which will be involved with revenue and expenditure management under fiscal reforms and informal tax collection monitoring will be undertaken as part of the Mission's program and those of other donors, principally the World Bank and the IMF. Technical assistance and training to enable the achievement of M-Y Program objectives will be provided by the Economic Policy Reform Support Project (675-0218) and the Human Resources Development Assistance project (675-HRDA) as well as by the World Bank/FAC PAGEN III Program.

### M-Y Program Activity Objectives

The institutions which will implement most of the activities to be supported under the M-Y Program have been described and analyzed in the Project Papers for the Rural Roads (675-0216) and Natural Resources Management (675-0219) Projects. The Project Paper for the Agricultural Marketing Investment Project (675-0221) will complement those institutional analyses.

### 3. People and Institutions to be affected by the M-Y Program

The M-Y Program will affect people and institutions in different ways related to its basic elements. First, the sales of the commodities will directly affect Guinean traders, importers, and merchants. Based on USAID's experience with such sales, there is active participation of Guineans whose operations vary widely in scale and size in the commercialization of the commodities. The Mission will survey these actors in greater detail in an evaluation of the FY1991 Program, but the results described in Attachment B provide an introduction. The Mission's insistence on allowing wide variation in commodity lot size will continue and should promote active private sector participation from a broad spectrum. The Mission firmly believes that such participation is an important contribution to development of the Guinean private sector. The distribution and consumption of the commodities will benefit a wide range of Guineans. Rice is an important element of the diet for all levels of society. The consumption patterns for alternative commodities will be examined in the market studies to be undertaken as part of the M-Y Program. Based on recent experience, consumption of Title III rice is centered in the Conakry area. The effect on nutrition is positive.

Second, the people and institutions affected by the M-Y Program policy objectives include both the public and private sectors. The implementation of the Land Tenure Code will require the functioning of a set of existing institutions at the national and local level. They will be comprehensively studied and supported under the NRM Project. Implementation should provide benefits for agricultural producers and investors as improved land tenure provides an important means to gain access to credit and acquire additional land.

Those public sector organizations needed to improve budgetary, customs, tax, investment code administration are currently being analyzed under the EPRS amendment. However, the effect of the M-Y Program policy objectives is expected to be positive, except for redundant or malfunctioning units and individuals who will be motivated to improve performance or seek alternative employment.

Third, the people and institutions which will be affected by achievement of the M-Y Program Activity Objectives have been identified in the RR and NRM Project Papers and will be described and analyzed in the AMIP PP. Principally, they will be producers, transporters, and traders in the agricultural sector who will benefit from the road and infrastructure improvements, the improved marketing enabling environment and services, and the increased transfer of technologies for sustainable agricultural production which will take place through implementation of those projects.

### 4. Potential Social, Institutional, and Political Effects

The M-Y Program should have positive social effects relative to the three basic groups noted above. The commodities should be beneficial for the nutritional status of various social groups. The policy objectives will contribute to an improved climate leading to increased investments and employment and, ultimately, improved food security. Where changes require groups such as public employees to lose privileges derived from arbitrary and corrupt practices, the short term negative impact will be far outweighed by the

benefits of improvements in functioning of the economy. The activity objectives will provide the benefits for social groups identified in the specific project documentation.

Institutional effects will be also positive. Related to commodity sales and consumption, the strengthening of the private sector described above provides important experience and not insignificant resources for key private actors from large to small scale operations. Policy objectives will result in strengthened public sector institutions as they experience the challenge to be both more lean and more effective in supporting private sector growth. Private sector organizations and agents will also benefit from the policy demarche under the M-Y Program. Activity objectives will provide institutional benefits identified in the designs of those efforts.

The M-Y Program will also result in increased stability of the key institutions and actors involved in Guinea's economic growth. The public sector should benefit from the enhanced image which its improved functioning provides. The private sector will gain politically as its dynamic growth provides opportunities for an increasing number of Guineans to share in the benefits of a market economy.

## B. Impact Analysis

### 1. Food Assistance Impact

The commodities which will be transferred and sold as part of the M-Y Program will provide direct benefits to the private traders, transporters, and merchants who purchase or who provide services in the purchase process. The private commercial banks which guarantee payments will also benefit from interest and fees earned and from their greater experience and confidence with the private sector.

The commodities will be purchased by a range of consumers as mentioned above. The Conakry market for rice is discussed in the next section. The nutritional impact of the rice in the past has benefitted urban households of all income levels and can be expected continue with the M-Y commodities. With under-five chronic malnutrition (based on height for age) in Conakry estimated at 18.2 percent, rice currently constitutes 8.2 percent of average household expenditures. For the poor, the share of household expenditures is even more significant, with the poorest 10 percent of households devoting 15.6 percent of expenditures to rice and the next 20 percent of households above that level (second and third deciles) dedicating 11.3 percent of expenditures.

### 2. Policy, Institutional and Activity Impact

The impact of the M-Y program policy and activity objectives, as discussed in Section V., will be measured by the indicators identified for the Mission's first strategic objective **growth and increased efficiency in agricultural markets**. These indicators, which also serve for measuring the M-Y Program End of Program Status, include: 1) increase in agricultural production for selected commodities (cereal and non-cereal crops); 2) increase in agricultural exports by commodity and market; 3) increase in use of key agricultural inputs; 4) decrease in differential between rural/(semi-)urban prices for rice between key markets (percentage difference); and 5) increase in competition among

intermediaries for agricultural commodities.

Beneficiaries of this impact will be: agricultural producers in several regions; agricultural marketing intermediaries in trucking, processing and packaging, and other aspects of commercialization; and agricultural input marketing intermediaries. Producers will benefit from the increased competition among intermediaries and the increased demand as markets grow and new niches appear. Intermediaries will improve their efficiency as costs decline and finance becomes available. Input suppliers will improve their situation as demand increases and producers seek to increase profitability through investing in accelerating input use. Eventually consumers will also benefit from the decline in price differentials and the greater amount marketed through improved market efficiency.

Institutional impact will also be important as the public sector institutions involved in achieving the M-Y program policy and activity objectives are strengthened. Improving their performance will mean that their use of human and financial resources will be more efficient, benefitting those organizations and the public as well. Related specifically to the M-Y program policy objective, also the country program logframe's first target under SO1, the institutional impact will focus on improved policy and regulatory environment for agricultural marketing. As the institutions involved make the needed improvements regarding the specific performance indicators under the M-Y Program, they will be more likely to provide the needed environment for achieving impact through growth and greater efficiency in agricultural markets. The indicators identified in the Mission's program logframe for the first target which are relevant for the M-Y Program are: implementation of the Land Tenure, Customs, and Investment Codes; decrease in the number of collection points for informal taxes on selected road corridors; decrease in time and cost of obtaining licenses and permits and other formal and informal fees to establish and operate a business.

The impact of the activities, additional to those described in the paragraph above, to be supported by LC counterpart funds generated by commodity sales under the M-Y Program are defined at the USAID country program level and the M-Y Program, as the two other targets under SO1, effective financial intermediation and investment services in the agricultural sector and lowered costs of agricultural marketing. The Mission has identified the following indicators for the financial intermediation and investment services target: increases in private sector agricultural lending through USAID-assisted financial intermediaries; increases in equity investments by clients of USAID-assisted financial intermediaries; increases in employment by USAID-assisted enterprises (measured in numbers of jobs created); increases in the number of clients accessing investment and market information from USAID projects; and sustained high repayment rates by clients of USAID-assisted intermediaries. Indicators for marketing costs target are: decreases in transportation tariffs per kilometer per ton between key markets; decrease in travel time between key markets; and increase in volume of products and goods transported (tonnage) between key markets. The M-Y Program LC will also contribute to achievement of the Mission's Target of Opportunity, sustainable management of natural resources for agricultural production in selected areas. Indicators for the Target of Opportunity are: . increase in adoption rates for recommended technologies; increase in marketed agricultural production per hectare; increase in number of watershed residents with secure land tenure; increase in availability of water in the January-April dry season (number of

weeks during which water is available); stabilization in household use of wood; and increase in the number of seedlings planted.

### 3. Planned Benefits: Value of the M-Y Program vs. the Food Resources

The value of the food resources, including transport costs, for the M-Y Program is \$30 million. The benefits will be the policy and institutional reforms leveraged by this food assistance as well as the impacts of the project activities financed from the M-Y Program-generated counterpart funds. Project analyses for USAID-funded rural roads projects have demonstrated the probability of high economic rates of return, particularly for the types of roads to be financed by M-Y counterpart. Although the Mission has not conducted formal cost benefits analyses for the policy and institutional reforms, the Agricultural Investment Marketing Foundation and the Natural Resource Management activities extensive constraints analyses have identified these as priority actions to promote growth and market efficiency in the agricultural sector. Thus, it is the Mission's assessment that the M-Y Program will yield benefits in the forms of increased investment, marketing, and natural resource management in the agricultural sector that far exceed the face value of the commodities provided.

### 4. Cost and Benefits to Guinean Socio-Economic Groups

The benefits to various Guinean people and institutions have been discussed thoroughly above. The costs will be borne by several groups. First, public employees who have benefitted from the rent-seeking opportunities afforded by arbitrary and corrupt practices will have many of those opportunities eliminated. These people will have chances to improve their performance through retraining and other support. Second, larger traders who might have benefitted from the less transparent, more controlled administrative sales of P.L. 480 commodities, principally rice, in the past would lose the benefits that their oligopolistic position provided. With the institution and continuation of open, public auctions, such control will be exercised only with great difficulty.

## C. Market Analysis

### 1. Commodity Needs Analysis

Under the FY 1992-1994 Title III program, USAID is proposing to import approximately \$7.5 Million of commodities per year, with ocean transport costs estimated at \$2.5 Million per year. Under Title III programs, the only commodities which seem appropriate for importing into Guinea are rice, wheat, wheat flour and vegetable oil. There are no significant markets for corn, sorghum or beans. Imports of cotton and tallow would create disincentive problems with domestic production of cotton and palm oil. Although plans are being made to construct a flour mill in Conakry which will be assisted by a GSM 103 program, Guinea presently does not have any wheat milling capacity. Thus, only rice, vegetable oil and wheat flour should be considered at this stage. However, given the level of the program and because of limited markets for wheat flour and vegetable oil, it is likely that in the short term, some amounts of rice will have to be imported.

Under the first year of the program (FY 1992), rice will again be imported, but other commodities will also be considered. Immediately after signing the M-Y Program, USAID will undertake marketing studies to determine the feasibility of importing wheat flour and/or vegetable oil (see draft Scope of Work in Attachment A).

At FY 1992 price estimates, approximately 20,000 mt of rice could be imported (including ocean transport costs) if only rice were imported. Given the level of the program, rice appears to be the most appropriate commodity to import under Title III under current conditions. However, wheat flour and/or vegetable oil are potential commodities to be considered after a more in-depth marketing analysis is undertaken in FY 1992. The commodity needs analysis provided below is for rice only. A more detailed commodity analysis for rice and alternative commodities is provided in Annexes 1 and 2.

Rice is the single most important crop, in terms of production, area cultivated and staple crop consumed in Guinea. It represents about 40 per cent of total area cultivated, and is the most strategically important food commodity for the urban areas, although it is also consumed in the rural areas in large amounts as well. At present, it is estimated that Guinea produces approximately 70 to 75 per cent of its rice requirements. Although rice production appears to be increasing, consumer demand is rising faster than production.

The shift away from a preference for rice as the principal if not exclusive P.L. 480 program commodity results from the fact that domestic rice production has been rising in response to the elimination of economic and marketing controls, higher price levels, and heightened demand. Increases in rice production appear to be a result of increased areas under cultivation rather than higher yields. Thus, while improvements in productivity do not seem to be occurring, there is nonetheless growing availability of domestically produced rice. The potential disincentive of continued large rice imports in future years creates the need to consider alternative commodities.

Rice remains the most strategically important food commodity and its availability and affordability to consumers in Conakry and other urban centers is an overriding concern of the Government. Rice imports have steadily increased in recent years, and are averaging more than 155,000 mt per year, up from 62,000 mt in 1979. This increase has been due to several factors. Urban demand has grown rapidly with the revival of the economy and the influx of foreign aid. The lifting of import restrictions and marketing controls has also contributed to this increase. The Conakry market is still isolated from much of the rest of the country because of insufficient and expensive transport and the lack of a fully developed inter-regional trading network. Because domestic rice sells for between 20 per cent to 30 per cent more than imported rice in Conakry markets, very little domestic rice is marketed in Conakry. Thus, the increased demand, especially for the Conakry market, has mainly been met through increased imports of rice by the private sector.

#### a. Domestic Rice Availability

As mentioned above, domestic production has been rising in response to the elimination of economic and marketing controls, higher price levels, and heightened demand.

However, the increase in production appears to be a result of increased areas under cultivation rather than higher yields.

Agricultural production data for Guinea is especially weak, sparse and often contradictory. Based on the FAO/UNDP sponsored agricultural census for 1988/1989, it is estimated that the total area of rice cultivated was approximately 647,000 ha. If the average yield is about 900 kg/ha, the total estimate for paddy rice production in 1988 would be about 600,300 MT. With post harvest losses and seed uses approximately 20 per cent and a milling extraction rate of 0.65, the total amount of domestic milled rice available for consumption in 1989 is estimated at 312,000 MT.

In 1991, the Ministry of Agriculture figured that approximately 680,000 ha of rice was under cultivation producing an estimated 643,000 mt (paddy rice). When seed use, post harvest losses and milling extraction rates are subtracted, it is considered that the total amount of domestic rice (milled) available for consumption during 1992 will be 334,000 mt. Based on an apparent upward trend, commercial rice imports may be 160,000 mt. in 1992. With unofficial rice exports to neighboring countries estimated at 20,000 mt per year and carryover stocks around 25,000 mt, the total rice supply available for consumption in 1992 is approximately 499,000 mt. However, the above estimates should be treated with caution, as there are no absolutely reliable estimates for production.

#### b. Supply/Demand for Rice

The following figures have been used in gauging the requirements for rice and the potential deficit for 1992. Net domestic production of milled rice in 1991 is estimated at 333,360 mt. Unofficial rice exports to neighboring countries could reach 20,000 mt per year. Based on a five year average of domestic rice production and rice import levels, a total per capita consumption requirement for 1992 has been estimated at 75 kg/year (milled). The 1992 population is estimated at 7.30 Million, extrapolating from the 1983 census and using a growth rate of 2.8 per cent per year. Thus, approximately **547,500 mt of milled rice would have to be available in 1992** to meet national consumption requirements. Although average commercial imports over the last five years is approximately 155,000 mt, they have sometimes reached close to 200,000 mt. Therefore, the figure for total commercial imports for rice in 1992 is slightly above the five year average for total rice imports. As seen from the analysis below, the **potential unmet deficit for rice in 1992 is estimated at 49,140 mt.**

TABLE III

Estimate for Supply and Demand of Rice for 1992

Gross Domestic Production (1991) :	643,000 mt	(unmilled)
Non-food uses (losses/seed) :	128,600 mt	(unmilled)
Net Domestic Production :	514,400 mt	(unmilled)
Milling Equivalent :	333,360 mt	(milled)
Unofficial Exports :	- 20,000 mt	(milled)
Carryover Stocks :	+ 25,000 mt	(milled)
Net Domestic Supply :	338,360 mt	(milled)
Estimated Commercial : Rice Imports	160,000 mt	(milled)
Total Rice Supply :	498,360 mt	(milled)
Total Rice Requirements :	547,500 mt	(milled)
Estimated Rice Deficit : (prior to Title III imports)	49,140 mt	(milled)

## 2. UMR Analysis

Based on the average level of commercial rice imports over the last 5 years from 'friendly countries' the Usual Marketing Requirement is recommended at a level of 58,915 mt/year. See Annex 2 for a breakdown of commercial and concessional rice imports from 1986 to 1990. (1991 import statistics are not yet available)

## 3. Storage/Disincentive Analysis

### a. Storage Availability

Because the rice to be imported under the Title III program is to be auctioned off to private traders prior to the arrival of the shipment(s), private traders will be responsible for taking direct delivery of the rice from under ship's tackle. With the maximum amount purchased by any one trader set at 1,200 mt, the private sector traders participating in the auction have sufficient storage capacity to handle such amounts. Accordingly, no storage problems are anticipated under the proposed Title III program. In addition, discharge rates at the port of Conakry are estimated at between 750 mt and 1,000 mt per day. Thus, private traders should be able to provide sufficient trucking capacity to arrange for direct delivery from under ship's tackle to their own storage facilities. However, in the event that storage within the port becomes necessary, adequate storage facilities are available.

### b. Disincentive Analysis

At present, Guinea is able to meet approximately 75 per cent of its rice requirements through domestic production. However, domestic rice is not marketed in significant quantities outside of the main producing areas because of marketing constraints. The proposed level of Title III rice imports into Guinea in 1992 represents less than five per cent of total rice consumption requirements. In the next few years, significant quantities of domestic rice will probably not be available at competitive prices in the Conakry market compared to the more affordable imported rice. Between 70 to 80 per cent of imported rice is marketed in and around Conakry, and thus not likely to have a substantial impact on the marketing of domestic rice. The Title III rice has been considered a premium grade of rice compared with other imports and normally commands a price premium of 10 per cent to 15 per cent. The auction and subsequent sales of FY 1991 rice confirmed this fact. A more in depth disincentive analysis can be found in Annex 1.

#### 4. Bellmon Determination

Based upon the analysis provided in Annex 1, USAID and the RFFPO are satisfied that:

- o adequate storage facilities in the private sector will be available in Guinea at the proposed time of importation to prevent spoilage or waste of rice or other commodities, and;
- o the distribution of the commodities in Guinea will not result in a substantial disincentive to or interference with the domestic production and marketing of rice.

Therefore, both USAID and the RFFPO recommend a positive Bellmon determination for the FY 92 Title III program.

#### 5. Commodity Request

For FY 1992, USAID is proposing rice as the main commodity to be imported. However, immediately after signing of the M-Y Agreement, a more in depth analysis of the potential market requirements for wheat flour, soybean oil, and other eligible products will be undertaken (see Attachment A). Under the first call forward in FY 1992, 10,000 mt of rice (valued at \$3.69 Million, excluding ocean freight) will be shipped. A decision regarding the commodity mix for the remaining two call forwards will be made no later than June 1, 1992, in consultation with the GOG. The commodity mix in future years will be based on an annual analysis of market requirements and import needs and will include GOG consultations. The table below provides three potential commodity mix scenarios for FY 1992.

TABLE IV

Potential Commodity Mix Scenarios

COMMODITY	VALUE (US\$ 000)	MT	OCEAN FREIGHT (US\$ 000)	TOTAL VALUE (US\$ 000)
Rice only	7,450	20,230	2,550	10,000
Rice	5,535	15,000	1,875	7,410
Wheat Flour	1,650	7,500	938	2,588
Rice	3,690	10,000	1,250	4,940
Wheat Flour	2,200	10,000	1,250	3,450
Vegoil	1,391	1,750	219	1,610

Note: The above estimated tonnages are based on FY 1992 price estimates of rice: \$369/mt; wheat flour: \$220/mt; vegoil: \$794/mt; ocean freight: \$125/mt)

## a. Commodity Specifications

Having a consistent grade of rice is of critical importance if the auction of Title III rice is to proceed smoothly and the program is to be handled like a commercial transaction. The grade of rice which the Government of Guinea proposes to import under the Title III program is grade V, long grain, well-milled, maximum 20 per cent brokens (known locally as "Riz Caroline"). If wheat flour and/or vegetable oil is imported in FY 1992 or future years, commodity specifications will be provided in a revised shipping schedule.

## b. Shipping Requirements

In order to reduce the potential disincentive effects and to treat the Title III program more along the lines of a commercial transaction, USAID is proposing that three shipments be used to transport the rice and possibly other commodities to Guinea. Such shipments should be at least two months apart, with the first arriving Conakry in May, followed by another shipment in July and the final shipment in September. Should the commodity mix vary in subsequent years, a shipping schedule reflecting the most appropriate timing, given the Guinean market structure for that commodity, will be elaborated.

TABLE V

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**Proposed Commodity Delivery Schedule for FY 1992**  
(Call Forwards)

COMMODITY	AMOUNT (MT)	DELIVERY DATE AT U.S. PORT	ARRIVAL DATE CONAKRY
RICE	10,000	NLT 4/30	NLT 5/31
TBD	TBD	NLT 6/30	NLT 7/31
TBD	TBD	NLT 8/31	NLT 9/30

Notes:

tbd = to be determined

nlt = no later than

#### 6. Rice Marketing Structure -- Review of the Current Situation

Since December 1989, the year in which the last USAID/Guinea food aid program was conducted before the overhaul of PL 480 legislation in 1990, two major changes in the marketing structure for rice are discernable. One is the increasing reluctance of local bankers and importers to extend trade loans. The other is increased competition, leading to fewer regular rice importers.

Rice -- like other imported refined agricultural commodities such as flour, sugar, and vegetable oil -- is subjected to a hierarchical marketing structure, with a limited number of importers selling to many more wholesalers, who in turn sell to numerous retailers. However, the chains or marketing channels are not as rigid as it would first appear. Some importers (such as S.C.F) admit to selling on occasion directly to retailers; other importers (such as Bally et Fils and Super Bobo) maintain large retail outlets. Large wholesalers and retailers tend to rely on one or two suppliers; smaller merchants, with small or seasonal credit lines from suppliers, often complete purchases with whichever agency offers the most favorable terms of sale.

##### a. Importers

Contrary to expectations, the number of importers handling rice has not grown since 1988-89.<sup>2</sup> There are approximately eight importers, who operate on a large scale, capable of procuring shipments of over 10,000 metric tons (most shipments are usually between 7,000 and 13,000 metric tons). All of these importers are private firms, established as limited partnerships or corporations between 1985 and 1988, with the intent of acting as conduits into Guinea for foreign goods (from cars to food). Many are currently exclusive dealers or area representatives for Asian, European, and American

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<sup>2</sup> The 1989 ledger of the Port Authority lists 21 shipments, ranging from 32 to 22,000 metric tons, sponsored by 12 private entities (firms and individuals). Three-quarters of the importers handled shipments in excess of 7,000 metric tons.

companies. S.I.C., for instance, sells grains on consignment from Cargill. S.C.F. distributes the products of Nestlé, Union-Carbide, Philip-Morris, Nissan, and Yamaha.

Rice imports of 2,000 to 3,000 metric tons no longer appear to be undertaken by smaller traders, either independently or as members of associations formed to facilitate imports. It seems that the companies operating the "bateaux flottants" and formerly supplying the smaller quantities of rice currently prefer to regularize their shipments, and either provide larger quantities (i.e., 7,000 to 10,000 metric tons) or deal with a single operator (e.g. SIC). In addition, Guinean traders of all sizes have demonstrated a marked preference for operating independently rather than in association with others. S.A.P.E.G., a company formed to facilitate imports, was closed towards the end of 1990, and is currently in the process of liquidation because its members ended up importing the same commodities independently.

Price setting for rice, no longer controlled by the government at the import or the wholesale levels, reflects the international market prices for rice, with adjustments made for in-country costs and market conditions. CIF price quotations ranged from US\$ 243 to US \$260 per metric ton, for Chinese rice (white, long grain, 20 to 35 per cent broken). Importers' prices, also for Chinese rice, varied from GF 14,000 to GF 14,200 per 50 kilogram bag. The difference between the CIF and wholesale price quotations (approximately US\$ 100)<sup>3</sup> is absorbed by the following costs: custom duties at 25 per cent ad valorem,<sup>4</sup> transit from port to warehouse at 5 per cent ad valorem;<sup>5</sup> bank fees at 6 per cent ad valorem;<sup>6</sup> losses at 1 per cent ad valorem; and gross profit margin of 10 per cent ad valorem.<sup>7</sup> Importers appear to be setting prices competitively, and, at least,

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<sup>3</sup> A price of GF 14,000 per bag translates to approximately US\$ 355 per metric ton.

<sup>4</sup> Though custom duties currently amount to 25 per cent, a rate of 20 per cent--the rate prevailing at the beginning of 1991--is used in this analysis under the assumption that most of the rice currently being marketed arrived prior to the rate change.

<sup>5</sup> The cost of transporting commodities from the port to warehouses in Conakry ranges from GF 9,500 to GF 11,000 per metric ton. This translates to approximately US\$ 12.70 per metric ton, and to approximately 5 per cent of US\$ 250.

<sup>6</sup> Bank fees vary, and 6 per cent represents the cost of accessing bank services provided that the purchase is completed according to schedule and no delinquent payments are incurred. A cost that is hidden in every import is the GOG requirement that 25 per cent ad valorem be deposited by the importer into the Central Bank at the moment that the "demande d'importation" is filed; the sum is returned to the importer upon payment of custom duties. this can occur up to three months later.

<sup>7</sup> Gross profit is defined as the difference between sales and the cost of goods sold, and it is the amount earned before fixed costs, generally administrative and selling costs, are taken into account. A gross profit margin of 10 per cent is not excessive, and may be considered consistent with those attained elsewhere. Clearly, certain importers in Guinea are attaining margins higher than 10 per cent owing to economies of scale (i.e., bulk purchases,

at this moment of the year, are not building into the pricing structure excessive margins that are eventually born by the consumer.

This competitive price structure is also confirmed by a trend towards greater consistency in the wholesale price of rice in Conakry. Whereas in December 1989, three types of rice were sold at prices ranging from GF 10,000 to GF 12,000, representing a pricing differential of 20 per cent, during August 1991, two types of rice were available at GF 13,500 to GF 14,200, with a price difference of only 5 per cent.

Rice is imported year-round, but most of it arrives in Guinea between the end of April and the end of September, coinciding with the depletion of stocks of domestic rice. Commercial imports of rice are typically Asian. Chinese rice, which was imported for the first time in 1988, currently dominates the market. Other country sources include Thailand, Vietnam, and Pakistan, each providing from 20,000 to 35,000 metric tons annually since 1986.<sup>8</sup>

Commercial rice imports have grown considerably in volume over the past six years, from approximately 78,000 metric tons in 1986 (the year that private traders started to assume ALIMAG's function) to close to 200,000 metric tons in 1990.<sup>9</sup> Through discussions with six of the eight importers, a similar, and possibly greater, volume of rice imports may be expected for 1991; some 66,000 metric tons were scheduled to arrive during August and September 1991 alone.<sup>10</sup> This included an order placed by SCF, which had withdrawn from importing rice because of too much variability in quality from suppliers, and is re-entering the market because of the consistently high demand for rice.

Unlike the case of the public sector, warehouse space does not pose a constraint for imports to private firms. Though warehouses are concentrated in the Madina-Matam area, most importers own storage facilities in different locations. Sufficient space is retained by each importer to hold incoming supplies (of which, rice alone can amount

favorable financing options, etc.).

<sup>8</sup> 1986 was the year private traders were allowed to import rice, subsequent to the closing of ALIMAG, the state trading company.

<sup>9</sup> Commercial rice imports amounted to 56 per cent of all rice imports in 1986 and close to 89 per cent of all imports in 1989. The growth in relative share is not only due to the greater volumes of rice being brought into Guinea through private channels, but also to the decrease in concessional rice inflows, dropping by almost half in 1988 from approximately 60,000 to 31,500 metric tons, and hovering around 20,000 metric tons.

<sup>10</sup> Expected rice shipments are as follows: 9,000 metric tons (MT) of Chinese rice imported by SCF during August; 7,000 MT (Chinese, SIC, August); 9,000 MT (Chinese, August); 10,000 MT (Chinese, Bally et Fils, August); 8,000 MT (Amar Taleb); 13,000 MT (Pakistan, Safricom, August); 10,000 MT (Chinese, Safricom, September).

from 7,000 to 15,000 metric tons a month) and current stocks (of which, rice can equal 1,000 to 3,000 metric tons), and the rest is leased to other merchants. SIC has been known to store up to 20,000 metric tons of rice at a time.

The government has taken two steps to limit the growth of rice imports, which is currently perceived to have a negative impact on domestic rice production, because imported rice is cheaper for the consumer. No more imports are allowed of parboiled rice, which most closely resembles domestic rice. The GOG now applies the standard custom duties of 25 percent on imported rice to offset low prices compared to domestic production. In the past, rice imports had a 10 percent exoneration from duties. The World Bank has stated its approval of the application of the new duties.

#### b. Wholesalers

Wholesalers in Conakry are estimated to number close to 100, and retailers three to four times that number. Generally, there are two different types of traders in Conakry and in Guinea. The first group are those that purchase 200 to 500 (even 1,000) metric tons of rice per month and who tend to rely on a single supplier or two, have access to supplier credit (common terms are 50 per cent cash up-front, 50 per cent credit, payable in installments), and have more than one warehouse/storage facility. In the second group are traders that purchase 20 to 40 metric tons at a time, tend to shop around for supplies, tend to pay for purchases in cash, and, generally, have a single place of business. Unlike importers, most wholesalers lease their warehouses for periods up to 15 years.

#### c. Attitudes towards Auctions

Despite the difficulties encountered during the 1989 auction, most traders were interested in purchasing P.L. 480 rice as the FY 1991 auction began. Concerns over the quality had been raised. However, to restore credibility, USAID/Guinea requested a sample of the rice shipment destined for Guinea and financed travel to the US of two Guinean representatives to witness loading of the shipment. The receipt of the rice sample and the Guineans' reports on the warehoused rice and loading operation greatly increased the climate of confidence for the auction. Thus, a large and enthusiastic participation by both importers and medium sized traders was experienced in the 1991 auction. Sixty-six bids were submitted; thirty-three were awarded for quantities ranging from 100 MT to 1,200 MT. While 37 bidders were awarded contracts in the 1989 auction, a larger absolute number than the 1991 auction, the 1991 auction has been judged considerably more transparent and successful than that of 1989.

#### d. Importers Attitudes

Without exception, importers prefer negotiated sales to auctions. Auctions are viewed as allowing non-serious, one-time entrants into the business of importing rice. In terms of potential purchases, the quantities desired range from, at the low end, 500 to 2,000 MT to, at the high end, 10,500 to 15,000 MT. Despite the importers' stated preference for negotiated sales, in the 1991 auction several importers participated submitting bids ranging from 800 MT to 1,200 MT.

Opinions on the best moment for the arrival and sale of P.L. 480 rice vary. Most importers favor June and August; a few have suggested holding sales just before or after the rainy season (i.e., late April to early May or throughout September). Most importers react negatively to having a representative from the Chamber of Commerce as the private sector representative on the Auction Implementation Committee (see Attachment B on the organization of the 1991 Auction). The chamber is largely viewed as an extension of the government and staffed mainly with bureaucrats.

#### e. Wholesalers Attitudes

Interest in P.L. 480 rice purchases clearly would be stronger if sales occurred more than once a year. Some of the larger wholesalers do not want to jeopardize the relationships developed over the years with importers and suppliers. Referring to the requirements of the 1989 auction, many wholesalers had indicated an interest for lots of 400 MT or more as long as they could obtain a bank guarantee; a clear although sizeable minority, were willing to purchase 100 MT if required to pay cash before delivery. Over 75% of bid awards were for quantities between 400 and 800 MT's in the 1991 auction.

#### f. Conventional Payment Methods

Rice imports are generally financed by bank letters of credit, supplemented by different means of external financing such as sales on consignment.

Importers tend to structure sales transactions according to the credit history of clients. In the 1980s many importers were establishing their businesses and trying to attract clients by offering generous payment terms. Currently, however, most importers limit the extension of credit to clients with good rates of repayment. The number of clients receiving such treatment from each importer can be quite low. Most importers remained vague about the precise terms that a good client can receive, but by extrapolating from the comments of wholesalers, payment terms range from cash payments before commodity pickup or delivery to approximately 50 percent cash upfront and approximately 50 percent paid in installments over a few weeks.

The payment terms demanded by wholesalers tend to reflect market conditions more so than the characters of clients (though no doubt some form of screening occurs with each sales transaction). Credit is extended more frequently when market demand is high and inventory turnover is expected to be quick. Lower prices are set and cash payments are requested when the market is soft and commodities are not moving quickly through the

marketing channels.

g. Attitudes of bankers

To date, commercial bankers have entered into two types of credit arrangements for financing rice purchases under P.L. 480 auctions. In 1988, the bankers placed the final burden of payment on the bidder. In 1989 and 1991, they provided irrevocable letters of credit that shifted responsibility for repayment from the rice purchaser to themselves. In the 1989 auction, they were under considerable pressure from the government to provide letters of credit to non-bank clients. Financial screening was based primarily on character references from established bank customers who were also traders.

Unlike the 1988 auction (during which the Government of Guinea was forced to assume the losses caused by defaulting bidders), the 1989 auction marked a turning point in the attitudes of commercial bankers. All four banks participating (albeit indirectly) in the auction process suffered considerable losses, some of which they were able to recoup only after expensive or time-consuming negotiations with the one-time customers throughout 1990 and the first half of 1991.

As a result of these experiences, bank officials only extended trade loans to their usual customers during the 1991 auction. However, all six major banks participated in making loans in 1991 as compared to four in 1989.

## ANNEX 1

### **Food Needs Assessment and Disincentive Analysis**

#### 1. Agricultural Sector Overview

With its abundance of water resources, its rich ecological diversity, and its favorable climate, Guinea has the potential to produce a large variety of agricultural products for both export and domestic markets. The economy of Guinea is primarily agrarian with over 80 per cent of the population deriving at least some livelihood from agriculture. The share of agriculture in gross domestic product (GDP) is approximately 30 percent. The amount of arable land in Guinea is approximately 30 percent, but the area of land cultivated is estimated at only four per cent. Small holder production characterizes the rural sector, with the vast majority of farmers using traditional cultivation techniques. The size of holdings varies across regions, averaging 2.5 hectares per production unit.

#### 2. Main Agricultural Crops Produced

The single most important crop, in terms of production, area cultivated and staple crop consumed in Guinea is rice. It represents about 40 per cent of total area cultivated, and is cultivated in upland, bottomland, and mangrove areas, with yields differing substantially by zone. It is estimated that there are approximately 680,000 hectares of rice under cultivation in 1991, producing an estimated 643,000 metric tons of paddy rice. Although rice production appears to be increasing, it is likely that this increase is due more to an expansion in the areas cultivated rather than increases in yields, which average only between 700 to 1,000 kg per hectare.

Guinea's second most important food crop is fonio (a cereal), which is a hardy crop that grows well in poor soils. Middle Guinea, which tends to have poorer soils, produces about half of the country's total fonio production, which is estimated at 90,000 mt/year. Three factors, however, restrict significant production increases. Yields are low and remain around 500 kg/ha, lower than most cereal crops. Transportation costs are very high, so that little becomes marketable. In addition, processing fonio requires much more labor than for other food crops.

Cassava is grown in all regions of Guinea as a supplement to staple cereals. It is an important security crop because it is hardy under a range of soil and rainfall conditions and can be harvested throughout the year. Estimates of the amount of cassava produced in Guinea vary widely and are inconsistent, but it is safe to say that the current supply meets or exceeds consumption requirements and demand. Another important food crop is maize, which is mainly grown in Middle and Upper Guinea. Maize is usually cultivated as a supplement to other cereal crops, but is produced in smaller quantities. The

country's annual production is only about 100,000 tons.

### 3. Main Cash Crops Produced

Coffee is Guinea's most important cash crop and biggest agricultural foreign exchange earner. In addition, important crops grown for export are mangoes and pineapples. Bananas used to be exported up until the mid-1970s, but this is no longer the case. Coffee and palm-oil are mainly produced in Guinée Forestière, where the trees are old and relatively unproductive. Furthermore, trade in these products is limited in relation to their potential. Cotton grown in the North is another potentially important cash crop, but other nearby countries have a greater comparative advantage and more developed cotton sector at this time.

### 4. Food Security Potential

As mentioned above, the economy of Guinea is primarily agrarian, with over 80 percent of the population deriving at least some form of livelihood from agriculture. However, the majority of farmers characteristically have small production areas using traditional cultivation techniques. With its abundant water resources and arable land, Guinea has the potential to be self-sufficient in agricultural production. At present, the only major food commodities it imports is rice, wheat flour and edible oil.

The Government's pursuit of food security reflects its desire to avoid heavy dependence over the long run, on external sources of food supplies because of the risk that this might carry for consumers, the disincentives that it offers to producers, and the cost that it implies in the terms of foreign exchange. In addition, the Government is concerned about seasonal and interannual surpluses and shortages of food which introduces an added element of risk for both producers and consumers. Seasonally, farmers are confronted by cash needs at harvests time, when prices tend to be low, only to have to purchase food later, when prices are higher.

Guinea's comparative advantage in food production is mixed. While its comparative costs are low for coarse grains and root crops, the ability of locally-produced rice to compete with imported varieties depends critically on transportation costs, the location of consumption, and world market prices. Production for consumption in the interior is currently profitable, but marketing costs rise and the import parity price of rice declines as one approaches Conakry. In addition, the Government sometimes restricts the amount of imported rice for marketing outside of Conakry and some of the larger urban centers, partially to limit the disincentive effect to domestic production, but more likely to ensure an adequate supply and cheap prices in Conakry and the larger urban centers. Only rice production close to Conakry is able to compete on a limited basis with imported rice in Conakry at world market prices. In the near term, it may be more beneficial to promote the production of non-traditional agricultural crops for export (i.e. fruits and horticultural products) in the areas closer to Guinea than to expand rice production in these areas.

## 5. Constraints to Agricultural Production

Despite its richness and diversity, agricultural resources have been poorly managed. At present, the majority of rural Guineans are subsistence farmers. Although there is a potential to increase production in many areas, there are some significant production level constraints. These include the use of crude agricultural implements, traditional cultivation techniques, little or no use of other agricultural inputs, such as fertilizers and/or pesticides, land tenure issues and cultural problems. However, one of the most significant constraints remains the poor road and other rural infrastructure and a very old trucking fleet. In terms of road density, Guinea is one of the worst served countries in Africa - it has merely 4.3 kilometers of roads per 100 square kilometers and 1.8 kilometers per 1,000 inhabitants. In addition, agricultural research and extension have been almost nonexistent; rural financial institutions are undeveloped; and processing and storage facilities are extremely limited. Land constraints and soil fertility are also becoming increasingly problematic.

Because of the poor road infrastructure and poor condition of the truck fleet, it is extremely expensive to transport and market agricultural commodities. Because of the many constraints, marketing systems are not well-established.

## 6. GOG Agricultural Strategy

The following is a summary of the present GOG agricultural strategy:

- o promotion of food security;
- o promotion of agricultural exports;
- o removal of public sector from production and marketing in agriculture and encouragement of private sector initiatives in this area;
- o liberalization of agricultural markets;
- o removal of trade barriers and liberalization in prices

## 7. Supply/Demand Analysis for Rice

Agricultural statistics in Guinea are sparse and often contradictory. A national agricultural census was undertaken in 1989 by FAO/UNDP for the 1988/1989 crop year. This was the most detailed agricultural census ever performed in Guinea, and each region was covered, prefecture by prefecture. However, even this census recognized that the data should be treated with caution, as the census did not cover about 150,000 ha out of the total traditional cultivated areas, roughly 20 percent of the total physical area cultivated in the rural areas. In addition, the Ministry of Agriculture also provided some statistics which contradicted the census. Thus, there are many conflicting estimates for rice production in particular and agricultural production in general. The estimate for the

area of rice under cultivation in 1989 was approximately 580,000 ha. Increasing this estimate by 15 per cent to take into account the area not covered in the census would give a revised estimate of 667,000 ha. If the average yield is about 900 kg/ha, the total estimate for paddy rice production in 1989 would be 600,300 mt. With post harvest losses and seed uses approximately 20 percent and a milling extraction rate of 0.65, the total amount of milled rice available for consumption in 1990 is estimated at 312,000 mt. Over the last 5 years, total rice imports have averaged about 155,800 mt/year. However, during the last few years, the level has sometimes neared or exceeded 200,000 mt.

In the 1991, the Ministry of Agriculture estimated that approximately 680,000 ha of rice were under cultivation producing an estimated 643,000 mt of paddy rice. When you subtract seed use, post harvest losses (20 percent) and the milling extraction rates (0.65), it is estimated that the total amount of domestic milled rice available for consumption during 1992 is 334,360 mt. However, these estimates should be treated with caution, as there is no reliable estimate for production which everyone agrees on.

TABLE 1.1

The following table represents a rough estimate for the potential supply and demand for rice in 1992. An explanation on how some of the estimates were arrived at follows the table.

Gross Domestic Production (1991) :	643,000 mt	(unmilled)
Non-food uses (losses/seed) :	128,600 mt	(unmilled)
Net Domestic Production :	514,400 mt	(unmilled)
Milling Equivalent :	333,360 mt	(milled)
Unofficial Exports :	- 20,000 mt	(milled)
Carryover Stocks :	+ 25,000 mt	(milled)
Net Domestic Supply :	338,360 mt	(milled)
Estimated Commercial : Rice Imports	160,000 mt	(milled)
Total Rice Supply :	498,360 mt	(milled)
Total Rice Requirements :	547,500 mt	(milled)
Estimated Rice Deficit : (prior to Title III imports)	49,140 mt	(milled)

Taking into account various sources of data, the following estimates have been used in calculating a rough estimate for potential demand requirements for rice and the potential deficit for 1992. Gross domestic production in 1991 is estimated by the Ministry of Agriculture at 643,000 mt (paddy rice), or slightly above the 1990 estimate of 630,000 mt. Some of the recent household consumption surveys in Conakry revealed that per capita rice consumption in Conakry has sometimes reached approximately 115 kg per year (milled rice). However, in the rural areas, other commodities form a greater part of the diet than in urban areas such as Conakry. The estimated national per capita rice

consumption requirement is 75 kg/year (milled rice), using a linear trend estimate for per capita availability. It is difficult to estimate the level of unofficial exports, although 20,000 mt may be a rough estimate. Carryover stocks are also difficult to estimate, although a two month's supply for Conakry estimated at 25,000 mt is considered a rough estimate. The population is estimated at 7.30 Million in 1992, extrapolating the population figure from the 1983 census using an estimated 2.8 per cent population growth rate. Although average commercial imports over the last five years is approximately 115,000 mt, they have sometimes reached close to 200,000 mt. The total rice import figure has averaged roughly 155,000 mt/year (commercial and concessional) Since commercial imports of rice have been rising, the estimate for total commercial imports for rice in 1992 is being estimated at slightly above the five year average for total rice imports, or 160,000 mt. Based on the above assumptions, the potential unmet deficit for rice in 1992 is estimated at 49,140 mt (prior to Title III imports).

#### 8. Disincentive Analysis for Title III Rice Imports

Although Guinea has the potential to become self-sufficient in rice production, there would have to be significant investments in the transport sector, a significant increase in the areas under cultivation and a need for significant increased yields before Guinea becomes self-sufficient. The GOG and donors are supporting activities which will improve agricultural marketing systems, but there are too many constraints to overcome in the short term for rice production to significantly increase soon. If too much reliance is placed on domestic production to obtain food security and fluctuations in domestic food production are not offset by variations in food imports, food security might actually decline. Rice remains the most strategically important food commodity and its availability and affordability to consumers in Conakry and other urban centers is likely to be a deciding factor.

Rice imports have increased rapidly over the last few years, and are now estimated at approximately 155,000 mt per year. This increase is mainly due to an expansion of the economy and an influx of foreign aid with an increased urban demand. This increased demand has mainly been met through increased imports of rice by the private sector. The Conakry market is still isolated from much of the rest of the country because of insufficient and expensive transport, and the lack of a fully developed inter-regional trading network. Most of the rice produced in Guinea is on a subsistence basis and is probably not transported in significant quantities over large distances. The cost of transporting rice from some of the main growing areas to Conakry is more expensive than ocean freight costs from Thailand to Conakry. Because domestic rice sells for between 20 per cent to 30 per cent more than imported rice in Conakry, very little domestic rice is marketed in Conakry. During two household expenditure surveys, in 1986 and in 1988, domestic rice represented only between four per cent and six per cent of total rice consumption in Conakry. The majority of imported rice, including P.L. 480 rice, is marketed in Conakry. Cultivation in the rice producing areas nearest to Conakry is already quite intensive and any significant increases in production would require large investments.

Domestically produced rice is not marketed in significant quantities outside of the main producing areas because of marketing constraints. In the next few years, significant

amounts of domestic rice will probably not be available at competitive prices in the Conakry market compared to the more affordable imported rice. Thus, at least over the short term, Guinea will have to continue to rely on rice imports to meet its overall rice requirements, especially for the Conakry market and urban centers.

The Title III rice being imported in FY 1992 (a maximum of 20,500 mt) represents approximately 13 per cent of total imports, but only about 3.5 per cent of total consumption requirements (estimated at 547,000 mt/year, milled rice). Rice forms a major part of the Guinean diet, and in Conakry, it has been estimated in a recent household consumption survey that per annual capita consumption of rice is 110 kg. The amount of rice imported has grown considerably over the last few years, from 108,000 mt in 1985 to 216,000 mt in 1989. (But the import level fell back to about 117,000 mt in 1990 because of large carryover stocks). Domestic rice production also increased over this time frame, but there are many significant constraints to increase domestic rice production substantially without very large investments.

Because of its importance in the overall diet, the GOG wants to make sure that enough rice is available throughout the year to meet the demand in Conakry. The commercial market for rice in and around Conakry is estimated to be about 150,000 mt per year. The PL 480 rice being imported is considered a premium quality rice and is preferred by consumers over other rice imports. Very little of PL 480 rice, probably less than 20 per cent, is marketed outside of Conakry. Even though well-received, domestic rice is not seen in Conakry markets in large quantities, mainly because its price is significantly greater than the price of imported rice (approximately 20 per cent to 30 per cent). In order to reduce the potential disincentive effect, the GOG recently reinstated the two types of levies on imported rice which total of 25 per cent. The World Bank believes these duties to be justified. However, imported rice still sells for less than domestic rice in Conakry.

The P.L. 480 Title III program should not be thought of as a long term rice import program in Guinea. In fact, the M-Y program will address some of the constraints to increased production and marketing which will allow producers to make their own rational production decisions and move Guinea toward a more self-reliant food strategy. The overall strategy of the Title III program is to strengthen agricultural marketing systems to allow rural producers greater participation in the marketing of their agricultural commodities. The joint programming of local currencies will directly support activities which promote this strategy. For example, significant amounts of local currency generated from the sales of the PL 480 rice or other commodities will be utilized in the construction and/or maintenance of rural feeder roads and farmer to market access roads. In addition, local currencies will be utilized to encourage greater marketing of commodities by the private sector.

As agricultural productivity increases in response to an improved policy climate and the development of transportation and marketing structures, domestically produced rice should be more competitive in the market place, including Conakry. Thus, the potential disincentives associated with a continued import of rice creates the need to consider alternative commodities. It is recommended that in 1992 USAID/Guinea perform a more in depth analysis of the potential of importing other commodities under the Title III

program. Based on additional analyses for the potential markets for wheat/wheat flour and/or vegetable oil, USAID/Guinea will consider shifting away from rice to a different commodity or commodity mix as soon as possible.

#### 9. Alternative Commodity Options for FY 1992 - FY 1994

Under Title III programs, the only commodities which seem appropriate at this time for importing into Guinea are rice, wheat, wheat flour and vegetable oil. There are no significant markets for corn, sorghum or beans. Imports of cotton or tallow would create disincentives to local production of cotton and palm oil. Although plans are being made to construct a flour mill, Guinea does not presently have any wheat milling capacity. Thus, only rice, vegetable oil and wheat flour should be considered at this stage.

However, because the markets for alternative commodities such as vegetable oil and wheat flour are not large, it is likely that some amounts of rice will have to be imported in the short term. A brief summary of the potential demand for wheat and vegetable oil is presented below.

##### (A) Wheat/Wheat Flour:

Guinea does not produce wheat, and at present, there are no wheat milling facilities in Guinea. Thus, Guinea's demand for wheat is being met through wheat flour imports. The demand for wheat flour has increased substantially in recent years, rising from approximately 50,000 mt in 1985 to 70,000 mt in 1990. Wheat flour has not traditionally been provided under food aid programs, although Canada occasionally provides wheat flour under their food aid program.

There are plans to build a private wheat milling facility in Guinea sometime in 1992. When this mill becomes operational, there is likely to be a significant shift from imports of wheat flour to wheat. This would be a good time to consider the potential for importing wheat under the Title III program. Thus, the development of the wheat mill should be followed carefully.

However, the United States Department of Agriculture (USDA) may want to provide wheat to Guinea under one of their commercial market development programs, such as GSM 102/103 or an Export Enhancement Program.

In order to determine the potential for importing wheat and wheat flour under a Title III program, a market study will include: pricing competitiveness of U.S. wheat flour with present imports, identification of main wheat flour importers and their interest in importing U.S. wheat flour through an auction process, specifications for present wheat flour imports, estimation of total demand for wheat flour, status of construction of flour mill, potential for USDA sponsored imports of wheat under a GSM 102/103 or EEP program, GOG interest in receiving wheat flour under Title III, etc. (see Attachment A)

##### (B) Vegetable Oil

Before the First Republic, Guinea was self-sufficient in edible oil production and even

exported oil products. Oil palm trees are fairly common in Lower Guinea and the Forest Region. However, the trees are fairly old and yields of palm nuts tend to be low. Growers extract the cooking oil from the palm nut's outer husk, and either use this for home consumption or sell it in local markets. Oil from the inner palm can also be used to make soap. FAO estimated that in 1989, about 226,000 hectares of palm oil were cultivated producing about 30,000 mt of palm oil per year. There are plans to complete a palm oil processing plant for 1992/1993. At present, most of the processing in Guinea is done on a small scale, using non-industrial presses. Lack of a processing capacity results in production and harvesting constraints. As a result, Guinea continues to import vegetable oil to meet the demand.

During the last few years the demand for vegetable oil has been rising, and the levels of vegetable oil imports has increased dramatically - from 3,000 mt in 1986 to 12,000 mt in 1990. The value of yearly vegetable oil imports is now about \$ 8 Million, excluding ocean transport costs.

Before USAID/Guinea should consider bringing vegetable oil in under the Title III program, in depth analysis of the domestic production and marketing of palm oil and the marketing of imported vegetable oils will be carried out (see Attachment A). Any market study should include: the pricing competitiveness of U.S. vegoil with imported vegoil and domestic palm oil, consumer preference, identification of main vegoil importers, their interest in import U.S. vegoil through an auction process, total demand for vegoil imports, potential disincentive to local palm oil production, GOG/donor investment plans in domestic oil production (including role of SOGUIPAH), GOG interest in receiving vegoil under a Title III program, etc.

TABLE 1.2  
Wheat Flour and Vegetable Oil Import to Guinea  
1986 - 1990  
(in metric tons)

Year	Wheat Flour	Vegetable Oil
1986	56,119	3,042
1987	58,122	8,290
1988	66,711	8,808
1989	63,297	9,737
1990	70,510	12,376
<b>Average/Year</b>	<u><b>62,952</b></u>	<u><b>8,451</b></u>

Source: Service de Statistiques, Port Autonome de Conakry.

### Conclusions:

Because of the level of the proposed Title III program and the lack of large markets for alternative commodities, it is likely that the Title III program will have to continue to import some amounts of rice over the near term. Wheat or wheat flour appears to hold the greatest potential to provide under the Title III program as an alternative to rice. However, a more in depth analysis of the current marketing conditions and demand for wheat/wheat flour is required before considering importing wheat or wheat flour under the Title III program. USDA should be consulted regarding their potential wheat market development plans for Guinea and the status of the construction of the wheat mill should also be followed carefully. In addition, the feasibility of importing vegetable oil should also be explored.

Table 1.3 below provides some of the potential alternative commodity mix scenarios.

<b>TABLE 1.3 Potential Commodity Mix Scenarios</b>				
<b>Commodity</b>	<b>Value</b> (\$ Millions)	<b>Amount</b> (Metric Tons)	<b>% Yearly Imports</b>	<b>% Total Demand</b>
Rice	7.5	20,325	12.7	3.7
Rice	6.5	17,615	11.0	3.2
Wheat Flour	1.0	4,762	6.8	6.8
Rice	5.0	13,550	8.5	2.5
Wheat Flour	2.5	11,905	17.0	17.0
Rice	5.0	13,550	8.5	2.5
Wheat Flour	1.5	7,143	10.2	10.2
Vegetable Oil	1.0	1,260	12.6	2.3
Rice	4.0	10,840	6.8	2.0
Wheat Flour	2.5	11,905	17.0	17.0
Vegetable Oil	1.0	1,260	12.6	2.3
Rice	3.0	8,130	5.1	1.5
Wheat Flour	3.0	14,285	20.4	20.4
Vegetable Oil	1.5	1,889	3.4	3.4

Assumptions: approximately \$7.5 million of Title III commodities will be imported per year. Current USDA FY 92 price estimates, average import levels and estimated demand is provided in the table below.

<b>TABLE 1.4</b>			
<b>Commodity</b>	<b>\$\$\$/ Metric Ton</b>	<b>Imports</b> (Metric Tons/Year)	<b>Demand</b> (Metric Tons/Year)
Rice	369	160,000	547,000
Wheat Flour	210	70,000	70,000
Vegetable Oil	794	10,000	55,000

## 10. Storage Facilities and Handling Capabilities

### (a) Port Facilities:

Over the last few years, the port of Conakry has handled between 110,000 and 200,000 mt of rice per year. Under present conditions, discharge for bagged rice ranges between 750 to 1,000 mt per day. The port facilities are more than adequate to handle any proposed rice shipments under the P.L. 480 Title III program.

### (b) Availability of Storage Facilities:

All of the rice and/or other commodities being imported under the P.L. 480 Title III program will be sold directly by private sector traders by means of an auction. In FY 1992, a maximum of 21,000 mt of rice is to be imported in three shipments. Prior to the arrival of the ship, an auction will take place and bids awarded. Private traders with winning bids will be expected to take delivery of the rice at the end of the ship's tackle. All of the private traders participating in the program have sufficient storage capacity to store the rice, as the maximum amount received by any one trader will be only 1,200 mt. Thus, no storage problems are anticipated under the proposed Title III program.

In the event of delays in the bidding process or the failure of delay of traders to pick up rice at the port during the discharge process, there is sufficient storage capacity in the port of Conakry to handle at least 7,5000 mt.

### (c) Transport/Marketing Systems:

It is likely that at least 80 per cent of the Title III rice will be sold in and around Conakry, so transport will not be a problem. Traders may also market small amounts to some of the other large urban centers, but these amounts would be negligible. Private sector transport will be used exclusively, as all the rice and/or other Title III commodities are handled directly by the private sector.

## 11. Bellmon Determination

As a result of the various analyses which have been undertaken during the design of the FY 1992-1994 P.L. 480 Title III program, both the Mission and the Regional Food for Peace Officer believe that:

- o Adequate storage facilities will be available in Guinea at the proposed time of importation to prevent spoilage or waste of rice, and
- o The distribution of the commodities in Guinea will not result in a substantial disincentive to or interference with the domestic production and marketing of rice.

Therefore, USAID recommends that a positive Bellmon determination be made for the first year (FY 1992) of the proposed FY 1992-1994 P.L. 480 Title III program for

Guinea. A storage/disincentive analysis will be updated for each year of the Title III program.

## ANNEX 2

### UMR ANALYSIS

The Usual Marketing Requirement (UMR) represents the minimum quantity of a commodity that the importing country must purchase commercially to maintain the U.S. and friendly countries' exports to the importing country. The following UMR analysis takes the average of Guinea's commercial imports of a commodity over the last five years. Table 2.1 below provides the most recent rice import statistics (both commercial and concessional) for the years 1986-1990. Table 2.2 provides a breakdown by country of origin for commercial and concessional rice imports. In order to calculate the 5 year average of commercial imports for the UMR, imports from China and Viet Nam have been excluded, because these are not considered "friendly countries" for the purposes of calculating the UMR by USDA's methods. One note of caution -- statistics in Guinea are sparse and often contradictory. The statistics presented in the tables below have been gathered from the port and the Ministry of Commerce.

Table 2.1

#### Guinea Rice Imports (MT) -- Commercial and Concessional

1986-1990

Year	Commercial	Concessional	Total
1986	76,049	70,353	148,402
1987	58,101	44,794	102,895
1988	149,060	44,503	193,563
1989	195,444	21,000	216,444
1990	100,345	15,746	112,091
Average	115,800	39,279	155,479

Source Port Autonome de Conakry, Service Statistiques, 1986, 1987, 1988, 1989, 1990

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Table 2.2

Guinea Rice Imports (MT) by Source of Origin 1986-1990

1986			
Commercial Imports		Concessional Imports	
Country	Metric Tons	Country	Metric Tons
Thailand	26,886	USA	45,158
Pakistan	30,322	Italy	4,047
Indonesia	5,142	France	11,022
Burma	5,000	WFP	4,000
Viet Nam	6,286	Japan	6,126
Misc.	2,413		
Totals	76,049		70,353

1987			
Commercial Imports		Concessional Imports	
Country	Metric Tons	Country	Metric Tons
Thailand	22,027	USA	36,691
Taiwan	10,023	Italy	2,075
Viet Nam	26,051	Japan	6,028
Totals	58,101		44,794

Table 2.2 (continued)

Guinea Rice Imports (MT) by Source of Origin 1986-1990

1988			
Commercial Imports		Concessional Imports	
Country	Metric Tons	Country	Metric Tons
Thailand	22,464	USA	31,939
Pakistan	30,850	Holland	12,564
Viet Nam	21,252		
China	73,494		
Misc.	1,000		
Totals	149,060		44,503

1989			
Commercial Imports		Concessional Imports	
Country	Metric Tons	Country	Metric Tons
Thailand	103,266	USA	21,000
Taiwan	10,770		
Viet Nam	69,884		
China	11,025		
Misc.	500		
Totals	195,444		21,000

Table 2.2 (continued)

Guinea Rice Imports (MT) by Source of Origin 1986-1990

1990			
Commercial Imports		Concessional Imports	
Country	Metric Tons	Country	Metric Tons
Thailand	12,233	USA/WFP	8,916
Pakistan	7,679	WFP	6,076
Viet Nam	71,357	Belgium	754
China	5,076		
Misc.	4,000		
Totals	96,345		15,746

Source: Port Autonome de Conakry Service Statistiques, 1986, 1987, 1988, 1989, 1990

Using the rice import statistics for the last five years, Guinea has averaged 155,479 mt per year for total imports. Commercial imports have averaged 115,800 mt/year and concessional imports have averaged 39,279 mt/year. When the commercial imports are divided between 'friendly countries' and 'non-friendly countries' the average rice imports from our 'friendly countries' averages 58,915 mt/year and the average rice imports from 'non-friendly countries' averages 56,885mt/year. Using these figures, the UMR should be 58,915 mt/year from friendly countries.

Table 2.3

Average Yearly Rice Imports to Guinea1986-1990

Commercial rice imports, all countries:	115,800 MT
Commercial rice imports, 'friendly countries':	58,915
Commercial rice imports, 'non-friendly countries':	56,885
Concessional rice imports:	39,279

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Source: Port Autonome de Conakry

## ANNEX 3

**Commodity Shipping and Information Requirements****I. Consignee**

The donated commodity shall be consigned to:

LE MINISTERE DU PLAN ET DE LA COOPERATION INTERNATIONALE

Conakry, République de Guinée

**II. Commodity Request**

The proposed FY 1992-FY 1994 Guinea PL 480 Title III program is to import approximately \$7.5 Million of commodities per year, with ocean transportation costs estimated at \$2.5 Million per year. For FY 1992, USAID is proposing rice as the main commodity to be imported. However, during March 1992, a more in depth analysis of the potential market requirements for wheat flour, soybean oil, and other eligible products will be undertaken. Under the first call forward in FY 1992, 10,000 mt of rice (valued at \$3.69 Million, excluding ocean freight) will be shipped. A decision regarding the commodity mix for the remaining two call forwards will be made no later than June 1, 1992, in consultation with the GOG. The commodity mix in future years will be based on an annual analysis of market requirements and import needs and will include GOG consultations.

**(a) Rice:**

Amount: 20,500 MT (maximum estimate)

Specifications: Long Grain Rice; Grade V,  
well-milled,  
maximum of 20 percent broken.

Bagging Requirements: 50 kg polypropylene bags  
with 10% empty bags

(b) Second and third commodity to be decided after market analysis. If wheat flour and/or vegetable oil is imported in FY 1992 or future years, commodity specifications will be provided in a revised shipping schedule.

### III. Shipping Requirements/Delivery Schedule

In order to reduce the potential disincentive effects and to treat the Title III program more along the lines of a commercial transaction, USAID is proposing that 3 shipments be used to transport the rice and possibly other commodities to Guinea. Such shipments should be at least 2 months apart, with the first one arriving Conakry in May, followed by another shipment in July and the final shipment in September. Should the commodity mix vary in subsequent years, a shipping schedule reflecting the most appropriate timing, given the Guinean market structure for that commodity, will be elaborated.

Table 3.1

#### Proposed Commodity Delivery Schedule for FY 1992 (Call Forwards)

COMMODITY	AMOUNT (MT)	DELIVERY DATE AT U.S. PORT	ARRIVAL DATE CONAKRY
RICE	10,000	NLT 4/30	NLT 5/31
TBD	TBD	NLT 6/30	NLT 7/31
TBD	TBD	NLT 8/31	NLT 9/30

Notes:

tbd = to be determined

nlt = no later than

### IV. Port of Entry: Port Autonome, Conakry

### V. Markings and Packaging Requirements

When the commodities that will be sold under the approved plan of operations are packaged for shipment from the United States, bags and other containers shall be marked as follows:

RIZ LONG GRAIN  
Long Grain Rice  
50 kg  
Maximum 20% Brokens  
United States of America  
For sale/resale

The commodities will be packaged in 50 kg polyethylene bags. A shipment of 10% empty bags is to be included with each shipment.

10%

## VI. Timing of Negotiations and Signing

Although USAID/Guinea has ongoing discussions with the GOG on PL 480 Title III matters, formal negotiations for the multi-year PL 480 Title III program will begin in early February, 1992. USAID intends to sign the multi-year program no later than March 2, 1992.

ANNEX 4

OBJECTIVE TREE FOR THE

FY 1992-FY 1994

TITLE III

**ATTACHMENT A**  
**SCOPE OF WORK FOR COMMODITY ANALYSIS**

## **DRAFT - COMMENTS/SUGGESTIONS SOLICITED DURING M-Y PROGRAM REVIEW**

### **SCOPE OF WORK FOR COMMODITY ANALYSIS**

#### **BACKGROUND:**

One sector in Guinea that has great potential for development but is far from realizing it is that of agricultural production for domestic and export markets. Guinea's food imports have grown rapidly since the beginning of the Second Republic. Overall economic growth and resulting increased disposable income explains some of that increase. Another important explanatory factor is that Guinean production has difficulty in competing with imported agricultural products due to low productivity and high marketing costs (especially transport). There are serious constraints to the growth of marketed agricultural output in Guinea and in the next three to five years, there will be gaps in supply to meet domestic food demand which have to be met by imports.

Several of these constraints related to policies, rural transport infrastructure, and credit for agricultural enterprises will be addressed by projects in the portfolio of USAID and other donors. Alleviation of these constraints is expected to provide incentives for increased production and productivity and thus contribute to increases in marketable surplus. However, successful implementation of those projects will require the use of local currency generated by the sale of commodities imported under the Program for recurrent and investment costs.

Thus, the principal element of the Program is the generation of Local Currency (LC) through sales of the Program commodity and the implementation of an efficient and transparent counterpart fund management system. The LC and the management system will work to alleviate a chronic difficulty related to providing GOG counterpart funding to USAID and other donor organization's development programs and projects. It will do so by making LC accounting much more secure and the counterpart fund management more open and accessible. First priority in programming counterpart funds will be given to the activities which form part of USAID's country program.

Another major problem which the Program will address will be that of the design and implementation of key policy and regulatory reforms, especially those which enable the expansion of agricultural markets. Performance Indicators will be built into the program to identify certain key policy areas for which measures of progress will be elaborated and changes will be monitored. USAID/Guinea and other donor's experience in Guinea show that the setting and enforcement of such conditionalities is a primary tool in supporting the adoption and implementation of key policy reforms. Only in the event of positive performance by the GOG, will USAID authorize each year's food commodity grant. Lack of performance will lead to delay or cancellation of the year's transfer.

The FY 92-94 Title III Multi-Year Food for Development Commodity Grant Program will involve the transfer of \$10 million worth of commodities (excluding all transport costs) in each of the three

successive fiscal years starting in FY92. It will follow our one-year FY91 Title III Program.

The objectives of the transfer and sales of the commodities under the Program will be to: 1) contribute to improving food security in Guinea; and 2) strengthen import competitive food commodity markets. The objectives of the Local Currency (LC) generation and joint programming will be those of the Mission Country Program in that the LC will be programmed to meet counterpart fund requirements of activities throughout the portfolio. These are specifically identified in the design of the FY92-94 Title III Multi-Year Program.

The major way the FY92-094 Title III Multi-Year Food for Development Commodity Grant Program will contribute to the achievement of the objectives of the USAID Country Program will be the leverage provided in the setting of targets and monitoring of changes in Performance Indicators. Each subsequent year's commodity grant transfer will be contingent on progress in achievement of the Performance Indicators.

The FY92-94 Title III Multi-Year Program will involve the transfer of \$10 million worth of commodities (excluding all transport costs) in each of the three successive fiscal years starting in FY92. It will follow on our one-year FY91 Title III Program.

The Guinean private sector will be the sole authorized channel for commodity sales and distribution. It will participate through annual public sales which will entail open bidding and transparent procedures for bid awards. USAID/Guinea will have the authority to monitor and audit all sales of grant commodities.

A.I.D. will also work with the Ministry of Plan and International Cooperation and the new Counterpart Fund Management System (CFMS) to program the LC generated by the sales of commodities as counterpart funding for USAID, other donor, GOG and Guinean private sector projects and programs.

## ARTICLE I - TITLE

PROGRAM DEVELOPMENT AND SUPPORT, 675-0510-3-10033

## ARTICLE II - OBJECTIVE

The objective of this contract is to provide a Food Marketing specialist for implementation of the FY92-94 Title III Multi-Year Program. This specialist will advise the Government of Guinea and USAID/Guinea.

## ARTICLE III - STATEMENT OF WORK

### A. General Tasks

On the basis of (1) previous analyses, studies, evaluations, and audits on past USAID P.L. 480 Programs in Guinea, (2) analysis of data available in Guinea, and (3) interviews of GOG, USAID, and donor organization staff, the Contractor will provide food sector analysis for implementation of the FY 92-94 Title III Multi-Year Food for Development Program. The specific commodity mix will be recommended in the study. Other general tasks will include:

1. The contractor will spend three days in AID/W prior to arrival in Conakry. She/he will review, with the AFR/DP and AFR/CCWA staff, the following:

- Requirements and guidance of Title III Multi-Year Programs based on the 1990 Food Aid legislation
- Food Aid Auction experience in Guinea - consulting the Robert Nathan Associates reports
- Current status and projections of payment of transport
- Requirements for commodity ordering under multi-year agreements
- Current status and projections of commodity availabilities
- Current status and projections of Title III commodity prices

2. The contractor will travel to Conakry, Guinea to undertake the analysis necessary to assure that the Program has accurately identified the constraints to development indicated in the Background section. The analysis should ensure that the level and type of food aid assistance is warranted by the achievement of Performance Indicators by the GOG as part of the Program. The contractor will draft analyses and Program document sections as indicated below.

### B. Specific Tasks and Responsibilities

#### Food Marketing Expert (27 days)

The contractor will provide the following for rice, wheat/wheatflour and vegetable oil which could be provided under the FY 92-94 Multi-Annual Title III Program. Analyses will focus on the FY92 shipments in particular. The contractor should examine each commodity's market structure and;

1. Present and analyze information on demand for each commodity with the recent (1986-1990) five year average, projection for future five year period (1991-1995), and discussion of factors influencing demand such as location, prices, incomes, etc.

2. **Present and analyze information on supply of each commodity with production (five year historical average and five year future projection), imports (five year historical average and five year future projection and sources of origin), storage/stock capacity (public/private and scale/location), complementarity with other Guinean products and potential for stimulating agroindustry and domestic production of the same or similar commodities, and if commodities could enhance U.S. market development interests**
3. **Describe market functions including pricing/price determination, stabilization (price/quantity), level of integration (domestic/international), and market participants (level of liquidity, access/availability of credit, storage capabilities)**
4. **Analyze market performance including the satisfaction of demand and residual demand, incentives for increased supply, transaction costs, predictability, risk management, and incentives for increased market participation.**
5. **Recommend improvements in market structure, function, and performance by proposing changes in domestic policies and conditions, particularly those which would enhance private sector activity in Guinea.**
6. **Review food aid management policies and practices of GOG and assess the benefits of the proposed auction system and its likely effects on retail prices, distribution and increased private sector activity in grain trade. Based on the above: (a) recommend policies and practices to improve food aid management, (b) suggest guidelines for the auction system and, (c) assist the receptivity of GOG to the recommended changes.**
7. **Use Food balance sheet methodology to update a food/commodity needs assessment for the commodities available - this analysis should be used to determine additional FY 92 commodities.**
8. **Determine whether eligible commodities will allow a positive Bellmon determination, i.e., that the distribution and marketing of proposed levels of commodities will not create substantial disincentives to domestic production and marketing and if adequate storage is available for proposed commodity levels.**

#### **C. Execution of Responsibilities:**

The contractor will review all audit, evaluation, and other materials on the past experience in food assistance and food commodity shipping, sales, and distribution in Guinea. She/he will meet with the GOG, USAID, and other relevant donors to assess past experience, especially the lessons it offers for the design of the new multi-year food assistance program. She/he will hold discussions on the requirements for the design of the program. The contractor will then liaise with personnel from those organizations and the USAID/PPD Office to design the program, determine technical assistance and training needs, and establish an implementation schedule for immediate start-up of the new program. The contractor will meet in AID/W for three days of Team Planning Meetings prior to travelling to Guinea.

#### ARTICLE V - REPORTS

The contractor will submit to USAID and the GOG a preliminary report for comments one week prior to his/her departure from Guinea and submit a final report, written in English (five copies), no later than one month after receiving comments from the USAID Mission.

#### ARTICLE IV - RELATIONSHIPS AND RESPONSIBILITIES

The consultant will work under the technical directions of Mr. David Hess, Chief of the Program and Project Development Office (PPD) in USAID/Guinea. Mr. Muhamady Kandey, Program Assistant, in PPD will be the activity manager and will coordinate the team's contacts with other offices in USAID/Guinea, the GOG, and other donors. The team's work will be coordinated in Washington and Conakry by the AFR/DP Program Design Team Leader who will travel to Guinea with the contractor team.

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**ATTACHMENT B**

**CONAKRY 00576**

**USAID/GUINEA FY 1991 PL 480 TITLE III PROGRAM  
PROGRESS REPORT**

UNCLASSIFIED  
AID 01/28/92  
MD:WKASCHAK  
PPD/PA:MRKUHNS  
1.PPD:DHESS, 2.LMESERVE, 3.DMD:AREED  
AMB DCM CHRON, RF AID-2

WK----  
MRK---  
DH(DRAFT)  
LM(DRAFT)  
AR(DRAFT)

AMEMBASSY CONAKRY  
SECSTATE WASHDC  
AMEMBASSY ABIDJAN

AIDAC

FOR AFR/CCWA; AFR/DP; FHA/FFP/AFR  
ABIDJAN FOR REDSO/WCA - RFFPO

E.O. 12356: N/A  
SUBJECT: USAID/GUINEA FY 1991 PL 480 TITLE III PROGRAM  
PROGRESS REPORT

- REF: (A) 91 STATE 273619 (B) 91 STATE 290508
- (C) 91 STATE 299793 (D) STATE 374683
- (E) STATE 383014 (F) STATE 384671
- (G) 91 CONAKRY 04167 (H) 91 CONAKRY 04472
- (I) 91 CONAKRY 04980 (I) CONAKRY 05797
- (J) CONAKRY 06112 (K) CONAKRY 06189
- (L) 91 ABIDJAN 015837

- SUMMARY  
- -----

1. THE PURPOSE OF THIS CABLE IS TO PROVIDE A PROGRESS REPORT ON IMPLEMENTATION OF THE FY 1991 PL 480 TITLE III AS OF JANUARY 15, 1992 WITH EMPHASIS ON SALES AND DELIVERY OF THE PROGRAM COMMODITY. AFTER SIGNING A MOU WITH THE GOG TO CLARIFY ALL OUTSTANDING ISSUES RELATED TO PAST PL480 PROGRAMS AND THE GOG'S COMMITMENT TO A SCHEDULE OF DEPOSITS OF OUTSTANDING BALANCES OF LC PROCEEDS FROM THOSE PROGRAMS INTO A SPECIAL ACCOUNT, USAID/GUINEA NEGOTIATED AND SIGNED THE FY91 TITLE III AGREEMENT. USAID THEN CONDUCTED STUDIES, IN COOPERATION WITH THE GOG, TO DESIGN IMPROVED COUNTERPART FUND MANAGEMENT AND COMMODITY AUCTION SYSTEMS. THE AUCTION SYSTEM WAS IMPLEMENTED THROUGH THE SHIPMENT AND SALES OF OVER 22,000 MT OF RICE. FROM THE 67 BIDS MADE, 33 PRIVATE TRADERS RANGING FROM SMALL TO LARGE IN FIRM SIZE WERE AWARDED

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CONTRACTS TO PURCHASE RICE IN LOTS VARYING FROM 100 TO 1200 MT AT A PRICE OF USD 330 PER MT. ONLY 0.015 PERCENT (36 MT) OF THE RICE WAS NOT ACCOUNTED FOR AND 1.7 PERCENT DAMAGED (382 MT), THE LOWEST FIGURE FOR LOSSES IN RECENT EXPERIENCE OF PL480 PROGRAMS IN GUINEA AND A VERY LOW FIGURE FOR WEST AFRICAN SHIPMENTS IN GENERAL. NOTE: IN THE 1989 SHIPMENT, TOTAL LOSSES AMOUNTED TO APPROXIMATELY 3.9 PERCENT (700 MT). END NOTE. USAID/GUINEA IS VERY SATISFIED WITH THE SECURITY, EFFICIENCY, AND TRANSPARENCY OF THE FY91 PROGRAM'S COMMODITY SALE AND PLEASED WITH GOG PERFORMANCE AND PRIVATE SECTOR PARTICIPATION. END SUMMARY.

- BACKGROUND  
- -----

2. IN 1990, USAID/GUINEA SUSPENDED ITS PL 480 TITLE III PROGRAM PENDING THE RESOLUTION OF SEVERAL OUTSTANDING ISSUES. THE FIRST STEP IN REESTABLISHING THE PROGRAM BEGAN WITH THE SIGNATURE OF THE MEMORANDUM OF UNDERSTANDING ON MARCH 11, 1991 IN WHICH THE GOVERNMENT OF GUINEA AND USAID/GUINEA AGREED TO A) CONDUCT AN AUDIT OF PL 480 GENERATED COUNTERPART FUNDS FOR THE PERIOD JULY 1, 1989 TO DECEMBER 31, 1990; B) DEPOSIT THE OUTSTANDING BALANCE OF THE PL 480 GENERATED COUNTERPART FUNDS DETERMINED BY THE AUDIT INTO A SEPARATE PL 480 ACCOUNT IN THE GOG'S CENTRAL BANK; C) DEVELOP A NEW SYSTEM FOR THE MANAGEMENT OF COUNTERPART FUNDS; AND D) PROCEED WITH DISCUSSIONS FOR A NEW PL 480 AGREEMENT.

3. ON THE BASIS OF THE AUDIT FINDINGS AND DEPOSIT OF 7.955 BILLION GUINEAN FRANCS INTO THE SEPARATE PL 480 ACCOUNT AND AGREEMENT TO DEPOSIT AN ADDITIONAL AMOUNT OF APPROXIMATELY 1.6 BILLION GUINEAN FRANCS BEFORE DISBURSEMENTS WOULD BEGIN, THE PL 480 TITLE III PROGRAM AGREEMENT WAS SIGNED ON JUNE 29, 1991 FOR USDOLS 10 MILLION INCLUDING SHIPMENT COSTS.

4. THE AGREEMENT INCORPORATED A FRAMEWORK FOR A NEW COUNTERPART FUND MANAGEMENT SYSTEM TO BE SUBSEQUENTLY DESIGNED AND IMPLEMENTED. IT ALSO PROVIDED A GENERAL STRUCTURE FOR AN AUCTION SYSTEM BE USED FOR THE SALE OF FY 1991 TITLE III RICE. PERFORMANCE INDICATORS FOR THE AGREEMENT WERE THE ESTABLISHMENT OF A LAND TENURE CODE AND THE IMPLEMENTATION OF A NEW COUNTERPART FUND MANAGEMENT SYSTEM.

5. IN JULY AND AUGUST 1991, USAID/GUINEA FINANCED TWO STUDIES BASED ON THE FRAMEWORK FOR BOTH COUNTERPART FUNDS MANAGEMENT AND THE AUCTION SYSTEM LAID OUT IN

THE 1991 PROGRAM AGREEMENT UNDER IQC. MSI DEVELOPED A REPORT ENTITLED QUOTE A MODEL FOR ESTABLISHING A COUNTERPART FUND MANAGEMENT SYSTEM IN GUINEA UNQUOTE AND NATHAN ASSOCIATES ELABORATED A REPORT ON QUOTE MANAGING AUCTIONS IN GUINEA: REDESIGN OF AN AUCTION SYSTEM FOR USE UNDER PL 480 TITLE III UNQUOTE. THESE TWO REPORTS PRODUCED DETAILED GUIDANCE FOR THE FY 1991 PL 480 TITLE III PROGRAM AND FUTURE OPERATIONS.

- ESTABLISHMENT OF THE NEW COUNTERPART SYSTEM  
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6. WHILE THE PRINCIPAL PURPOSE OF THIS CABLE IS TO REPORT ON THE SALE AND SHIPMENT OF THE FY91 TITLE III PROGRAM COMMODITY, IT IS IMPORTANT TO NOTE THAT THE RECOMMENDATIONS OF THE MSI STUDY ARE BEING IMPLEMENTED. THE FINAL PORTION OF THE LC PROCEEDS FROM PREVIOUS PL480 PROGRAMS OWED BY THE GOG WERE PAID ON 11/21/91. AN INTERIM COUNTERPART FUND MANAGEMENT SYSTEM WAS IMMEDIATELY IMPLEMENTED AS THE PERMANENT SYSTEM IS BEING PUT INTO PLACE WITH REQUIRED LEGAL ARRANGEMENTS AND RECRUITMENT OF QUALIFIED PERSONNEL. AN INTERNATIONAL ACCOUNTING FIRM HAS BEEN CONTRACTED TO OVERSEE THE INTERIM SYSTEM AND DISBURSEMENTS HAVE BEEN WELL DOCUMENTED AND EFFICIENTLY MANAGED. THE PERMANENT SYSTEM SHOULD BE INSTALLED AND FUNCTIONING BEFORE 3/31/92.

- FY 1991 COMMODITY SHIPMENT  
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7. THE FY 1991 PL480 TITLE III PROGRAM AGREEMENT ESTABLISHED APPROXIMATELY 20,000 METRIC TONS OF RICE AS THE DONATED COMMODITY WITH AN EXPECTED ARRIVAL DATE IN CONAKRY PORT OF NO LATER THAN SEPTEMBER 30. THE TIMING OF THE SHIPMENT WOULD OCCUR DURING A TRADITIONAL SHORTFALL IN RICE STOCKS BETWEEN THE END OF THE RAINY SEASON AND THE BEGINNING OF THE DOMESTIC RICE HARVEST.

8. PROBLEMS BEGAN HOWEVER WHEN AID/W INFORMED IN REF (A) USAID/GUINEA THAT THE EARLIEST POSSIBLE U.S. PORT AVAILABILITY WOULD BE MID-OCTOBER, MEANING A SHIPMENT ARRIVAL DATE OF MID TO LATE NOVEMBER.

9. TWO URGENT CABLES, REF (G) AND REF (H) WERE SENT INFORMING AID/W THAT THE TWO MONTH DELAY WOULD CREATE SERIOUS PROBLEMS AS IT WOULD MEAN HOLDING AN AUCTION AT EXACTLY THE TIME WHEN THE DOMESTIC RICE HARVEST WAS

ENTERING THE CONAKRY MARKET. WE ALSO POINTED OUT THAT THE SIMULTANEOUS PRESENCE OF 20,000 TONS OF TITLE III RICE COULD POTENTIALLY CREATE PRICE DISINCENTIVES FOR LOCAL PRODUCTION AND POSSIBLE DIFFICULTIES WITH SALES OF THE PL 480 RICE. AID/W WAS URGED, WITH ITS NEW AUTHORITY TO MANAGE COMMODITY PROCUREMENT AND SHIPMENT UNDER THE 1990 FOOD AID LEGISLATION, TO MAKE EVERY EFFORT TO MOVE UP THE PORT AVAILABILITY AND SHIPMENT DATES. UNFORTUNATELY, THE DELIVERY DATES WERE NOT CHANGED.

10. AT THE SAME TIME, CREDIBILITY OF THE QUALITY OF US RICE EXPORTS WAS SUFFERING BECAUSE OF SEVERE PROBLEMS WITH THE FY 89 TITLE II, SECTION 206 SHIPMENT. THAT SHIPMENT INCLUDED A MIXTURE OF QUALITIES OF RICE AND RESULTED IN SEVERE SALES AND PAYMENT DIFFICULTIES. IN ORDER TO RESTORE CREDIBILITY, USAID/GUINEA REQUESTED A SAMPLE OF THE RICE SHIPMENT DESTINED FOR GUINEA. THE SAMPLE WAS RECEIVED IN SEPTEMBER AND HELPED ALLEVIATE SOME CONCERNS ABOUT THE QUALITY OF THE TITLE III RICE. HOWEVER, TO FURTHER REASSURE GUINEAN MERCHANTS, USAID/GUINEA FINANCED TRAVEL TO THE US OF TWO GUINEAN REPRESENTATIVES, FROM THE NATIONAL DIRECTION OF INTERNATIONAL COOPERATION (GOVERNMENT OF GUINEA) AND FROM THE CHAMBER OF COMMERCE, TO BE PRESENT DURING THE LOADING OF THE SHIPMENT THEREBY INCREASING INFORMATION FLOW TO GUINEAN MERCHANTS AND CONSUMERS DURING THE AUCTION OF THE RICE. WHILE A SLIGHT DELAY IN LOADING PREVENTED THE GUINEANS' PRESENCE AT THAT OPERATION, THEIR REPORTS ON THE WAREHOUSED RICE AND OTHER ASPECTS OF THE SHIPPING OPERATIONS GREATLY INCREASED THE CLIMATE OF CONFIDENCE FOR THE AUCTION.

11. PER REFTTEL (C), USAID/GUINEA WAS INFORMED THAT M/V OVERSEAS MARILYN WAS BOOKED TO LOAD 22,058 MT OF RICE ON 25/26 OCTOBER AND ITS ESTIMATED TIME OF ARRIVAL IN CONAKRY WAS 25/26 NOVEMBER. PROBLEMS AROSE AGAIN WITH LACK OF INFORMATION ON ACTUAL DEPARTURE OF SHIPMENT FOR CONAKRY. USAID/GUINEA WAS NEVER UPDATED ON THE VESSELS ETA IN CONAKRY AS REFTTEL (C) PARA 3 STATED WOULD BE DONE. REF (I) WAS SENT REQUESTING SUCH INFORMATION BUT NO RESPONSE WAS RECEIVED. THIS, ALONG WITH THE GUINEAN REPRESENTATIVES INFORMATION THAT LOADING WOULD NOT START UNTIL 28 OCTOBER, 2 TO 3 DAYS LATER THAN ORIGINALLY INFORMED, CREATED CONFUSION AS TO WHEN THE SHIPMENT WOULD ARRIVE IN CONAKRY. IT WAS EXTREMELY IMPORTANT THAT EXACT DATES OF LOADING

AND DEPARTURE OF THE TITLE III SHIPMENT BE KNOWN TO COORDINATE THE AUCTION. ALL 22,058 MT'S OF RICE WERE TO BE SOLD BEFORE THE ARRIVAL OF THE SHIPMENT ON A TIGHT SCHEDULE ESTABLISHED TO MAXIMIZE TRANSPARENCY AND EFFICIENCY.

- FY 1991 TITLE III RICE AUCTION  
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12. AS STATED IN PARA 5 ABOVE, USAID/GUINEA FUNDED AN IQC STUDY BY NATHAN ASSOCIATES WHICH PROVIDED PROCEDURES AND FORMATS FOR THE AUCTION IN GUINEA IN LIGHT OF LESSONS LEARNED HERE DURING 1988 AND 1989. A STEP BY STEP PLAN FOR IMPLEMENTING THE SALE OF RICE WAS PRESENTED BASED ON AN AUCTION PROCESS CONDUCTED BY TWO COMMITTEES, AN AUCTION DESIGN COMMITTEE (ADC) AND AN AUCTION IMPLEMENTATION COMMITTEE (AIC). THIS REPORT WAS PRODUCED IN CLOSE COOPERATION WITH GOVERNMENT OFFICIALS IN THE MINISTRY OF PLAN AND INTERNATIONAL COOPERATION, THE MINISTRY OF INDUSTRY, COMMERCE AND ARTISANRY, AND OTHERS MINISTRIES CONCERNED WITH THE SALES OF TITLE III COMMODITIES.

13. THE AUCTION DESIGN COMMITTEE WAS CONCEIVED AS RESPONSIBLE FOR ESTABLISHING A CLEAR, COMPREHENSIVE, AND COMPATIBLE SET OF AUCTION RULES AND BID DOCUMENTS CONSISTENT WITH THE POLICY OBJECTIVES SET FORTH BY USAID/GUINEA AND THE GOVERNMENT OF GUINEA. THE AUCTION IMPLEMENTATION COMMITTEE WAS TO BE RESPONSIBLE FOR SCREENING AND RANKING BIDS IN CONFORMANCE WITH THE RULES ESTABLISHED BY THE ADC, FOR PREPARING BID/AWARD LISTS FOR REVIEW BY USAID/GUINEA BEFORE PUBLIC POSTING, AND FOR CLOSELY FOLLOWING THE UNLOADING AND DELIVERY OF THE SHIPMENT TO THE BID WINNERS.

14. ADDITIONALLY THE REPORT RECOMMENDED CERTAIN AUCTION PARAMETERS TO BE ADOPTED BY THE ADC SUCH AS: A) INDIVIDUAL LOT SIZES OF 100 MT, WITH BIDDERS ALLOWED TO BID ON MULTIPLE LOTS AT A SINGLE PRICE, UP TO A MAXIMUM OF 10 LOTS; B) MINIMUM AND MAXIMUM ACCEPTABLE FAS PRICES; C) BIDDER ELIGIBILITY ESTABLISHED TO OPEN THE AUCTION TO AS MANY TRADERS AS POSSIBLE AND TO ELIMINATE NON-SERIOUS BIDDERS; AND D) ACCEPTABLE PAYMENT TERMS CONSISTING OF 10 PERCENT BID BONDS, 15 PERCENT PARTIAL PAYMENT UPON BID AWARD AND FINAL PAYMENT OF 75 PERCENT IN BANK GUARANTEES OR CASH.

15. NAMES OF MEMBERS OF BOTH THE AUCTION DESIGN AND AUCTION IMPLEMENTATION COMMITTEES WERE TRANSMITTED TO USAID/GUINEA ON 15 OCTOBER. THE ADC CONSISTED OF TWO MEMBERS FROM THE NATIONAL DIRECTION OF INTERNATIONAL COOPERATION AND TWO MEMBERS FROM THE NATIONAL DIRECTION OF COMMERCE. THE AIC WAS COMPOSED OF MEMBERS FROM THE MINISTRY OF PLAN AND INTERNATIONAL COOPERATION, THE MINISTRY OF INDUSTRY, COMMERCE, AND ARTISANRY, THE MINISTRY OF ECONOMY AND FINANCE, THE MINISTRY OF ECONOMIC AND FINANCIAL CONTROL, AND THE CHAMBER OF COMMERCE. IN BOTH COMMITTEES, USAID/GUINEA MAINTAINED OBSERVER STATUS WITHOUT VOTE. HOWEVER, ITS ULTIMATE CONCURRENCE WAS REQUIRED FOR ALL DECISIONS.

16. FIRST, THE ADC REFINED AND ADOPTED THE AUCTION PARAMETERS AND PROTOTYPE AUCTION DOCUMENTS AS DEFINED IN THE REPORT. GOG REPRESENTATIVES WERE GENERALLY RECEPTIVE TO THE PROTOTYPE DOCUMENTS. HOWEVER, THEY WISHED TO MAKE SIGNIFICANT MODIFICATIONS TO THE AUCTION PARAMETERS. POINTS OF DIVERGENCE WERE: THE SIZE OF THE LOTS, THE MAXIMUM NUMBER OF LOTS TO BE SOLD TO ANY ONE PERSON, AND THE SIZE/USE OF BID BONDS. THE GOG REPRESENTATIVES FAVORED LOTS OF 500 MT PER BIDDER, A QUANTITATIVE CEILING OF 2000 MT OR 4 LOTS PER BIDDER, AND REFUNDABLE BID BONDS OF 500,000 GUINEAN FRANCS (FG). USAID, BASED ON ITS EXPERIENCE AND THE NATHAN STUDY, FELT THESE PARAMETERS WOULD EFFECTIVELY DISCOURAGE THE PARTICIPATION OF SMALLER TRADERS WITH NO ACCESS TO BANK CREDIT, BUT THEY WOULD NOT LIMIT THE PARTICIPATION OF NON-SERIOUS BIDDERS. WE ALSO OPPOSED THE CEILING OF 2000 MT PER BIDDER WHICH RAN COUNTER TO THE OBJECTIVE OF PROMOTING THE GREATEST AMOUNT OF PARTICIPATION IN THE AUCTION AND WITH THE SMALL SIZE OF THE BID BOND.

17. AT THE SAME TIME, USAID/GUINEA CONTRACTED FOR SHORT TERM TECHNICAL ASSISTANCE FROM NATHAN ASSOCIATES TO ASSIST IN THE IMPLEMENTATION OF THE AUCTION SYSTEM. THE CONSULTANT WOULD BE PRESENT FOR ALL ADC AND AIC MEETINGS DURING THE MOST CRUCIAL PHASE OF THE AUCTION.

18. THE ADC MET TO MAKE A FINAL DECISION ON THE AUCTION PARAMETERS. THE MAXIMUM LOT SIZE WAS REDUCED TO 400 MT AND THE MAXIMUM NUMBER OF LOTS WAS SET AT THREE FOR A POSSIBLE TOTAL OF 1,200 MT PER BIDDER. A FLAT-FEE BID BOND WAS ESTABLISHED AT 1,500,000 GF. IT WAS AGREED TO MEET WITH THE MEMBERS OF THE AIC TO FILL IN MISSING INFORMATION AND TO PASS RESPONSIBILITY FOR THE AUCTION FROM ONE COMMITTEE TO THE OTHER.

19. A JOINT MEETING WAS HELD ON 11/7/91 IN WHICH A DECISION WAS TAKEN TO LAUNCH THE SALE OF BID DOCUMENTS ON 11/11/91.

20. ON 11/14/91, A FIRST BIDDERS CONFERENCE WAS HELD TO ALLAY MERCHANTS' CONCERNS ABOUT THE QUALITY OF THE RICE AND TO ANSWER QUESTIONS ABOUT THE AUCTION PROCESS. THE CHAIRMAN OF THE AIC (THE REPRESENTATIVE FROM THE MINISTRY OF ECONOMIC AND FINANCIAL CONTROL, IN CONFORMANCE WITH THE GUINEA PUBLIC PROCUREMENT CODE) ANNOUNCED THE PURPOSE OF THE CONFERENCE, UNDERSCORING THAT THE BID DOCUMENTS WERE NOT TO BE NEGOTIATED. ONE OF THE TWO INDIVIDUALS WHO HAD TRAVELLED TO THE UNITED STATES TO VIEW THE RICE DESTINED FOR GUINEA ASSURED THOSE PRESENT THAT IT WAS OF THE HIGHEST QUALITY. THE CHAIRMAN ANNOUNCED ANOTHER BIDDERS CONFERENCE FOR 11/18/91 TO PROVIDE SUPPLEMENTARY INFORMATION.

21. ON 11/15/91, THE MISSION RECEIVED THE FIRST INDICATION FROM AID/W, IN REF (D), OF THE ARRIVAL OF THE RICE SHIPMENT AT 2200 ON 11/22/91 WITHOUT ANY PRIOR NOTICE OF THE SHIP'S DEPARTURE FROM THE US PORT. PRIOR NOTICE WOULD HAVE ALLOWED USAID/GUINEA TO BETTER ESTIMATE THE SHIPMENTS ARRIVAL AND ADJUST TIMING OF THE AUCTION.

22. THE SECOND BIDDERS' CONFERENCE WAS ATTENDED BY MORE THAN 50 TRADERS. AFTER A DETAILED PRESENTATION BY THE CHAIRMAN OF THE AIC ON THE SCHEDULE AND THE QUALITY OF THE RICE, A LIVELY DISCUSSION WAS GENERATED BY THE TRADERS CONCERNING: (A) THE INABILITY OF MANY TRADERS TO OBTAIN BANK GUARANTEES; (B) THE RELATIVELY LARGE SIZE OF THE LOTS, BEYOND THE SCOPE OF MANY TRADERS; (C) THE POOR TIMING OF THE SHIPMENT'S ARRIVAL, COINCIDING WITH THE HARVEST OF LOCAL RICE AND ABUNDANT SUPPLIES OF IMPORTED RICE IN CONAKRY AND IN THE INTERIOR WHICH COULD SLOW SALES MAKING PROMPT PAYMENT OF BANK GUARANTEES PROBLEMATIC; (D) THE USE OF NON-REFUNDABLE BID BONDS; AND (E) THE INABILITY TO OBTAIN BANK CERTIFICATION OF FINANCIAL SOLVENCY. THE CHAIRMAN OF THE COMMITTEE PROMISED THOSE PRESENT THAT THE COMMITTEE WOULD CONSIDER THEIR POINTS IN A SEPARATE SESSION.

23. A CLOSED SESSION OF THE AIC WAS HELD DIRECTLY AFTER THE SECOND CONFERENCE TO ASSESS THE VALIDITY OF THE POTENTIAL BIDDERS' REMARKS AND THEIR IMPLICATION

FOR THE AUCTION'S OUTCOME. CENTRAL TO THE DISCUSSION WAS THE COMMITTEE'S CONCERN ABOUT SALES UNDER THE ESTABLISHED AUCTION PARAMETERS. ACCORDINGLY, THE LOT SIZE WAS REDUCED TO 100 MT; THE REPAYMENT PERIOD FOR PAYMENTS BY BANK GUARANTEE WAS EXTENDED TO 120 DAYS FROM THE SHIP'S DEPARTURE; AND THE CONCEPT OF THE BID BOND WAS ALTERED ENTIRELY BY MAKING THEM REFUNDABLE TO ALL AUCTION PARTICIPANTS AFTER A PERIOD OF 30 DAYS. TO ALLOW TRADERS TO UNDERSTAND THE MODIFICATIONS, THE AUCTION CALENDAR WAS MODIFIED, DELAYING BOTH THE BID SUBMISSIONS AND THE ANNOUNCEMENT OF AUCTION RESULTS.

24. THE FOLLOWING IS A LIST OF THE FINAL AUCTION PARAMETERS AS MODIFIED BY THE AUCTION IMPLEMENTATION COMMITTEE:

A) LOT SIZE:

LOTS OF 100 MT WITH A CEILING OF 12 LOTS FOR A POSSIBLE TOTAL OF 1200 MT.

B) MINIMUM ACCEPTABLE PRICE:

F.A.S. PRICE OF USD 320.10

C) MAXIMUM ACCEPTABLE PRICE: USD 400

D) BIDDER ELIGIBILITY:

BIDDERS HAD TO HAVE A FIXED PLACE OF BUSINESS AND A WAREHOUSE LARGE ENOUGH TO HOLD THE AMOUNT OF RICE REQUESTED, THREE YEARS EXPERIENCE IN TRADING AGRICULTURAL COMMODITIES, AND LICENSE NUMBERS AS PROOF OF LEGITIMACY.

E) ACCEPTABLE PAYMENT TERMS:

BID SUBMISSION REQUIRED A REFUNDABLE BID BOND OF 1,500,000 GF. PAYMENT WAS DEMANDED IN TWO AMOUNTS, 25 PERCENT UPON BID AWARD AND 75 PERCENT IN EITHER CASH OR BANK GUARANTEES TO BE PAID WITHIN 120 DAYS OF THE BOAT'S DEPARTURE.

25. BIDS WERE ACCEPTED ON 22 AND 23 NOVEMBER. A TOTAL OF 67 BIDS WERE SUBMITTED.

26. PUBLIC OPENING OF BIDS ON 25 NOVEMBER WAS ATTENDED BY APPROXIMATELY 30 TRADERS TO ASSURE TRANSPARENCY OF THE PROCESS. A CLOSED SESSION OF THE AIC WAS HELD IMMEDIATELY FOLLOWING THE PUBLIC OPENING TO REVIEW, AND ACCEPT OR REJECT THE BIDS ACCORDING TO THE PARAMETERS PREVIOUSLY DISCUSSED. BID LISTS WERE DEVELOPED, TRACKING THE BIDDERS IN ORDER OF THEIR SUBMISSIONS AND IN ORDER OF PRICES SUBMITTED. ADDITIONALLY, CONCERNED WITH THE LACK OF TIME FOR PROCESSING ALL BID DOCUMENTS, THE COMMITTEE OPTED TO CONSIDER VARIOUS PROXIES FOR THE ELIGIBILITY CRITERIA.

27. THE BIDS WERE SCREENED ACCORDING TO THE ELIGIBILITY CRITERIA ESTABLISHED IN THE AUCTION PARAMETERS. A SUB-COMMITTEE INCLUDING A USAID REPRESENTATIVE CARRIED OUT INTERVIEWS WITH ALL FIVE COMMERCIAL BANKS IN CONAKRY ASCERTAINING THE BIDDERS FINANCIAL CAPACITY, INCLUDING THE ABILITY TO OBTAIN BANK GUARANTEES. THE SALES PRICE WAS DETERMINED BY UNIFORM PRICING. ON THE BASIS OF THE BIDDERS LIST, LOTS WERE ALLOCATED DOWN FROM THE HIGHEST BIDDER UNTIL THE TOTAL QUANTITY OF RICE WAS EXHAUSTED.

28. A TOTAL OF 33 BIDS WERE ACCEPTED AND CONTRACTS SIGNED AT A STOP OUT PRICE OF USDOLS 330 PER TON. THIS PRICE WAS APPROXIMATELY USD 10 ABOVE FAS PRICE. QUANTITIES RANGED FROM 100 MT TO 1,200 MT. NOTE: LOWER QUALITY SOUTH EAST ASIAN RICE IS AVAILABLE IN CONAKRY FOR ABOUT USDOLS 275. END NOTE.

29. SALES CONTRACTS BETWEEN THE GOG AND THE BID WINNERS WERE COMPLETED ON 12/2/91. DELIVERY OF THE RICE DIRECTLY TO THE BID WINNERS COMMENCED ON 4 DECEMBER.

30. ON BALANCE, THE AUCTION PROCESS WAS EXTREMELY SUCCESSFUL IN ELICITING WIDE PARTICIPATION OF PRIVATE GUINEAN TRADERS FROM SMALL TO LARGE ENTERPRISES. SALES TO THIS POINT HAVE GONE WELL FOR THE PARTICIPANTS AND NO PROBLEMS OF MIXED SHIPMENT QUALITY HAVE OCCURRED. THE INVESTMENT IN THE NATHAN ASSOCIATES STUDY AND TECHNICAL ASSISTANCE AND IN OUR STAFF TIME ALONG WITH THE ASSIGNMENT OF VERY COMPETENT GOG COUNTERPARTS RESULTED IN AN AUCTION WHICH IS BEING RECOGNIZED AS EXEMPLARY HERE IN GUINEA.

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- COMMODITY DELIVERY  
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31. THE WEEK OF 11/18/91, AID/W NOTIFIED USAID/GUINEA IN REFS (D) AND (E), AND IN TELECONS WITH FHA/FFP/AFR THAT THE SHIPPING COMPANY WAS HAVING PROBLEMS FINDING A FREIGHT FORWARDER IN CONAKRY AND THAT THERE COULD BE A DELAY IN THE SHIPMENTS ARRIVAL.

32. THE FREIGHT FORWARDING PROBLEM WAS RESOLVED. GOG REPRESENTATION WAS PROVIDED. LACK OF INFORMATION ON SHIPMENT DEPARTURE DATE HAD CAUSED PROBLEMS IN THE SCHEDULING OF THE AUCTION, BUT THESE WERE RESOLVED BY ADAPTING AUCTION IMPLEMENTATION AND ARRANGING FOR TEMPORARY STORAGE OF 5000 MT UNTIL DELIVERY COULD BE ACCEPTED BY BID WINNERS.

33. THE M/V OVERSEAS MARILYN DOCKED AND BEGAN OFFLOADING AT 1300 ON 11/25/91. BY 12/3/91, 5000 MT WAS OFFLOADED AND STORED IN THE PORT WAREHOUSE. DELIVERY DIRECTLY TO BID WINNERS BEGAN ON 4 DECEMBER. OFFLOADING WAS COMPLETED ON 12/16/91. THE M/V OVERSEAS MARILYN DEPARTED CONAKRY PORT ON 12/17/91.

34. THE FOLLOWING IS A SUMMARY OF THE SURVEY REPORT:

- A) BILL OF LADING QUANTITY: 22,094.848 MT
- B) COMMODITY CREDIT CORPORATION REPORT: 22,062.287 MT
  - 1. UNDAMAGED SACKS: 21,679.93 MT
  - 2. DAMAGED SACKS: 382.35 MT

35. OVERALL, THE OFFLOADING OF THE SHIPMENT WENT EXTREMELY WELL. LOSS RATES WERE VERY LOW COMPARED TO THE PREVIOUS SHIPMENT IN 1989. THE LOSSES IN 1989 WERE 5 PER CENT IN 1989 AND 1.8 PER CENT THIS YEAR. RFFPO MESERVE ALSO STATED THAT LOSS RATES IN THE OFFLOADING WERE THE LOWEST HE HAD ENCOUNTERED IN WEST AFRICA WHERE LOSSES OF 10 PER CENT ARE NOT UNUSUAL. THIS SUCCESS COULD BE ATTRIBUTED TO:

- A) USAID/GUINEA ALONG WITH THE AUCTION IMPLEMENTATION COMMITTEE HAD A DAILY PRESENCE AT THE PORT. ADDITIONALLY, THE CREW OF THE M/V OVERSEAS MARILYN MAINTAINED A CONSTANT SURVEILLANCE DURING OFFLOADING.
- B) SECURITY AT THE PORT WAS EXCELLENT. USAID/GUINEA HAD PUT THE APPROPRIATE MINISTERS ON NOTICE INDICATING

ITS STRONG DESIRE THAT OFFLOADING TAKE PLACE WITH  
MAXIMUM SECURITY AND TRANSPARENCY.

C) RESPONSIBILITY FOR THE SHIPMENT WAS DIVIDED AMONG  
THE DIFFERENT ACTORS DURING OFFLOADING. THE SHIPPING  
COMPANY WAS RESPONSIBLE FOR TRANSPORT TO DOCKSIDE OF  
ALL TONNAGE IN THE BILL OF LADING. THE STEVEDORING  
COMPANY WAS RESPONSIBLE FOR ANY LOSSES BETWEEN THE  
SHIPS HOLD AND THE DOCK. THE TRANSIT COMPANY WAS  
RESPONSIBLE FOR ANY LOSSES BETWEEN THE DOCKS AND THE  
BID WINNERS WAREHOUSES.

36. ONE PROBLEM WAS EXPERIENCED. THE RICE SHIPMENT  
ARRIVED WITHOUT THE USUAL EMPTY SACKS TO USE FOR  
RECONDITIONING OF TORN BAGS AND SWEEPINGS. HOWEVER,  
AID/W PROVIDED FINANCING FOR THE PURCHASE OF 10,000  
SACKS WHICH WERE DELIVERED ON 26 DECEMBER.

37. DELIVERY OF THE 5000 MT STORED IN THE PORT  
WAREHOUSE BEGAN ON 8 JANUARY 1992 FOLLOWING THE  
PAYMENT BY THE GOG FOR A PORTION OF THE WAREHOUSE  
COSTS WITH COUNTERPART FUNDS. APPROXIMATELY 4000 MT  
HAVE BEEN DELIVERED TO DATE. RECONDITIONING OF THE  
382.35 MT SHOULD BE COMPLETE BY 30 JANUARY 1992.

38. USAID/GUINEA REQUESTS THAT THIS CABLE BE SHARED  
WITH ALL OFFICES INVOLVED IN OUR TITLE III PROGRAM.  
WE WILL FURNISH A FINAL STATUS REPORT AT THE  
COMPLETION OF THE FY91 PROGRAM.

SMITH

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**ATTACHMENT C**

**USAID/GUINEA**

**TABLE 3: COUNTRY PROGRAM STRATEGY**

Table 3:  
USAID/Guinea  
Country Program Strategy

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
<b>MISSION PROGRAM GOAL:</b>	<b>INDICATORS:</b>									
Improved economic and social well-being of all Guineans in a participatory society.	1. Increase in real economic growth (growth rates):	1989 =								
	- GDP	\$2.75 million	4.3%	4.0%	5.0%	5.5%	5.5%	5.0%	5.0%	5.0%
	- GDP per capita	\$430	1.5%	1.2%/1.2%	2.1%	2.6%	2.6%	2.1%	2.1%	2.1%
	2. Decrease in under-five child mortality rate (per 1,000)	1989 =	NA	Demographic and Health Survey (DHS) scheduled for 1992						
- Female	224									
- Male	249									
3. Increase in literacy rate (% of adults)	1985 =									
	- Total	28	NA	NA						35
- Female	17	NA	NA							25
4. Institutionalization of a freer, more open society and accountable government (factors, scaled 1 - 10):		Baseline and expected levels of achievement will be formulated in conjunction with the U.S. Embassy and will be reported in the FY 1992 API.								
- freedom of speech and association										
- human rights										
- regularly scheduled and fair elections										
- budgetary transparency										

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL	ACT/PLAN	PLANNED					
			1990	1991	1992	1993	1994	1995	1996	1997
	5. Increase in share of public investment resources managed at the Rural Development Committee (CRD) level		Baseline study planned for early 1992							
<b>DATA SOURCES:</b>										
1 World Development Report, 1991; International Monetary Fund (IMF), 1991.										
2 World Bank, 1990 Country Economic Memorandum and DHS, 1992										
3 World Development Report, 1991; Ministry of Education (MEN); UNICEF (Note: Only adult literacy is presently reported)										
4 US Embassy and USAID assessment										
5 USAID, Ministry of Plan & Int'l Cooperation (MPIC) and Ministry of Interior and Decentralization (MID)										

**MISSION PROGRAM  
SUB-GOAL No. 1**

Increased per capita income from non-mining activities.

INDICATORS:										
1. Increase in real per capita non-mining-GDP (growth rate)	1989 = \$323	2.7% est.	NA/2.4%	2.1%	4.0%	3.3%	2.8%	2.8%	2.8%	2.8%
2. Increase in public investment for rural development (\$ millions)	1989 = 24.7	17.8	NA/22.7	22.8	24.6	26.3	27.0	27.8	28.6	28.6
3. Increase in private investment (% of GDP)	1989 =									
- Total	11.7%	10.3%	NA/10.9%	11.0%	11.2%	11.5%	11.8%	11.8%	11.8%	11.8%
- Non-mining	NA	5.0%	NA	NA	NA	7.0%	NA	NA	NA	NA
4. Decrease in growth faltering rates for children	Assessment of available data planned during FY 1992									
5. Increase in expenditure by rural households	Baseline survey planned for 1992/93									
<b>DATA SOURCES:</b>										
1,3 World Bank, 1990 Country Economic Memorandum and World Bank estimates of growth rates										
2 Ministry of Plan and International Cooperation - National Development Budget for Rural Development and Public Works										
4 MSF, UNICEF/Ministry of Health, and Cornell Food and Nutrition Policy Program										
5 USAID										

GOALS/OBJECTIVES/ TARGETS	INDICATOR/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
MISSION PROGRAM SUB-GOAL No. 2	INDICATORS:									
Improved human resources for sustainable economic growth	1. Increase in number of people completing 6 yrs of primary schooling by gender (annual growth rate):	1989/90 =	1990/91							
	- Female	7,209	NA	2%	2%	3%	3%	4%	4%	5%
	- Male	29,954	NA							
	2. Decrease in primary school repeaters (percentage):	1989/90 =	1990/91							
- National	73,298	6.1%	NA/5%	5%	5%	5%	5%	4%	4%	
- Female	27,203	7.2%								
3. Increase in numbers of people receiving post-secondary training:		Data to be compiled from USAID and UNDP records.								
	- All donors									
	. Females									
	. Males									
	- USAID									
	. Females									
	. Males									
4. Decrease in total fertility rate		1989 = 6.5	Demographic and Health Survey scheduled for FY 1992							
DATA SOURCES:										
1,2 Ministry of National Education (MEN)										
3 USAID, UNDP and other donors										
4 World Development Report, 1991; DHS										



GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL	ACT/PLAN	PLANNED						
			1990	1991	1992	1993	1994	1995	1996	1997	
	<p>4. Decrease in differential between rural/(semi-)urban prices for rice between key markets (percentage difference):</p> <ul style="list-style-type: none"> <li>- Madina - Dalaba</li> <li>- Sinko - N'zerekore</li> <li>- Timbi Madina - Pita</li> <li>- Mamou - Conakry</li> <li>- Kankan - Conakry</li> </ul>		<p>Baseline, incremental and final performance standards to be developed in FY92 AMIP design</p>								
	<p>5. Increase in competition among intermediaries for agricultural commodities (scale 1-10, with high score reflecting extensive competition):</p> <ul style="list-style-type: none"> <li>- Wholesalers</li> <li>- Retailers</li> <li>- Exporters</li> </ul>										
<p><b>DATA SOURCES:</b></p> <p>1, 2 World Bank; IMF; Ministry of Industry, Commerce &amp; Artisanry (MICA), Ministry of Agriculture and Livestock (MARA), Port Statistics and Survey Data on key domestic markets</p> <p>3 World Bank, 1990 Country Economic Memorandum and World Bank annual estimates</p> <p>4,5 USAID Market reconnaissance surveys; MAPS and CID surveys</p>											

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
TARGET No. 1.1	INDICATORS:									
Improved policy and regulatory environment for agricultural marketing	<p>1. Implementation of key policies &amp; regulations to enable marketing &amp; investment (scale 1-10, with high score indicating full implementation of reform):</p> <ul style="list-style-type: none"> <li>- Market-determined interest rates</li> <li>- Contract Enforcement</li> <li>- Land Tenure Code</li> <li>- Investment Code</li> <li>- Customs Code</li> </ul>				Baseline, incremental and final performance standards to be developed in FY92 PL480 Title III and AMIP designs					
	2. Decrease in number of collection points for informal taxes on selected road corridors				Baseline, incremental and final performance standards to be developed in FY92 AMIP design and Council for International Development studies					
	3. Decrease in time & cost of obtaining licenses and permits and other formal & informal fees to establish and operate a business				Council for International Development studies					
	DATA SOURCES:	Baselines through FY92 Title III and AMIP designs; annual USAID ratings based on AMIP reports and joint reviews with private sector and GOG								

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL	ACT/PLAN	PLANNED					
			1990	1991	1992	1993	1994	1995	1996	1997
TARGET No. 1.2	INDICATORS:									
Effective financial intermediation and investment services in the agricultural sector	1. Increase in private sector agricultural lending through USAID-assisted intermediaries:	Levels of Achievement to be determined through design of Agricultural Marketing Investment Project during FY 1992 and, for microenterprises, Council for International Development surveys, in early 1992								
	- Microenterprises .Female									
	- Small & Medium Enter. .Female									
2. Increase in equity investments by clients of USAID-assisted intermediaries (GF):										
- Microenterprises .Female										
- Small & Medium Enter. .Female										
- Large Enterprises .Female										
3. Increase in employment by clients of USAID-assisted intermediaries (numbers of jobs created):										
- Microenterprises .Female										
- Small & Medium Enter. .Female										
- Large Enterprises .Female										

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GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL	ACT/PLAN	PLANNED					
			1990	1991	1992	1993	1994	1995	1996	1997
	<p>4. Increase in the number of clients accessing investment and market information from USAID projects</p> <ul style="list-style-type: none"> <li>- Microenterprises .Female</li> <li>- Small &amp; Medium Enter. .Female</li> <li>- Large Enterprises .Female</li> </ul>									
	<p>5. Sustained high repayment rates by clients of USAID-assisted intermediaries</p> <ul style="list-style-type: none"> <li>- Microenterprises .Female</li> <li>- Small &amp; Medium Enter. .Female</li> <li>- Large Enterprises .Female</li> </ul>									
<p>DATA SOURCES: 1,2,3,4,5 Ag Marketing Investment Project; MAPS &amp; CID Surveys for microenterprise activities</p>										

Levels of Achievement to be determined through design of Agricultural Marketing Investment Project during FY 1992 and, for microenterprises, Council for International Development surveys, in early 1992

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
<b>TARGET No. 1.3</b>	<b>INDICATORS:</b>	<p>Baseline, incremental and final levels of achievement to determined through Ministry of Transport and Public Works assistance, AFRICARE and Ministry of Agriculture and Livestock project activities.</p>								
<b>Lowered costs of agricultural marketing</b>	<p>1. Decrease in transportation tariffs per kilometer per ton between key markets:</p> <ul style="list-style-type: none"> <li>- Madina - Dalaba</li> <li>- Sinko - N'zerekore</li> <li>- Timbi Madina - Pita</li> <li>- Mamou - Conakry</li> <li>- Kankan - Conakry</li> </ul>									
	<p>2. Decrease in travel time between key markets</p> <ul style="list-style-type: none"> <li>- Madina - Dalaba</li> <li>- Sinko - N'zerekore</li> <li>- Timbi Madina - Pita</li> <li>- Mamou - Conakry</li> <li>- Kankan - Conakry</li> </ul>									
	<p>3. Increase in volume of products and goods transported (tonnage) between key markets.</p> <ul style="list-style-type: none"> <li>- Madina - Dalaba</li> <li>- Sinko - N'zerekore</li> <li>- Timbi Madina - Pita</li> <li>- Mamou - Conakry</li> <li>- Kankan - Conakry</li> </ul>									
	<b>DATA SOURCES:</b>	1,2,3 Ministry of Transport & Public Works (MTTP), Africare, and MARA - Rural Engineering								

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
STRATEGIC OBJECTIVE No. 2	INDICATORS:									
Increased ability of families to determine household size.	1. Increase in contraceptive commodity sales (In '000 of units sold)	Baseline Data from DHS Survey to be completed in 1992							Levels of Achievement to be determined through Family Planning Project design during FY 1993	
	- Private Sector									
	. Condoms			750.0		1500.0		3000.0		
	. Oral Contraceptives			0.0		30.0		60.0		
	- Public Sector									
	. Condoms			16.0		64.0		128.0		
	. Oral Contraceptives			10.4		41.6		83.2		
	. IUD's			0.3		1.1		2.2		
	. Spermicide			8.0		32.0		64.0		
	2. Increase in contraceptive prevalence rates									
- National	1990 < 2%	Baseline Data from DHS Survey to be completed in 1992					5%			
- Project Areas	1990 < 2%						10%			
3. Increase in couple years of protection (CYP)		Baseline Data from DHS Survey to be completed in 1992								
- Private Sector			7500		17308		34615			
- Public Sector			1600		6400		12800			
DATA SOURCES:										
		Ministry of Public Health and Population/Health Center Information System (MSPP/HCIS) - for Public Health Care Centers.								
		Population Services International (PSI) records - for Private Sector Health Care Outlets								

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL	ACT/PLAN	PLANNED						
			1990	1991	1992	1993	1994	1995	1996	1997	
<b>TARGET No. 2.1</b>	<b>INDICATORS:</b>										
Family planning/population policy formulated and implemented.	1. National Population Policy articulated and Implemented by the Ministry of Plan	NA	1	3	5	7	10	10	10	10	
	Scale of 1 - 10: 5 = articulation; 10 = full implementation										
	2. Legislation passed and enforced giving increased rights to women over their fertility	NA	1	1	3	5	7	10	10	10	
	Scale of 1 - 10: 5 = passed; 10 = full implementation										
	3. Legislation passed and enforced permitting promotion of family planning products and services through the public and private sector	NA	1	1	3	5	7	10	10	10	
	Scale of 1 - 10: 5 = passed; 10 = full implementation										
<b>DATA SOURCES:</b>		PSI Records, MSPP, USAID assessments									

<b>TARGET No. 2.2</b>	<b>INDICATORS:</b>										
Improved family planning information and commodity delivery	1. Increase in the number of family planning information and commodity delivery centers/sites in public Primary Health Care centers (total)	1991 = 0	0	0	16	48	64	64	64		
	2. Increase in the number of private family planning information and commodity delivery sites (total):										
	- Traditional Outlets	1991 = 0	0	0	65	130	200				
	- Non-Traditional Outlets	1991 = 0	0	0	100	200	300				
	- Community-based Outlets	1991 = 0	0	0	-	-	320				
<b>DATA SOURCES:</b>		MSPP/HCIS, PSI Records									

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
TARGET No. 2.3										
Increased demand for contraceptive services	<p>1. Increase in the number of people having specific knowledge of contraceptive methods and uses (percent surveyed)</p> <ul style="list-style-type: none"> <li>- Female</li> <li>- Male</li> </ul>									
<p>DATA SOURCES: Guinea DHS</p>										

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
<b>STRATEGIC OBJECTIVE No. 3</b>	<b>INDICATORS:</b>									
Increased enrollment in primary schools, with emphasis on rural female participation.	1. Increase in primary school enrollment:	1989 =								
	- National	302,809				3%				
	.Girls	93,191				3%				
	- Rural	145,403				3%				
	.Girls	33,455				3%				
	<b>DATA SOURCES:</b>	Ministry of National Education (MEN), Department of Statistics and Planning								
<b>TARGET 3.1</b>	<b>INDICATORS:</b>									
Increased budgetary resources for primary education	1. Increase in share of GOG budget to education:	1989 =								
	- % of recurrent budget	12.9%	16.0% est	Nf.	NA	18.0%	18.0%	18.0%	18.0%	18.0%
	- % investment budget	5.9% est.		NA/12.7%						
	2. Increase in share of education budget to primary education (% of education budget)	1989 = 34%								
	3. Increase in share of primary education budget to non-salary operating expenses (% primary ed)									
	<b>DATA SOURCES:</b>	MEN/DAAF/SAAF, MPCl and World Bank Economic Memorandum, 1990								

Levels of Achievement to be determined through Education Project redesign during FY 1993

GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL 1990	ACT/PLAN 1991	PLANNED					
					1992	1993	1994	1995	1996	1997
TARGET No. 3.2	INDICATORS:									
Improved financial and administrative management of Ministry of Education.	1. Improved reporting system on local primary school expenditures which follows estimated budget line items through to actual expenditures established and satisfactorily implemented in all 36 prefectures	1989 = None			None	Designed	10	25	36	36
	2. Improved national procurement procedures established and implemented (implementation rated 1-10)	1989 = None			None	Designed	2	5	10	10
DATA SOURCES: MEN/DAAF/SAAF										



GOALS/OBJECTIVES/ TARGETS	INDICATORS/ SOURCES	BASELINE	ACTUAL	ACT/PLAN	PLANNED					
			1990	1991	1992	1993	1994	1995	1996	1997
	<p>4. Increase in availability of water during the January - April dry season (number of weeks water is available):</p> <ul style="list-style-type: none"> <li>- Lelouma</li> <li>- Tougue</li> <li>- Dissa</li> </ul>	Baseline studies planned for 1992/93								
	<p>5. Stabilization in household use of wood (scale: decrease, stable, increase)</p> <ul style="list-style-type: none"> <li>- Lelouma</li> <li>- Tougue</li> <li>- Dissa</li> </ul>									
	<p>6. Increase in the number of seedlings planted</p> <ul style="list-style-type: none"> <li>- Lelouma</li> <li>- Tougue</li> <li>- Dissa</li> </ul>									
<p><b>DATA SOURCES:</b> Natural Resources Management (NRM) Project, Rapid Rural Appraisal</p>										

Agence Pour Le Développement International  
Washington, D.C. 20523

ACCORD DE PROGRAMME

Loi Publique 480 Titre III  
Vivres pour le Développement

AID No.675-XXX-000-0240  
Date d'Approbation  
du Programme:  
26 Juin 1991

Vice Président Exécutif  
"Commodity Credit Corporation"  
US Department of Agriculture  
Washington, D.C. 20250

Titre du Programme:  
Vivres pour le  
Développement  
Guinée

ATTENDU que la politique du Gouvernement des Etats-Unis (ci-après dénommé les ETATS-UNIS) est d'accroître la sécurité alimentaire dans les pays éligibles par l'utilisation de produits alimentaires et des revenus en monnaie locale provenant de leur vente, dans le but de combattre la faim dans le monde et la malnutrition ainsi que leurs causes; de promouvoir un développement global, équitable et soutenu, comprenant notamment le développement agricole; d'étendre le commerce international; de développer et d'étendre les marchés pour les produits agricoles des Etats-Unis; et de favoriser et d'encourager le développement de l'entreprise privée ainsi que la participation démocratique dans ces pays; et

ATTENDU que le Gouvernement de la République de Guinée (ci-après dénommé le PAYS BENEFICIAIRE) a un plan à long terme pour un développement global, équitable et soutenu, qu'il a démontré son besoin d'une aide alimentaire et sa capacité à utiliser cette aide efficacement, et qu'il s'est engagé dans des politiques de promotion de la sécurité alimentaire, y compris les politiques dont le but est de réduire sensiblement la faim et la malnutrition;

POUR CES MOTIFS,

L'Agence pour le Développement International (A.I.D.), au nom des Etats-Unis, et le Ministère du Plan et de la Coopération Internationale, au nom du Pays Bénéficiaire (ci-après dénommés les PARTIES), souhaitant exposer les accords qui régiront la fourniture de produit agricole au

Pays Bénéficiaire pour un programme de "Vivres pour le Développement" conformément au Titre III de la Loi de 1954 sur l'Aide et le Développement du Commerce Agricole, telle qu'amendée (ci-après dénommée la LOI), et les mesures que les parties prendront pour favoriser les politiques ci-dessus énoncées, ont décidé ce qui suit :

Article I - Dispositions Financières.

Section 1.1 Don. (a) L'A.I.D. fera don, au Pays Bénéficiaire, du produit agricole suivant, au cours de l'année fiscale U.S. 1991:

<u>Produit</u>	<u>Quantité Approximative</u> <u>(Tonnes Métriques)</u>	<u>Période de</u> <u>livraison</u> <u>(AF U.S)</u>	<u>Valeur</u> <u>Marchande</u> <u>(\$US)</u>
Riz	20,000	AF91	6,400,000

(b) le don du produit au Pays Bénéficiaire est soumis aux termes et conditions du présent Accord, du Plan des Opérations en Annexe A, des Informations et Conditions relatives au Produit et à l'Expédition en Annexe B et des Dispositions Standards en Annexe C, chacune de ces Annexes étant jointe au présent Accord et en faisant partie intégrante. Dans les limites du Programme "Vivres pour le Développement" décrit dans l'Article II du présent Accord, des éléments du Plan des Opérations en Annexe A peuvent être modifiés sur accord écrit des représentants autorisés des Parties, nommés dans la section 4.1, sans amendement formel du présent Accord.

Section 1.2 Paiement des Coûts. (a) A moins qu'il n'en soit stipulé autrement, les Etats-Unis donneront le produit agricole sans frais, prendront en charge les opérations et les frais d'achat, de transformation, de manutention et de transport du produit jusqu'au port d'exportation des Etats-Unis, et prendront en charge les opérations et les frais de transport maritime jusqu'au port d'entrée, ainsi que les frais de toutes les expertises s'y rapportant. Le montant total des frais payés par l'A.I.D. aux termes du présent Accord ne devra pas dépasser \$US 10,000,000.

(b) le Pays Bénéficiaire prendra en charge les opérations et les frais de manutention, de transport et de distribution du produit donné occasionnés après le transfert du titre de propriété au Pays Bénéficiaire.

Section 1.3 Valeur Maximale à l'Exportation. La valeur de la quantité totale du produit donné sous le présent Accord ne devra pas dépasser la valeur maximale à l'exportation du produit spécifiée dans la section 1.1 et dans l'Annexe A. L'A.I.D. peut limiter la valeur du produit à donner en fonction d'une baisse de prix ou de tout autre facteur, de manière à ce que les quantités de ce produit ne dépassent pas substantiellement la quantité approximative applicable spécifiée dans l'Accord.

Section 1.4 Transfert de Titre du Produit donné  
Le Titre de Propriété du Produit donné sera transféré au Pays Bénéficiaire aux moment et lieu où le déchargement du produit des navires sera achevé.

Section 1.5 Périodes de Livraison. La livraison du produit donné aux termes du présent Accord devra se faire au cours de la période de livraison spécifiée dans le tableau de produit de la section 1.1 et de l'Annexe B, à moins que les Parties n'en conviennent autrement par écrit. A cet effet, l'expédition devra nécessairement avoir lieu à la date de chargement indiquée dans le connaissement signé au nom du transporteur.

Section 1.6 Sous Réserve de Disponibilité.  
Les engagements pris par l'A.I.D. dans le présent Accord de donner du riz et d'assumer les frais liés à ce don ne pourront être tenus que sous réserve de la disponibilité, au cours de l'année fiscale concernée, des fonds et du produit.

## Article II - Programme "Vivres pour le Développement"

Section 2.1 Utilisation du Produit donné.  
Conformément au présent Accord et au Plan des Opérations en Annexe A, le produit donné devra être vendu dans le pays par le Pays Bénéficiaire à travers le circuit commercial privé.

Section 2.2 Plan de Développement du Pays. Le produit donné ou les revenus en monnaie locale générés par sa vente devront être intégrés au plan de développement d'ensemble du Pays Bénéficiaire afin d'améliorer la sécurité alimentaire et le développement agricole, réduire la pauvreté, et promouvoir une agriculture diversifiée, équitable et durable, de la manière décrite en Annexe A.

Section 2.3 Procédures de Vente et Droit de Propriété des Revenus en Monnaie Locale. (a) Le Pays Bénéficiaire devra vendre le produit donné, et le prix de vente de ce produit sera établi sur la base des prix du marché, comme décrit dans le présent Accord et dans le Plan des Opérations en Annexe A, ou dans les Lettres d'Exécution de Programme émises par l'A.I.D. conformément à la Section C-1.2 du présent Accord.

(b) Les revenus générés par la vente du produit donné ( ci-après dénommés "revenus en monnaie locale" ) seront la propriété du Pays Bénéficiaire.

Section 2.4 Compte Séparé. (a) A moins que les Parties n'en conviennent autrement par écrit dans une Lettre d'Exécution de Programme, le Pays Bénéficiaire devra déposer les revenus en monnaie locale dans un compte séparé, générateur d'intérêts, comme décrit en Annexe A. Les intérêts perçus sur ces dépôts seront utilisés comme les revenus de vente en monnaie locale pour tous les propos du présent Accord. Le Ministère du Plan et de la Coopération Internationale (MPCI) ou toute autre organisation ultérieure légalement désignée par le Pays Bénéficiaire et expressément agréée par l'A.I.D. par Lettre d'Exécution de Programme, (ci-après dénommé "Directeur du Compte"), sera responsable de la gestion du compte séparé, y compris des opérations de dépôt et de déboursement faites sur le compte .

(b) Le Directeur du Compte devra tenir les livres, registres et toute autre documentation permettant de présenter les dépôts et retraits opérés sur le compte séparé aux fins conjointement approuvées par le Pays Bénéficiaire et l'A.I.D. De plus, le Directeur du Compte devra soumettre à l'A.I.D. un rapport trimestriel concernant les dépôts, les retraits et l'utilisation des revenus en monnaie locale du compte séparé, et il devra ordonner à la banque où le compte est ouvert de fournir des relevés de compte à l'A.I.D. ainsi qu'au Directeur du Compte.

(c) Le Pays Bénéficiaire devra organiser l'audit annuel des livres et des registres du compte séparé, conformément aux normes d'audit généralement acceptées et aux principes de comptabilité prescrits par les lois du Pays Bénéficiaire ou adoptés par les comptables publics ou une association de comptables publics du Pays Bénéficiaire et, si cela est faisable, conformément aussi aux normes d'audit international. L'audit devra être fait par une firme privée, par l'agence centrale d'audit du Pays Bénéficiaire ou par toute autre entité d'audit qui sera choisie par le Pays Bénéficiaire et approuvée par l'A.I.D.

Section 2.5 Utilisation des Revenus en Monnaie Locale. (a) Les Parties considèrent les revenus en monnaie locale comme faisant partie intégrante de la stratégie globale de développement du Pays Bénéficiaire et de l'A.I.D.. Dans la mesure et de la manière stipulées en Annexe A du présent Accord, ou dans les accords sur la gestion des fonds de contrepartie passés entre le Pays Bénéficiaire et l'A.I.D., les revenus en monnaie locale devront être utilisés dans le Pays Bénéficiaire aux fins spécifiques de développement économiques suivantes:

-promotion de réformes politiques spécifiques visant à améliorer la sécurité alimentaire et le développement de l'agriculture dans le Pays Bénéficiaire, et promouvoir un développement global équitable et durable.

-promotion d'un accès accru aux vivres en encourageant des politiques et programmes spécifiques conçus pour accroître l'emploi et les revenus dans le Pays Bénéficiaire;

-promotion des marchés libres et ouverts au moyen de politiques et programmes spécifiques;

-soutien aux organisations volontaires privées et coopératives américaines et encouragement du développement et de l'utilisation d'organisations non-gouvernementales locales;

-développement de l'infrastructure rurale telle que les routes, les systèmes d'irrigation et l'électrification, pour accroître la production agricole.

Section 2.6 Accords sur les Revenus en monnaie locale. (a) Les accords sur les revenus en monnaie locale exécutés par le Pays Bénéficiaire et l'A.I.D. conformément au présent Accord, peuvent servir à identifier les buts, programmes, projets ou activités dans les limites fixées par la section 2.5, pour lesquels le Pays Bénéficiaire et l'A.I.D. ont approuvé le déboursement des revenus en monnaie locale. Chaque accord sur les revenus en monnaie locale devra inclure tous les termes et conditions du présent Accord, indépendamment du fait que ces termes et conditions sont répétés ou sont incorporés par référence à ces accords sur les revenus en monnaie locale, ainsi que tous autres termes et conditions jugés appropriés par l'A.I.D. et le Pays Bénéficiaire. L'approbation de chaque accord sur les revenus en monnaie locale fera l'objet d'une Lettre d'Exécution de Programme.

(b) A moins qu'il n'en soit convenu autrement par écrit par le Pays Bénéficiaire et l'A.I.D., ou comme stipulé dans le présent Accord, chaque accord sur les revenus en monnaie locale et chaque accord Agence Bénéficiaire passé entre le Pays Bénéficiaire et une agence gouvernementale ou autre, défini dans la section C-1.1, devra établir les résultats ou les réalisations spécifiques et tangibles escomptés du programme, du projet ou de l'activité qui bénéficiera des revenus en monnaie locale (ci-dessous dénommés "Evaluation des Résultats"). L'Evaluation des Résultats devra démontrer que le(s) objectif(s) de l'utilisation des revenus en monnaie locale a ou ont été atteints et ils doivent être décrits de façon mesurable et vérifiable.

### Section 2.7 Soutien aux Organisations

Non-Gouvernementales Locales. Excepté comme stipulé dans l'Annexe A ou à moins que les Parties n'en conviennent autrement dans des Lettres d'Exécution de Programme, un minimum de 10% des revenus en monnaie locale du compte séparé devra être utilisé par le Pays Bénéficiaire pour soutenir le développement et l'utilisation d'Organisations Non-Gouvernementales locales et de Coopératives actives dans les domaines du développement rural, de l'éducation agricole, de la production agricole soutenue, de l'assistance diversifiée aux populations pauvres, et des projets de protection de l'environnement dans le Pays Bénéficiaire.

### Article III- Administration du Programme "Vivres pour le Développement".

Section 3.1 Suivi et Audit par le Pays Bénéficiaire. Un auditeur externe recruté par l'A.I.D. (ci-après dénommé "Contrôleur du Programme"), suivra et fera l'audit des programmes, projets ou activités financés avec les revenus en monnaie locale. Dans ce cas, le Pays Bénéficiaire devra fournir un homologue (représentant du Directeur du Compte) qui travaillera en étroite collaboration avec l'auditeur externe afin de renforcer la capacité du Pays Bénéficiaire à suivre l'exécution de futurs programmes du Titre III. Avant tout déboursement de revenus en monnaie locale, le Pays Bénéficiaire fournira à l'A.I.D., dans des forme et substance acceptables, une description écrite de la manière dont les responsabilités seront partagées entre le Directeur du Compte et le Contrôleur du Programme, y compris les types et fréquences des rapports qui seront fournis au Directeur du Compte à propos de l'utilisation des revenus en monnaie locale pour les propos agréés d'un commun accord par le Pays Bénéficiaire et l'A.I.D. et des progrès par rapport aux indicateurs de performance.

Section 3.2 Déboursements pour des Activités Spécifiques. Avant que ne soient utilisés les revenus en monnaie locale pour des activités spécifiques du Gouvernement ou de toute autre agence bénéficiaire, le Contrôleur du Programme ou tout autre auditeur conjointement agréé par les Parties devra, pour le compte du Comité Stratégique, évaluer la capacité de l'agence bénéficiaire à utiliser et à justifier l'utilisation des revenus en monnaie locale. Un rapport écrit de cette évaluation, pour chaque projet ou agence bénéficiaire concerné, devra être remis à l'A.I.D. avant tout déboursement pour ce projet ou agence bénéficiaire. Chaque déboursement devra être approuvé par l'A.I.D. par une Lettre d'Exécution de Programme avant d'être effectué. Par la suite, le Directeur du Compte ou le Contrôleur du Programme devra obtenir et vérifier les rapports concernant l'utilisation des fonds par l'agence bénéficiaire et réaliser, ou prendre les dispositions requises pour réaliser les audits y afférents. La présentation et la fréquence des rapports qui seront obtenus, et la fréquence des audits qui seront dirigés par le Directeur du Compte ou par le Contrôleur du Programme seront décrites dans les Lettres d'Exécution de Programme. L'A.I.D. se réserve le droit d'exiger des audits avant et après tout déboursement.

#### Article IV - Dispositions Finales.

Section 4.1 Représentants. Pour tout propos relevant du présent Accord, le Pays Bénéficiaire sera représenté par la personne ayant les fonctions de ou agissant pour le Ministre du Plan et de la Coopération Internationale (MPCI), et l'A.I.D. sera représentée par la personne ayant les fonctions de ou agissant pour le Directeur de Mission, USAID/Guinée, chacun pouvant, par notification écrite, désigner des représentants supplémentaires à toutes fins autre que le pouvoir de réviser le Plan des Opérations en Annexe A. Les noms des représentants du Pays Bénéficiaire, avec un spécimen de leur signature, seront fournis à l'AID, qui pourra accepter comme dûment autorisé tout acte officiel signé par ces représentants en exécution du présent Accord, jusqu'à réception d'une notification écrite de révocation de leur autorité.

Section 4.2 Langue de l'Accord. Le présent Accord est fait à la fois en Anglais et en Français. Dans le cas d'une ambiguïté ou d'un conflit entre les deux versions, la version en langue anglaise prévaudra.

Section 4.3 Entrée en Vigueur. Le présent Accord entrera en vigueur dès sa signature.

EN FOI DE QUOI, les représentants respectifs des Parties, y étant dûment autorisés, ont signé le présent Accord,

Fait à Conakry , en double, ce 29 Juin 1991.

POUR LE GOUVERNEMENT  
DES ETATS-UNIS

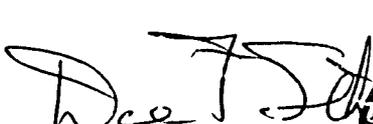
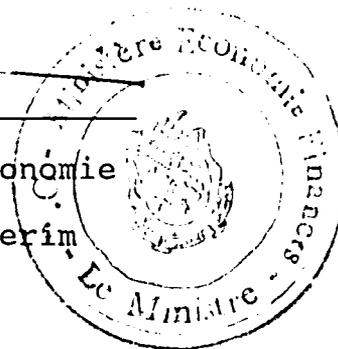
POUR LE GOUVERNEMENT  
DE GUINEE



Allan Reed  
Directeur par intérim  
de la Mission  
USAID/Guinée



Edouard Benjamin  
Ministre de l'Economie  
et des Finances  
Ministre par intérim  
du Plan et de la  
Coopération  
Internationale



Dane F. Smith,  
Ambassadeur



## ANNEXE A

### Programme "Vivres pour le Développement"

#### PLAN DES OPERATIONS

#### ARTICLE I - Stratégie du Programme

##### Section A - 1.1 Conditions de Développement

Depuis le début de la Deuxième République en 1984, le Gouvernement de la République de Guinée (GRG) a mis en oeuvre une série de réformes économiques, sociales et politiques majeures dans le but de libéraliser l'économie guinéenne et d'améliorer le niveau de vie du peuple Guinéen.

En 1985, le GRG a entamé son Programme de Réformes Economiques et Financières (PREF), dont l'objectif dans sa première phase de 1985 à 1988 était d'éliminer les distorsions économiques les plus importantes qui entravaient le fonctionnement et la croissance du secteur privé. Le principe directeur de ce Programme de Réformes a été de réduire de manière drastique le rôle interventionniste de l'Etat et de permettre au secteur privé de devenir le moteur de la croissance du pays.

Ce nouveau rôle du GRG exigeait que l'Etat fournisse le cadre réglementaire dans lequel le secteur privé pouvait fonctionner efficacement et équitablement. Par la suite, une nouvelle législation concernant différentes activités était adoptée en matière de commerce (1985), banque (1985), exploration et exploitation minière (1986), investissements (1987), passation des marchés publics (1988), conditions de travail (1988), et standards de comptabilité (1988). Malgré le fait que l'adoption de cette législation était significative en soi, celle-ci n'a pas connu une large diffusion et sa mise en application a considérablement retardé sur son adoption. En même temps, le difficile processus de réduction des effectifs pléthoriques de la fonction publique avait commencé.

Pour pouvoir relancer la production agricole et promouvoir la sécurité alimentaire, le GRG prit la décision de libéraliser les marchés liés à l'agriculture et d'apporter son appui au développement des

entreprises privées de commercialisation et de transformation de produits agricoles. En particulier, (1) la vente forcée de produits aux agences de l'Etat était abolie, (2) les agences étatiques de commercialisation des produits étaient fermées, (3) les prix fixes à la production et les barrages routiers internes étaient supprimés, et (4) le secteur privé était autorisé à acheter et à exporter les produits agricoles d'exportation.

La deuxième phase du PREF a commencé fin 1988 et se poursuit encore de nos jours. Cette phase comporte un processus beaucoup plus complexe de réformes des institutions et de changement d'attitudes aussi bien au sein de l'administration publique que du secteur privé.

Les résultats obtenus par le PREF ont été encourageants. Le taux de croissance de l'économie a été estimé, en termes réels, à 3,1 pour cent en 1987, 6,0 pour cent en 1988, 4,3 pour cent en 1989 et 4,3 pour cent en 1990. Pour 1991, un taux de croissance de 5,0 pour cent est projeté. Dans le secteur de l'agriculture, une réaction notable de l'offre été enregistrée: les plantations de café ont été réhabilitées et la superficie consacrée à la culture du riz s'est accrue. Les exportations de café sont passées d'un volume négligeable en 1985 à environ 6.500 TM en 1989. Les exportations de palmiste sont passées de 77 TM en 1985 à 3.300 TM en 1988. Les investissements privés ont répondu de manière évidente à cette libéralisation, passant, en pourcentage du PIB, de quasiment zéro en 1985 à 10,3 pour cent fin 1990.

#### Section A-1.2 Les objectifs du Programme

(a) Le Programme Titre III pour l'année fiscale 1991 de l'USAID/Guinée apportera un soutien direct au GRG et au secteur privé guinéen pour combler le déficit de l'offre face à la demande intérieure grâce à un don de 20,000 tonnes métriques de riz et la prise en charge des frais de transport de ce riz jusqu'au port de déchargement. Le Programme générera aussi des revenus en monnaie locale qui seront utilisés comme financement de contrepartie pour des projets d'investissement prioritaires sélectionnés et exécutés dans le cadre d'un nouveau système de gestion des fonds de contrepartie en cours d'élaboration. Pendant la sélection des projets financés sur les revenus en monnaie locale générés par le Titre III pour l'année fiscale 91, priorité sera donnée aux projets ayant une relation directe avec la réalisation des objectifs du programme de l'USAID en Guinée et de tout autre programme, projet ou activité jugé prioritaire par les deux Parties.

(b) Les objectifs du Programme Titre III pour l'année fiscale 1991 sont intégrés à la politique de développement du GRG et à la stratégie du programme de l'USAID en Guinée. Ils visent à réaliser une croissance globale, équitable et durable. Les sous-objectifs du programme sont de contribuer à atteindre une production agricole accrue pour les marchés intérieur et d'exportation, une production et une sécurité alimentaire plus grandes, à donner un rôle plus important au secteur privé, et à encourager une participation accrue des Guinéens à la prise de décision en matière de développement économique et social.

### Section A-1.3 Plan de Développement du Pays.

Sous le Programme Titre III pour l'année fiscale 1991, la totalité du produit donné sera vendue et les revenus générés en monnaie locale seront utilisés à des fins spécifiques de développement économique conformément à la section 306 (A) de la Loi sur l'Alimentation, l'Agriculture, la Conservation et le Commerce de 1990. Le nouveau Système de Gestion des Fonds de Contrepartie, en cours d'élaboration dans le cadre du programme pour l'année fiscale 1991, déterminera les programmes, projets et activités qui seront éligibles au financement sur fonds de contrepartie. (Pour les grandes lignes du nouveau système, voir la section A-1.5 de la présente Annexe). Le système lui-même, dans ses efforts pour intégrer les revenus en monnaie locale générés au cours de l'année fiscale 1991 dans l'ensemble des plans de développement de la Guinée, sera gouverné par les buts généraux de développement suivants:

1. Promotion de réformes de politiques spécifiques pour améliorer la sécurité alimentaire et le développement agricole en Guinée et promouvoir un développement global, équitable et durable;
2. Promotion d'un accès accru aux vivres en encourageant des politiques spécifiques et des programmes conçus en vue d'accroître l'emploi et les revenus des Guinéens;
3. Promotion de marchés libres et ouverts au moyen de politiques et de programmes spécifiques ;
4. Soutien des organisations volontaires privées et coopératives américaines, et encouragement du développement et de l'utilisation d'ONG locales;
5. Développement d'infrastructures rurales telles que les routes, les systèmes d'irrigation et l'électrification pour accroître la production agricole.

#### Section A-1.4 Stratégie de l'A.I.D.

Les objectifs de l'assistance au développement de l'A.I.D. pour la Guinée continuent à mettre principalement l'accent sur la libéralisation et l'expansion des marchés agricoles et sur le développement des entreprises privées de commercialisation et de transformation des produits agricoles. La raison d'être de cette préoccupation provient de la stratégie à long terme de l'A.I.D. dans le pays qui implique la diversification de l'économie guinéenne comme moyen d'obtenir un cadre productif plus fiable, plus durable et plus équitable à la fois pour les marchés intérieur et d'exportation.

Les objectifs du Programme Titre III pour l'année fiscale 1991 sont bien intégrés à cette stratégie à long terme en ce sens que:

(1) dans la mesure du possible, ils utilisent le secteur commercial privé pour l'importation, l'entreposage, la manutention et la distribution du produit donné;

(2) ils apportent une aide alimentaire pour essayer de compléter les importations commerciales, de manière à assurer la satisfaction des besoins présumés et à faire économiser des devises étrangères; et

(3) ils procurent, en monnaie locale, jusqu'à l'équivalent de 10 millions de dollars, qui sera utilisé comme financement de contrepartie pour des investissements classés par ordre de priorité comme suit:

(a) projets bilatéraux USAID/GRG ou secteur privé guinéen;

(b) projets du GRG ou du secteur privé guinéen qui répondent aux critères d'éligibilité du présent Accord;

(c) projets multilatéraux ou bilatéraux avec le GRG ou des entités du secteur privé qui répondent aux critères d'éligibilité du présent Accord.

#### Section A-1.5 Politique du Pays

I. Des négociations entre le GRG et le FMI pour une nouvelle Facilité d'Ajustement Structurel Renforcée (ESAF) sont actuellement en cours. La poursuite du soutien de la Banque Mondiale sous la forme d'un second Prêt à l'Ajustement Structurel (SAL) dépend étroitement des résultats de ces négociations. Tout en ayant chacun leurs

butts politiques spécifiques propres, ces deux accords mettent un accent particulier sur: (1) la gestion du budget; (2) la gestion du taux de change; et (3) le rôle du gouvernement (en particulier, la poursuite de la réforme de l'administration et de la privatisation).

Certaines des mesures politiques spécifiques que le GDG s'efforce actuellement d'appliquer pour atteindre ces butts et qui soutiennent également les objectifs du présent Accord pour l'année fiscale 1991 sont:

(a) Des politiques d'Ajustement Macro-économiques:

(1) maintien d'un taux de change flexible avec de fréquents et minimes ajustements de manière à s'assurer que l'économie guinéenne reste compétitive

(2) maintien de l'accès libre aux devises étrangères pour toutes les transactions internationales courantes

(3) promotion de l'intermédiation financière et de la mobilisation de l'épargne

(4) dérèglementation de tous les taux prêteurs

(5) renforcement du secteur financier par l'amélioration du cadre légal qui régit l'activité de crédit

(6) promotion de l'activité du secteur privé et de l'investissement

(b) Des Réformes de la politique du Secteur Rural:

(1) réduction de la dépendance par rapport aux importations de riz en instaurant une taxe totale à l'importation de 25 pour cent de la valeur f.a.s. sur de telles importations tout en laissant le prix du riz local s'établir librement sur le marché;

(2) promotion du crédit au secteur rural;

(3) renforcement des services de soutien nationaux au secteur rural, y compris les services de recherche et de vulgarisation;

(4) développement de l'infrastructure rurale, des activités de commercialisation et de transformation;

(5) formulation et mise en application de la politique de la pêche et amélioration des accords de licence.

II. Pour pouvoir mesurer l'efficacité de ces politiques et des efforts du GDG pour atteindre les objectifs du Programme Titre III pour l'Année Fiscale 1991, l'A.I.D. a choisi deux indicateurs de performance. Ces deux indicateurs de performance sont:

1) la mise en place d'une Unité autonome de Gestion des Fonds de Contrepartie; et

2) l'établissement, par le GRG, de codes légaux qui permettront aux individus et/ou groupes d'accéder en toute sécurité à la terre et aux autres ressources productives.

Le premier indicateur de performance permet au Programme de soutenir la mise en place d'une Unité autonome de Gestion des Fonds de Contrepartie qui sera responsable de la programmation, du déboursement, du suivi, de l'évaluation et de l'audit de l'ensemble des Fonds de Contrepartie en monnaie locale générés par les programmes d'aide des principaux bailleurs de fonds.

Depuis 1990, des mesures ont été prises par l'A.I.D./Guinée en collaboration étroite avec le GRG et les autres bailleurs de fonds pour, a) mettre en place la nouvelle Unité de Gestion des Fonds de Contrepartie et, b) fournir l'assistance technique et la formation adéquate aux agences bénéficiaires impliquées dans la gestion. Le projet du nouveau système de gestion spécifie les entités suivantes:

Le Comité Stratégique (CS): en tant que centre unique de prise de décision de l'Unité de Gestion des Fonds de Contrepartie, le Comité Stratégique devra comprendre les représentants de l'A.I.D. et des agences d'exécution du GRG ( les Directions Nationales des Investissements Publics (DNIP) et de la Coopération Internationale (DNCI) du Ministère du Plan et de la Coopération Internationale (MPCI), les Directions Nationales du Budget (DNB) et du Trésor (DNT) du Ministère de l'Economie et des Finances (MEF), la Direction Nationale du Commerce (DNC) du Ministère de l'Industrie, du Commerce et de l'Artisanat (MICA) ). Ses fonctions principales consisteront à:

1) aider à définir, en coopération avec le GRG et l'A.I.D. (ou tout autre bailleur de fonds concerné), les termes de futurs Accords de programme PL 480 Titre III quant aux nature, quantité, prix de vente et procédures, ainsi que la date et les conditions de livraison des produits donnés;

2) approuver ou désapprouver les propositions de programmation des revenus en monnaie locale pour les projets sélectionnés par le MPC/ DNIP en collaboration avec le Secrétariat Permanent et revues et approuvées par l'Unité technique - les projets proposés au financement sur les revenus générés en monnaie locale par le Programme Titre III pour l'Année Fiscale 91 devront recevoir l'approbation contresignée du Directeur de Mission de l'USAID/Guinée;

3) approuver les programmes de budget pour les projets sélectionnés;

4) autoriser les engagements budgétaires pour les demandes de financement;

5) revoir les rapports mensuels et trimestriels établis par l'Unité Technique et soumettre les rapports trimestriels et annuels au GDG, à l'A.I.D. et aux autres bailleurs de fonds.

L'Unité Technique (UT). En tant que composante de la structure de Gestion des Fonds de Contrepartie, l'Unité Technique fournira au Comité Stratégique des rapports d'analyse, de suivi, d'évaluation et de contrôle financier concernant les dons de chaque bailleur de fonds.

o En matière d'Administration des Ventes, l'UT devra:

1) déterminer le montant des fonds de contrepartie attendus d'un programme de don;

2) suivre la collecte des Fonds de Contrepartie et leur dépôt au compte spécial;

3) suivre la mise en application correcte des processus et procédures de vente définis dans les accords de don;

4) suivre la livraison et la distribution du produit;

5) tenir la situation exacte des opérations de livraison et de commercialisation du produit;

6) établir et soumettre les rapports demandés par les accords de dons.

- o En matière de Programmation de l'utilisation des fonds de Contrepartie, l'UT devra:

1) vérifier la conformité avec les critères d'éligibilité et analyser en détail les plans à moyen et long terme des projets pré-sélectionnés dans le PIP et hors PIP par le MPC/DNIP et le Secrétariat Permanent;

2) préparer le budget final des projets sélectionnés qui devra être soumis à la revue et l'approbation du CS;

3) préparer les propositions à soumettre à l'approbation du Comité Stratégique conformément aux dispositions du présent Accord. Pour tout projet proposé pour un financement sur les revenus générés en monnaie locale par le Programme Titre III pour l'Année Fiscale 91, l'approbation contresignée du Directeur de Mission de l'USAID/Guinée sera requise.

- o En matière de Comptabilité/Contrôle:

1) tenir à jour l'état comptable (versements, déboursements, soldes) de chaque compte spécial de Fonds de Contrepartie;

2) analyser les demandes de fonds des projets pour le CS;

3) exécuter les engagements budgétaires autorisés par le CS;

4) suivre la mise en application des procédures de recouvrement des impayés;

5) indiquer, chaque fois qu'il en est besoin, le montant de Fonds de Contrepartie disponible au niveau global et au niveau de chaque compte spécial;

6) fournir les rapports financiers requis;

7) contrôler l'utilisation finale des fonds déboursés du compte spécial aux fins des projets - l'USAID/Guinée utilisera aussi son propre système indépendant pour l'audit des déboursements et de l'utilisation finale ainsi que pour suivre les impacts sur le développement social et économique de tous les projets financés sur les revenus en monnaie locale générés par l'Accord Titre III pour l'Année Fiscale 91.

Le Secrétariat Permanent (SP). Situé au MPCII, le SP sera responsable de la centralisation de toutes les informations concernant la génération des fonds de contrepartie (FDC) et servira de lien administratif entre l'USAID, le GRG, les projets financés par des FDC, et les autres bailleurs de fonds.

Le SP devra aussi travailler avec le MPCII pour pré-sélectionner les projets du Programme d'Investissements Publics (PIP) et les projets hors PIP éligibles au financement FDC sur la base des critères établis par l'AID, le GRG et les autres organisations donatrices.

Avec le deuxième indicateur de performance, le Programme attend du GRG la promulgation d'une série de codes légaux qui permettront aux individus et/ou groupes d'accéder en toute sécurité à la terre et aux autres ressources productives. En tant que deuxième indicateur de performance pour le Programme Titre III pour l'Année Fiscale 91, la publication, l'activation et l'application des codes foncier, forestier et environnemental du GRG constitueront des critères spécifiques dont l'A.I.D. se servira pour décider la mise en oeuvre d'un Programme d'aide alimentaire pluri-annuel Titre III de "Vivres pour le Développement".

Le GRG est actuellement en train d'établir un plan d'activation pour ses codes forestier et environnemental récemment publiés. Ces codes encouragent l'utilisation rationnelle et durable des ressources de la Guinée tout en donnant aux communautés rurales le pouvoir de prendre le contrôle de ces ressources. Les dispositions du code foncier en cours de révision finale avant publication, relatives au milieu rural, reconnaissent formellement les systèmes coutumiers de régime foncier qui prévalent quasiment partout en Guinée et qui soutiennent les communautés locales dans la gestion de leurs droits à la terre pour une utilisation durable et productive.

Sous le système actuel de régime foncier nationalisé, l'ambiguïté et l'incertitude de la relation entre les producteurs et leur terre agissent comme un facteur de découragement de l'investissement, de la productivité et du développement. En permettant aux systèmes coutumiers de régime foncier de prévaloir et d'évoluer au même rythme que le développement communautaire, les dispositions du code foncier proposé, relatives au milieu rural, inciteront les producteurs à investir dans des productions à long terme et dans des mesures de protection qui rehausseront la productivité agricole future, la sécurité et la pérennité.

## ARTICLE II - Utilisation du Produit Donné

### Section A-2.1 Affectation du Produit Donné.

En vertu du Programme Titre III pour l'Année Fiscale 91, la totalité du produit donné sera vendue par appel d'offre au secteur commercial privé guinéen. Les revenus en monnaie locale de la vente seront utilisés à des fins de développement économique comme stipulé à la Section A-1.4.

### Section A-2.2 Participation du Secteur Privé

Les commerçants du secteur privé guinéen (ci-après dénommés Agents de vente du produit ou "Receveurs de Produit") seront les principaux participants impliqués dans l'importation, l'entreposage, la manutention, et la distribution du produit livré en vertu du Programme Titre III pour l'Année Fiscale 1991. Les grossistes et les détaillants en riz du secteur privé détiendront le produit à partir de l'adjudication des offres jusqu'à la vente du riz aux consommateurs, comme décrit à la Section A-3.1.

L'expérience de l'USAID/Guinée acquise avec la mise en oeuvre du Programme Titre II Section 206 signé en 1986 a révélé que le secteur privé guinéen avait été tout à fait capable de tenir les rôles qui lui étaient assignés sous ce programme. Etant donné que le développement et la participation accrue du secteur privé dans l'économie est aussi l'un des objectifs de l'A.I.D. pour le Programme Titre III pour l'Année Fiscale 1991, le programme utilisera, dans la plus grande mesure du possible, les canaux commerciaux privés guinéens pour la distribution du produit donné.

## ARTICLE III - Vente du Produit Donné

### Section A-3.1 Procédures de Vente

(a) Le Ministère du Plan et de la Coopération Internationale (MPCI), consignataire de la cargaison, passera les contrats avec les compagnies locales spécialisées pour les opérations de réception, d'entreposage et de manutention à l'intérieur et à l'extérieur du port de Conakry avant que le produit ne soit transféré aux entrepôts des grossistes appropriés. La totalité de la cargaison sera vendue sur appel d'offres aux commerçants privés guinéens qui la revendront exclusivement sur le marché intérieur.

b) Sur base des leçons tirées des ventes sur appel d'offres des Années Fiscales 88 et 89, les responsabilités de la conception et de la surveillance du système de vente, qui dans ces cas avaient été confiées à un seul comité, seront maintenant séparées. Le premier comité sera instauré pour déterminer les procédures de manière à ce que la vente sur appel d'offres atteignent ses objectifs. Le deuxième comité supervisera le processus de vente en copurs d'exécution et fera une évaluation des résultats obtenus. La structure et les responsabilités de ces comités sont définies comme suit:

1) Le Comité de Mise au point du système de vente sera composé des représentants des Ministères du Plan et de la Coopération Internationale (MPCI), de l'Industrie, du Commerce et de l'Artisanat (MICA), et de l'USAID/Guinée. Ses responsabilités consisteront à prendre des décisions de politique avant le démarrage du processus en définissant: (1) le processus général du système de vente; (2) les modalités de paiement à terme et leur calendrier; (3) les moyens de calculer le prix de réserve; et (4) les critères d'éligibilité et les procédures opérationnelles spécifiques telles que la taille des lots. Cependant, une fois que la vente sur appel d'offres est bien structurée pour répondre aux objectifs de la politique à la fois de l'A.I.D. et du GRG, le rôle de ce Comité se limiterait à régler avec précision le système de l'appel d'offres.

2. Le Comité de Supervision sera composé des représentants du MPCI, du MICA, du Ministère de l'Economie et des Finances (MEF), du Ministère du Contrôle Economique et Financier (MCEF), de la Chambre de Commerce de Guinée (CCIAG), et de l'USAID/Guinée. Ce Comité sera chargé de vérifier la conformité des résultats de l'appel d'offres aux procédures établies et aux résultats attendus, spécialement l'accès égal pour tous les commerçants privés et une concurrence manifeste entre tous les membres intéressés de la communauté commerciale privée. Pour éviter que ne se reproduisent les pressions qui se sont faites sentir au cours des ventes antérieures, le GRG devra donner l'assurance qu'une fois établi, le comité de supervision pourra agir de façon autonome. Une représentation excessive de l'un des participants doit être évitée.

Les mesures spécifiques que le Comité de Supervision devra mettre en application sont:

1) accroître la transparence: le Comité de Supervision devra ajourner toute vente sur appel d'offres qui s'arrête à mi-chemin (ex: réponse insuffisante des soumissionnaires ou nombre insuffisant de soumissionnaires répondant aux critères d'éligibilité).

2) minimiser les difficultés administratives et donner aux soumissionnaires un temps suffisant pour pouvoir négocier les termes des garanties à obtenir de leur banque et rassembler les documents demandés. A cet effet, le Comité de Supervision devra annoncer publiquement la date exacte de départ et la date supposée d'arrivée du navire quand celui-ci quitte le port US pour la Guinée. Ceci permettra de procéder à la vente sur appel d'offres bien avant l'arrivée du navire à Conakry.

3) accroître la confiance du public dans le processus de la vente sur appel d'offres. Un processus ouvert de soumission permettra aux soumissionnaires de constater que leurs offres sont traitées comme il se doit. Ceci pourrait entraîner, à l'avenir, la participation d'un plus grand nombre de soumissionnaires

4) augmenter la transparence de la procédure d'adjudication sur appel d'offres. Une liste alternative des adjudications sera établie après le classement des offres et avant toute annonce d'adjudications. Si un soumissionnaire gagnant n'arrive pas à remplir ses obligations, la personne suivante sur la liste alternative, laquelle contient le nom des soumissionnaires éligibles par ordre de classement, recevra l'adjudication.

L'offre minimum en monnaie locale par tonne métrique sera établie à un prix non inférieur à l'équivalent en monnaie locale du prix f.a.s. Le montant des offres en monnaie locale sera calculé au taux de change officiel le plus élevé au moment de la transaction. De manière à limiter les offres irréalistes trop basses, le prix de réserve ne sera pas annoncé avant la mise en oeuvre du processus de l'appel d'offres.

La condition minimum d'éligibilité d'un soumissionnaire sera d'avoir réussi une transaction d'importation de produits alimentaires au cours des trois dernières années. Chaque soumissionnaire doit aussi faire la preuve qu'il dispose d'une capacité d'entreposage adéquate (suffisante pour abriter sa part attendue de la cargaison) et de ressources financières suffisantes pour couvrir les paiements. Aucun soumissionnaire redevable au GRG au titre de précédents programmes ne sera éligible pour participer au Programme Titre III pour l'Année Fiscale 1991 qu'après apurement des sommes dûes.

Les soumissionnaires gagnants qui répondent aux critères d'éligibilité devront déposer 25% de la valeur des produits adjugés dans le compte séparé à la Banque Centrale (BCRG) au moment de l'appel d'offres. Les 75%

restant seront couverts par garantie bancaire et payable 90 jours après la réception du produit.

### Section A-3.2 Compte Séparé

(a) Dans le Protocole d'Entente, signé le 11 Mars 1991 entre le GDG et l'USAID/Guinée, le GRG a accepté de déposer les revenus en monnaie locale générés par le Programme Titre III pour l'Année Fiscale 1991 dans un compte spécial séparé à la Banque Centrale (BCRG). Les fonds ne seront fusionnés avec aucune autre source et le compte devra être géré par le MPCCI.

A moins que les Parties n'en conviennent autrement par écrit dans une Lettre d'Exécution de Programme, le compte sera porteur d'intérêt et tout intérêt perçu sur les dépôts sera traité comme les revenus en monnaie locale générés par la vente.

b) Le Ministère du Plan et de la Coopération Internationale (MPCCI) ou toute organisation ultérieure légalement désignée par le GRG et agréée par écrit par l'A.I.D. dans une Lettre d'Exécution de Programme sera responsable de la gestion du compte, y compris les opérations de versements et de déboursements faites sur le compte.

c) L'A.I.D. exigera que le Directeur du Compte dépose de façon régulière, tous les rapports spécifiés en Annexe C, Article V, Section C-5.2(b) du présent Accord. Tous les rapports requis seront récapitulés dans une Lettre d'Exécution de Programme après la signature du présent Accord.

d) L'auditeur et la date de l'audit annuel du compte séparé seront déterminés par l'Unité de Gestion des Fonds de Contrepartie, avec approbation écrite de l'A.I.D. dans une Lettre d'Exécution de Programme.

## ARTICLE IV Programmation Conjointe des Revenus en Monnaie Locale

### Section A-4.1 Plan détaillé de l'utilisation des revenus en Monnaie Locale

(a) Comme spécifié dans la section A-1.5, Part II du présent Accord, les buts, programmes, projets ou activités qui seront financés sur les revenus en monnaie locale seront déterminés par la nouvelle Unité autonome de

Gestion des Fonds de Contrepartie et mis en oeuvre dans le cadre du présent Accord titre III pour l'Année Fiscale 1991. Quand cette Unité commencera à fonctionner, chaque projet, programme ou activité proposée pour un financement sera évalué et classé en fonction des critères suivants:

- 1) Compatibilité politique
- 2) Capacité de gestion de l'agence d'exécution
- 3) Objectifs de développement
- 4) Plan financier et budget
- 5) Identification des bénéficiaires
- 6) Définition des indicateurs établissant la mesure dans laquelle les objectifs de développement sont atteints
- 7) Explication du suivi et de l'évaluation pour mesurer les indicateurs
- 8) Engagement à autoriser un audit indépendant de tous les dossiers.

b) Tous les déboursements de revenus en monnaie locale devront servir à promouvoir des réformes de politiques spécifiques pour améliorer la sécurité alimentaire et le développement de l'agriculture en Guinée ainsi qu'un développement global, équitable et durable comme décrit de la section A-1.1 à la section A-1.5 du présent Accord.

(c) Un des deux indicateurs de performance pour le Programme Titre III pour l'Année Fiscale 1991 est l'établissement d'une nouvelle Unité de Gestion des Fonds de Contrepartie qui sera responsable de la gestion de tous les revenus en monnaie locale de manière consistente avec les termes du présent Accord. (Une description de cette nouvelle Unité proposée se trouve à la section A-1.5). Le Comité Stratégique de l'Unité de Gestion des Fonds de Contrepartie approuvera ou désapprouvera les propositions de programmation pour les projets sélectionnés par le MPC/DNIP en collaboration avec le Secrétariat Permanent et revu et approuvé par l'Unité Technique. Les projets proposés pour un financement sur fonds de contrepartie générés par le Programme Titre III Année fiscale 91 devront recevoir l'approbation préalable dans une Lettre d'Exécution de Programme signée par le Directeur de Mission de l'USAID/Guinée. Tous les déboursements ultérieurs devront aussi recevoir l'approbation préalable du Directeur de Mission de l'USAID/Guinée. L'Unité de Gestion des Fonds de Contrepartie financera des audits annuels indépendants et assurera le suivi et l'évaluation de la réalisation des objectifs de développement pour chaque projet, programme et activité financé.

## ARTICLE V - Budget du Programme

Un Budget du Programme sera élaboré quand l'Unité de Gestion des Fonds de Contrepartie sera établie. Le Budget du Programme devra être approuvé par une Lettre d'Exécution de Programme signée par le Directeur de Mission de l'USAID/Guinée et le Représentant du GRG.

## ARTICLE VI - ONG locales

### Section A-6.1 Programmes pour les ONG locales

L'USAID/Guinée, dans la mesure du possible, tiendra compte des besoins de programmation des organisations non-gouvernementales et des coopératives locales dans son estimation des affectations des revenus en monnaie locale du Programme Titre III pour l'Année Fiscale 91. Cependant, il faut comprendre que ces organisations en sont encore au premier stade de leur développement en Guinée.

Une administration rationnelle des ressources en monnaie locale exigera de la Mission d'être prudente dans sa volonté de programmation des revenus en monnaie locale pour ces organisations. En même temps, le renforcement de ces organisations sera probablement un élément prioritaire de notre aide future à la Guinée, à travers plusieurs actions financées par le Fonds de Développement pour l'Afrique (DFA). Dans la mesure où leur capacité de gestion serait suffisamment développée dans le futur, il est fort probable que l'A.I.D. augmentera leur participation dans la programmation des ressources de fonds de contrepartie.

## ARTICLE VII - Plan de Suivi et d'Evaluation

Une évaluation complète du Programme Titre III pour l'Année Fiscale 1991 sera faite avant le début des négociations, par les Parties, du programme pluri-annuel 1992-1994. La vente du produit donné sera évaluée en fonction du degré auquel les mécanismes réellement utilisés pour son exécution correspondent à ceux établis dans la conception du système de vente. La transparence et une participation équitable seront les critères les plus importants qui seront évalués.

Les progrès réalisés par le GRG seront évalués par rapport au premier Indicateur de Performance du Programme. L'utilisation des revenus en monnaie locale par la nouvelle Unité de Gestion des Fonds de Contrepartie sera donc évaluée en fonction de l'efficacité et de l'efficacités de ce système. Plus particulièrement, la performance sera analysée par rapport à:

1) une concordance entre les objectifs du Programme Titre III pour l'Année Fiscale 1991 et ceux des activités financées;

2) les résultats atteints par rapport aux résultats prévus;

3) la transparence et la participation équitable dans la sélection des activités à financer; et

4) la capacité de gestion de l'Unité de Gestion des Fonds de Contrepartie et des institutions.

Les progrès réalisés par le GRG seront aussi examinés par rapport au deuxième Indicateur de Performance du Programme. Le degré et la qualité d'avancement dans la mise en application des codes foncier, forestier et environnemental seront évalués.

ANNEXE B

INFORMATIONS ET SPECIFICATIONS RELATIVES

AU PRODUIT ET A L'EXPEDITION

ARTICLE I - Information et Spécifications relatives au  
Produit

Section B-1.1 Consignataire

Le produit donné sera consigné au: Ministère du Plan et de la Coopération Internationale. Conakry, République de Guinée.

Section B-1.2 Type de Produit

- (a) Riz 20.000 TM
- (b) Long Grain, 20% de brisure.

Section B-1.3 Calendrier de livraison

Signature du Programme Titre III Année Fiscale 91	Au plus tard le 30 Juin 1991
Livraison au Navire au Port Américain	Au plus tard le 30 Août 1991
Date exacte de Départ	Au plus tard le 5 Septembre 1991
Date prévue d'arrivée au Port de Conakry	Au plus tard le 30 Septembre 1991

Section B-1.4 Conditions habituelles de Marché

Le Pays Bénéficiaire accepte d'importer un minimum de 44.600 tonnes métriques de riz sur une base commerciale au cours de l'Année Fiscale Américaine 1991.

Section B-1.5 Limitations de l'Exportation. (a) La période limite d'exportation sera l'Année Fiscale Américaine 1991 ou toute portion d'une Année Fiscale Américaine ultérieure au cours de laquelle le produit donné en vertu du présent Accord est importé ou utilisé.

L'importation sera considérée comme ayant eu lieu à partir du moment où le produit sera sous douane, si nécessaire.

L'utilisation sera considérée comme ayant eu lieu quand le produit aura quitté la douane et été distribué aux bénéficiaires éligibles ou vendu dans le Pays Bénéficiaire.

(b) Le riz ne peut pas être exporté pendant la période de limitation de l'exportation.

Section B-1.6 Assurance de Non-Exportation du  
Produit Donné

Le Pays Bénéficiaire accepte de ne pas exporter de riz ou de produit similaire sous un nom différent au cours de l'Année Fiscale Américaine 1991.

ARTICLE II - Information et Spécifications relatives à  
l'Expédition

Comme stipulé dans la Section 1.2 du présent Accord, l'A.I.D. prendra en charge le transport maritime, y compris le frêt, la réservation du transport et de l'affrètement jusqu'au port de déchargement dans le Pays Bénéficiaire.

ANNEXE C

DISPOSITIONS STANDARDS

ARTICLE I - GENERALITES.

Section C-1.1. Définitions.

Pour les propos du présent Accord,

(a) Coopérative désigne une organisation du secteur privé qui appartient à, et est contrôlée par ses membres qui en partagent les services et les profits, et qui fournit à ses membres une assistance en matière commerciale et de vulgarisation dans le domaine du développement corporatif.

(b) Hors taxe signifie exempt de toutes taxes douanières, droits de passage ou taxes gouvernementales à l'importation;

(c) Organisation Locale Non Gouvernementale désigne une organisation qui opère sous les lois du Pays Bénéficiaire, ou dont le lieu principal d'activité se situe dans ce pays, et qui travaille au niveau local pour résoudre des problèmes de développement dans le Pays Bénéficiaire, à l'exception de toute organisation qui est à l'origine un agent ou un exécutant du Pays Bénéficiaire;

(d) Organisation Volontaire Privée désigne une organisation non gouvernementale bénévole qui, dans le cas d'une organisation des Etats-Unis, est exempte des taxes fédérales sur le revenu conformément à la section 501 (c) (3) du Code Fiscal interne de 1986, reçoit des fonds de sources privées, des contributions volontaires en argent, en temps d'encadrement, ou en soutien en nature du public, et qui est engagée ou désire s'engager dans des activités de volontariat, d'oeuvre de charité ou d'aide au développement autres que des activités religieuses.

(e) Bénéficiaires désigne des personnes qui sont éligibles pour recevoir le riz ou les revenus générés en monnaie locale conformément aux termes et conditions du présent Accord. Pour les besoins du présent Accord il y aura deux catégories de bénéficiaires: directs et indirects. Les bénéficiaires directs comprendront le gouvernement (GRG), les commerçants privés (ci-après dénommés "Vendeurs du produit") et les bénéficiaires institutionnels publics et privés qui reçoivent les revenus en monnaie locale. Les bénéficiaires indirects comprendront toute autre personne ou entité bénéficiant du transfert du produit donné sous le présent Accord, à savoir les consommateurs du riz, ainsi que tous les bénéficiaires des programmes, projets ou autres activités financés sur les revenus en monnaie locale.

(f) Agences Bénéficiaires désigne soit (1) des organisations commerciales privées (ci-après dénommées "Receveurs de Produit") qui vendent le produit donné sous le présent Accord, soit (2) des agences gouvernementales ou non gouvernementales ou des institutions (ci-après dénommées "Receveurs de Fonds de Contrepartie") qui exécutent des programmes, projets ou activités financés sur les revenus générés par la vente du produit.

(g) Accord Agences Bénéficiaires signifie accord écrit entre le représentant du Pays Bénéficiaire et soit (1) un Receveur de Produit, auquel cas l'accord est un contrat de vente qui requièrera du Receveur de Produit la fourniture, au représentant du Pays Bénéficiaire, d'un rapport complet sur la distribution finale du produit reçu (comme stipulé dans l'Annexe A); soit (2) un Receveur de Fonds de Contrepartie. Dans ce cas, tout accord de programmation et de déboursement devra être approuvé l'A.I.D. avant transfert des fonds de contrepartie à l'Agence Bénéficiaire pour exécution d'un programme, projet ou activité approuvé. Dans les deux cas, l'Accord Agence Bénéficiaire décrira les utilisations approuvées du produit ou des fonds, établira les indicateurs de performance (seulement pour les Receveurs de Fonds de Contrepartie), spécifiera les conditions de tenue de registres et de rapports, et incorporera par référence ou autrement les termes et conditions majeurs du présent Accord, y compris ceux relatifs à la distribution du produit et à l'exécution des programmes sans discrimination ni coût (excepté pour les contributions volontaires), à l'identification et la publicité, au traitement des produits impropres à la consommation, aux restrictions applicables à l'avortement et à l'utilisation des revenus en monnaie locale pour financer les produits agricoles destinés à l'exportation, ou les évaluations et audits réalisés par le Pays Bénéficiaire et par les représentants de l'A.I.D.;

(h) Sécurité alimentaire signifie accès par tous à tout moment à une alimentation et une nutrition suffisantes pour une vie saine et productive.

### Section C-1.2. Lettres d'Exécution de Programme

Pour aider à la mise en oeuvre du présent Accord, l'A.I.D. émettra de temps en temps des Lettres d'Exécution de Programme qui fourniront des renseignements complémentaires sur les points stipulés dans le présent Accord. Les Parties pourront aussi utiliser des Lettres d'Exécution de Programme conjointement élaborées et agréées pour confirmer et enregistrer leur accord mutuel sur les aspects de l'exécution du présent Accord. Les Lettres d'Exécution de Programme ne seront pas utilisées pour amender le texte de l'Accord, mais pourront être utilisées pour enregistrer les révisions ou exceptions permises par l'Accord, y compris les révisions du Plan des Opérations de l'Annexe A.

### Section C-1.3. Commerce Mondial

Les Parties prendront le maximum de précaution pour s'assurer que le don de produit agricole fait sous le présent Accord ne déplacera pas les Marchés habituels des Etats-Unis pour ce produit et ne perturbera pas indûment le prix mondial de ce produit agricole ni les tendances normales de marché avec les autres pays. Dans la mise en oeuvre de cette section, le Pays Bénéficiaire devra:

(a) assurer que les importations totales du Pays Bénéficiaire en provenance des Etats-Unis et des autres pays, payées avec les ressources du Pays Bénéficiaire, seront au moins égales à la quantité du produit agricole spécifiée dans le Tableau des Marchés Habituels établi dans l'Annexe B, pour la période d'importation spécifiée dans le Tableau.

(b) prendre toutes les mesures possibles pour prévenir la revente, la diversion en transit ou le transbordement vers d'autres pays, ou l'utilisation du produit donné sous le présent Accord pour des fins autres que domestiques, excepté le cas où une telle revente, diversion en transit ou transbordement est spécifiquement approuvé par l'A.I.D.; et

(c) prendre toutes les mesures possibles pour prévenir l'exportation de tout produit d'origine domestique ou étrangère telle que défini dans l'Annexe B du présent Accord, au cours de la période de limitation de l'exportation spécifiée dans le Tableau de Limitation de l'Exportation figurant en Annexe B, exceptés les cas spécifiés dans l'Annexe B ou ceux spécifiquement approuvés par l'A.I.D.

Section C-1.4. Commerce Privé

Autant que possible, les circuits de commerce privé devront être utilisés sous le présent Accord. Le Pays Bénéficiaire devra utiliser le secteur compétitif privé du pays pour l'entreposage, la commercialisation, le transport et la vente du produit donné de la manière décrite en Annexe A.

Section C-1.5. Consultation

Les Parties devront, sur la demande de l'une d'entre elles, se consulter pour tout problème lié au présent Accord, y compris l'exécution des dispositions prises conformément au présent Accord.

Section C-1.6. Entreposage et production domestique

Le produit donné ne sera pas livré sous le présent Accord tant que l'A.I.D. n'aura pas déterminé, sur la base des informations et preuves fournies par le Pays Bénéficiaire, que:

(a) des installations d'entreposage adéquates seront disponibles dans le Pays Bénéficiaire au moment de l'arrivée du produit pour prévenir toute avarie ou perte du produit; et

(b) la vente du produit dans le Pays Bénéficiaire ne résultera pas en une dépression substantielle de la production ou de la commercialisation domestique, ou en une interférence avec celles-ci dans le Pays Bénéficiaire.

ARTICLE II - OBLIGATIONS DU PAYS BENEFICIAIRE.

Section C-2.1. Supervision du Programme

Le Pays Bénéficiaire fournira le personnel adéquat pour l'exécution efficiente du programme, y compris le personnel pour:

(1) planifier, organiser, mettre en oeuvre, contrôler et évaluer les programmes concernant la vente du produit et l'utilisation des revenus générés en monnaie locale,

(2) faire les revues internes, y compris les inspections de magasins, les inventaires physiques, et les contrôles d'utilisation finale du produit ou des revenus en monnaie locale, et

(3) examiner les livres et registres des agences bénéficiaires qui reçoivent le produit ou les revenus en monnaie locale.

Section C-2.2. Distribution

(a) Le Pays Bénéficiaire aura la responsabilité de déterminer que les bénéficiaires et agences bénéficiaires auxquels le produit ou les revenus en monnaie locale seront transférés sont éligibles, conformément aux termes du présent Accord, du Plan des Opérations ou des accords relatifs aux fonds de contrepartie. Le Pays Bénéficiaire devra exiger des agences bénéficiaires de faire la preuve que les bénéficiaires auxquels ils distribuent le produit ou les revenus sont éligibles.

(b) Le Pays Bénéficiaire donnera l'assurance que le produit donné sous le présent Accord sera vendu et que les activités seront exécutées avec les fonds générés en monnaie locale sans distinction d'affiliation politique, de sexe, géographique, ethnique, tribale ou d'identité religieuse du bénéficiaire;

(c) A moins que l'A.I.D. n'en convienne autrement par écrit, aucune force militaire ne devra intervenir dans la vente, la manipulation ou l'allocation du produit donné en vertu du présent Accord.

Section C-2.3. Identification et Publicité

Dans toute la mesure du possible, une publicité adéquate devra être faite dans la presse, à la radio et dans tout autre média pour indiquer que le produit donné a été fourni par le peuple américain ami dans le cadre du programme "Vivres pour la Paix".

Section C-2.4. Marquage et Emballage

(a) Emballé et expédié des Etats-Unis pour être vendu conformément au Plan des Opérations stipulé, le produit sera livré dans des sacs marqués comme suit:

Riz Long Grain  
Poids net: 50 kg  
Brisure: 20%  
Etats-Unis d'Amérique

A Vendre/Revendre

(b) Le produit sera emballé dans des sacs polyéthylène d'un poids net de 50Kg.

### Section C-2.5. Produits empruntés

(a) A partir de la date de la signature du présent Accord par le Pays Bénéficiaire et l'A.I.D., et avant l'arrivée du produit à destination, le Pays Bénéficiaire doit obtenir l'approbation écrite de l'A.I.D. pour l'utilisation du même produit ou d'un produit similaire disponible auprès d'autres sources (ci-après dénommé Produit Emprunté) afin d'atteindre les objectifs du programme conformément aux termes du présent Accord et du Plan des Opérations de l'Annexe A. Le produit emprunté ainsi utilisé devra être remplacé par le produit donné sur la base d'une valeur équivalente au moment et lieu de l'échange ainsi que déterminé par accord mutuel entre le Pays Bénéficiaire et l'A.I.D., ou sur quelque autre base justifiable, et approuvé par écrit par les deux Parties.

(b) Le produit emprunté et emballé doit être identifié de manière appropriée dans la mesure du possible dans la langue officielle du Pays Bénéficiaire comme ayant été fourni par le peuple américain.

(c) Une publicité adéquate devra être faite sur l'échange de produit comme stipulé dans la section C-2.3.

### Section C-2.6. Disposition des Stocks de produit excédentaires

Si du riz est livré en excès et ne peut être utilisé conformément au Plan des Opérations de l'Annexe A, le Pays Bénéficiaire devra promptement aviser l'A.I.D. de la quantité, du lieu d'entreposage et de l'état de ce riz, et, si possible, proposer une alternative pour l'utilisation des stocks en excès. L'A.I.D. déterminera l'utilisation la plus appropriée des stocks en excès, et émettra les instructions pour en disposer.

### Section C-2.7. Transformation, Reconditionnement et Marquage

(a) Le riz donné sous le présent Accord sera livré net et prêt pour la consommation usuelle. Aucune transformation ni reconditionnement par suite d'une telle transformation ne sera nécessaire.

(b) Une quantité additionnelle de sacs vides, approximativement égale à 10% du nombre total de sacs de la cargaison, sera fournie par l'A.I.D. pour le reconditionnement des sacs déchirés avant le transfert de titre au Pays Bénéficiaire.

(c) Après le transfert de titre, Le Pays Bénéficiaire devra par contre prendre lui-même en charge tout reconditionnement jugé nécessaire avant la vente du produit aux commerçants privés.

Section C-2.8. Interruptions de grossesse

Les revenus en monnaie locale générés par la vente du produit ne peuvent pas être utilisés à des fins d'interruption de grossesse comme méthode de planification familiale ou pour motiver ou forcer qui que ce soit à pratiquer l'interruption de grossesse.

Section C-2.9. Limitation de la Production pour l'Exportation

A moins que les Parties n'en conviennent autrement par écrit, les revenus en monnaie locale ne devront pas être utilisés pour financer la production des produits agricoles d'exportation, ou des produits qui pourraient faire la concurrence sur le marché mondial aux produits agricoles similaires, ou aux produits provenant des Etats-Unis, si une telle concurrence devait porter un préjudice substantiel aux producteurs des Etats-Unis, comme déterminé par l'A.I.D.

Section C-2.10. Prix de Vente du Produit Donné

(a) Le riz donné sera vendu par le Pays Bénéficiaire ou par son mandataire aux prix compétitifs du marché intérieur, et le montant global des revenus générés sera déposé dans le compte spécial séparé comme requis sous la Section 3.1 de l'Accord.

(b) A moins que les Parties n'en conviennent autrement par écrit, le montant total des revenus en monnaie locale déposé dans le compte spécial séparé pour les propos du présent Accord ne devra pas être inférieur à l'équivalent en monnaie locale du prix habituellement payé pour l'importation commerciale du même produit ou de produit similaire dans le Pays Bénéficiaire, au taux d'échange légal le plus élevé pouvant être obtenu dans le Pays Bénéficiaire au moment de la vente du riz.

### Section C-2.11 Droits et Taxes

Les biens et services acquis par le Pays Bénéficiaire ou les Receveurs de Fonds de Contrepartie devront être exempts de tous droits et taxes identifiables imposés par les lois en vigueur dans le Pays Bénéficiaire, ou le Pays Bénéficiaire devra déposer dans le compte spécial séparé, à la demande de l'A.I.D., des revenus additionnels dans une proportion égale aux droits et taxes payés sur ces biens et services avec les recettes de vente.

## ARTICLE III ARRANGEMENTS POUR L'ENTREE ET LA MAINTENANCE DANS LE PAYS BENEFICIAIRE

### Section C-3.1 Coûts au Port de Déchargement

(a) A moins que l'A.I.D. ne l'ait approuvé autrement et stipulé dans le contrat de transport maritime applicable, le Pays Bénéficiaire aura la charge de tous les coûts autres que ceux établis par le transporteur soit en accord avec le tarif applicable pour la livraison au port de déchargement, soit en accord avec le contrat d'affrètement ou d'enregistrement applicable. Le Pays Bénéficiaire sera responsable (1) du déurrage, de la détention et du surrestarie et (2) de la distribution finale du produit telle que stipulée dans le Plan des Opérations. Le Pays Bénéficiaire sera aussi responsable du quayage, des taxes, droits et frais portuaires déterminés et collectés par les autorités locales auprès du consignataire, et des frais d'allège s'ils sont établis séparément du coût du frêt.

(b) Le Pays Bénéficiaire donnera à l'A.I.D. l'assurance que toutes les dispositions adéquates pour la réception du riz ont été prises, et assumera la pleine responsabilité de l'entreposage et de l'entretien du produit à partir du moment de la livraison au port d'entrée ou, si cela est autorisé par accord mutuel entre le Pays Bénéficiaire et l'A.I.D., à tout autre point d'entrée désigné. Avant approbation d'une commande de produit, l'A.I.D. devra obtenir du Pays Bénéficiaire assurance que des dispositions conformes aux normes commerciales locales ont été prises pour le transport interne et pour l'entreposage et la manutention. Le Pays Bénéficiaire sera responsable de l'entretien du riz de manière à assurer la distribution aux Receveurs éligibles dans de bonnes conditions.

(c) Le Pays Bénéficiaire autorisera le déchargement du produit nonobstant tout litige ou question concernant la qualité, la quantité ou autres problèmes relatifs au produit lui-même. Tout litige de ce genre devra être résolu selon les procédures définies dans le présent Accord ou dans le contrat de transport ou tout autre contrat y afférent.

### Section C-3.2 Expertises Maritimes

(a) A moins d'une spécification contraire dans le Plan des Opérations, la Commodity Credit Corporation (CCC) prendra les dispositions pour l'assistance d'un vérificateur expert maritime indépendant qui aura charge de surveiller le déchargement de la cargaison. Le vérificateur expert établira un rapport de ses conclusions décrivant la quantité et la condition du produit déchargé, la méthode de déchargement et la conformité ou la non-conformité du déchargement par rapport aux usages du port, si besoin est, la quantité de produit perdue ou avariée et la cause probable de tout dommage noté, ainsi que les moment et lieu où la vérification a été faite. Les avis de réception des Douanes, les rapports de l'autorité du port, les certifications de manquants au déchargement, les notes du navire, les rapports du manutentionnaire, etc., devront être obtenus et fournis avec le rapport du vérificateur.

(b) Les contrats d'expertise maritime seront établis sur la base de l'appel d'offres compétitif. L'USAID ou le poste diplomatique peut demander au CCC de limiter ses investigations à certains experts sélectionnés, et envoyer une liste des experts éligibles au CCC pour examen. Certains experts peuvent être omis sur la liste, par exemple en raison de considérations de relations internationales, de conflits d'intérêt, et/ou par manque d'une capacité prouvée à assumer proprement des responsabilités d'expertise comme stipulé dans les conditions du CCC. Si le CCC se trouve dans l'incapacité de trouver un expert au port de consignation de la cargaison, il peut demander à A.I.D./Washington de contacter l'USAID ou le poste diplomatique pour prendre les dispositions nécessaires.

(c) Le Pays Bénéficiaire accepte de coopérer pleinement avec, et de faciliter le travail des vérificateurs indépendants contractés pour expertiser et faire un rapport sur le déchargement et/ou la livraison du produit. Le Pays Bénéficiaire peut obtenir une copie du (des) rapport(s) d'expertise auprès du responsable local du Programme "Vivres pour la Paix" de l'USAID.

### Section C-3.3. Disposition de Produit impropre à l'usage autorisé

(a) Si le produit est endommagé avant livraison au Pays Bénéficiaire au port de déchargement, l'A.I.D. commettra immédiatement une inspection par un officiel de la Santé Publique ou de toute autre autorité compétente. Si le produit

s'avère impropre à la consommation humaine, le Pays Bénéficiaire devra s'en dessaisir conformément à l'ordre de priorité établi dans le paragraphe (b) de la présente section. Les dépenses afférentes à la manutention et à la disposition du produit avarié devront être payées sur les revenus des ventes. Les revenus nets des ventes devront être déposés et utilisés de la même manière que les revenus en monnaie locale générés par la vente du produit donné sous le présent Accord.

(b) Si après livraison au Pays Bénéficiaire il apparaît que le produit ou une partie quelconque du produit peut être impropre à l'usage autorisé dans l'Accord, le Pays Bénéficiaire devra immédiatement prendre des dispositions pour l'inspection du produit par un officiel de la Santé Publique ou de toute autre autorité compétente approuvée par l'A.I.D.. Si aucune autorité locale compétente n'est disponible, l'A.I.D. peut déterminer si le produit est impropre pour les usages stipulés, et, dans ce cas, peut directement en disposer conformément aux paragraphes (b)(1) et (b)(3) de la présente section. Le Pays Bénéficiaire prendra les dispositions pour le recouvrement de la partie désignée pendant les inspections comme convenable pour usage en vue d'une utilisation autorisée. Si, après inspection, le produit (ou partie du produit) est déterminé comme impropre pour l'usage autorisé, le Pays Bénéficiaire devra notifier à l'A.I.D. les circonstances de la perte ou de l'avarie tel que prescrit dans la section C-4.3. Avec l'accord de l'A.I.D., disposition sera faite du produit déterminé impropre pour l'usage autorisé dans l'ordre de priorité suivant:

(1) vente pour l'usage la plus appropriée, à savoir alimentation du bétail, fertilisant ou usage industriel, au prix le plus élevé possible. Une fois le produit vendu, tous les marquages du Gouvernement U.S. devront être oblitérés, enlevés ou barrés; et

(2) don à une organisation gouvernementale ou charitable pour être utilisé comme alimentation du bétail ou pour tout usage autre que l'alimentation humaine; ou

(3) si le produit est impropre à quelque usage que ce soit ou si son utilisation conformément aux sous-paragraphes (b)(1) ou (2) ci-dessus n'est pas possible, le produit devra être détruit en la présence d'un représentant de l'A.I.D., de manière à éviter son utilisation pour quelque autre propos que ce soit. Les dépenses afférentes à la manutention et à la disposition du produit avarié seront payées par le Pays Bénéficiaire. Les dépenses réelles encourues lors de la vente, y compris les coûts de partie tiers, peuvent être déduites des recettes de vente et les recettes nettes seront traitées comme les revenus en monnaie locale générés par le Programme. Le Pays

Bénéficiaire devra fournir promptement à l'USAID un rapport écrit de toutes les circonstances relatives à la perte ou à l'avarie. Le rapport ou le rapport additionnel inclura une certification par l'officiel de la Santé Publique ou de toute autorité compétente de l'exacte quantité du produit avarié détruite parce qu'elle a été déterminée impropre à quelque usage que ce soit.

#### ARTICLE IV. DOMMAGES OU USAGE IMPROPRE

##### Section C-4.1. Responsabilité du Pays Bénéficiaire

Si le produit ou les revenus en monnaie locale générés par la vente du produit sont utilisés pour des propos non autorisés par le présent Accord, le Plan des Opérations ou autres documents du Programme, ou si le Pays Bénéficiaire distribue de manière impropre le produit, cause la perte ou des dommages au produit ou aux revenus générés en monnaie locale, à travers tout acte ou omission, ou bien ne peut remplir les conditions adéquates pour l'entreposage, l'entretien et la manutention, le Pays Bénéficiaire payera la valeur du produit ou les revenus de vente perdus, endommagés ou improprement utilisés (ou bien peut, avec approbation préalable de l'A.I.D., remplacer ce produit par un produit similaire d'égale valeur), à moins que l'A.I.D. n'ait déterminé qu'une telle distribution ou un tel usage impropre ou que cette perte ou cette avarie, ne pouvait être évité même en cas d'exercice correcte de la responsabilité selon les termes de l'Accord. Le Pays Bénéficiaire sera responsable des actions, omissions ou lacunes de tout employé du gouvernement du Pays Bénéficiaire ou de tout agent ou contracteur mandataire du Pays Bénéficiaire. En déterminant si la perte, l'avarie ou l'usage impropre pouvait être évité dans l'exercice correcte des responsabilités sous l'Accord, compte sera tenu des difficultés inhérentes à la distribution des produits agricoles dans les pays les moins développés. Le paiement par le Pays Bénéficiaire sera fait conformément à la Section C-4.4.

##### Section C.4.2. Réclamations contre Partie Tiers

(a) Si, après le transfert de titre au Pays Bénéficiaire, il se produisait quelque événement que ce soit qui crée des droits contre toute personne autre que celles identifiées dans la Section C.4.1 pour la perte de, le dommage à, ou l'utilisation impropre de tout produit ou pour la perte ou l'utilisation impropre des revenus générés en monnaie locale, le Pays Bénéficiaire devra faire le maximum d'effort pour poursuivre le recouvrement des dommages-intérêts auprès de la partie ou des parties responsables pour la valeur des revenus en monnaie locale, et fournir une copie de la réclamation et des documents y afférents à l'A.I.D.

(Les réclamations contre les Etats-Unis résultant du, ou liées au contrat d'affrètement de l'A.I.D., y compris les réclamations concernant les pertes ou dommages survenus avant le transfert de titre au Pays Bénéficiaire, seront résolues par les Etats-Unis).

(b) Si le Pays Bénéficiaire ne parvient pas à déposer ou à poursuivre de telles réclamations, il sera tenu responsable devant l'A.I.D. pour la valeur du produit ou des revenus en monnaie locale perdus, endommagés, ou improprement utilisés, à moins que les Parties n'en conviennent autrement par écrit: "Etant donné, toutefois, que le Pays Bénéficiaire peut estimer non déposable une réclamation si la perte est inférieure à \$500 et qu'une telle action n'est pas préjudiciable au Programme". Le Pays Bénéficiaire peut retenir un montant de \$150 sur toute somme provenant d'une réclamation individuelle. De plus, le Pays Bénéficiaire peut, avec l'approbation écrite de l'A.I.D., soit retenir des coûts spéciaux tels que les frais légaux vérifiables encourus par lui dans la collecte d'une réclamation, soit payer de tels frais sur les revenus de vente en monnaie locale. Toute proposition de paiement d'un montant inférieur au montant total de la réclamation doit être approuvée par l'A.I.D. avant acceptation. Les sommes recouvrées auprès de parties tiers seront payées par le Pays Bénéficiaire conformément à la section C.4.4. Quand le Pays Bénéficiaire aura épuisé toutes les tentatives possibles de collecte de la réclamation, il devra demander à l'A.I.D. de fournir des instructions.

#### Section C.4.3. Déclarations des pertes et dommages

(a) Le Pays Bénéficiaire notifiera promptement à l'A.I.D., par écrit, les circonstances de toute perte, dommage ou usage impropre du produit, dont la valeur est égale ou supérieure à \$500, survenue dans le Pays Bénéficiaire ou dans tout pays intermédiaire. Le rapport devra être fait aussitôt que le Pays Bénéficiaire aura procédé aux investigations adéquates sur les circonstances, mais la date limite de cette notification ne devra en aucun cas dépasser quatre vingt dix (90) jours à partir de la date où la perte est connue du Pays Bénéficiaire. Le rapport devra inclure les informations relatives au détenteur du produit et situer la responsabilité de la perte, des dommages ou de l'usage impropre; la nature et la qualité du produit; le type d'emballage; les moment et lieu de l'usage impropre de la perte ou du dommage; la localisation actuelle du produit; et le numéro de l'Accord, les numéros du CCC s'ils sont connus, ou, s'ils ne le sont pas, tous autres numéros d'identification imprimés sur les emballages; l'action prise par le Pays Bénéficiaire au regard du recouvrement ou du décaissement; et la valeur estimative du produit. Si aucune de ces informations n'est disponible, le Pays Bénéficiaire devra en expliquer les raisons. Des informations similaires devront également être fournies en ce qui concerne toute perte ou usage impropre des revenus générés en monnaie locale.

(b) Le Pays Bénéficiaire fournira à l'A.I.D. des rapports trimestriels sur toute perte, dommage ou usage impropre du produit évalué à moins de \$500, étant entendu que le Pays Bénéficiaire informera l'A.I.D. sur ses raisons de croire qu'il y a une tendance continue dans la perte, l'endommagement ou l'usage impropre de ce type de produit, et soumettre un rapport sur la base décrite dans la sous-section (a) de la présente section, en même temps que toute autre information disponible. L'A.I.D. peut exiger des informations complémentaires sur toute perte, dommage, ou usage impropre de produit s'il croit qu'une telle information est nécessaire au maintien de l'intégrité du programme.

(c) Si la perte ou l'usage impropre du produit ou des revenus en monnaie locale est intervenu dans des circonstances qui laissent à croire au Pays Bénéficiaire que c'est le résultat d'un acte criminel, le Pays Bénéficiaire notifiera promptement ces circonstances à l'A.I.D. qui informera l'Inspecteur Général.

#### Section C.4.4. Recettes de réclamations liées à la manutention

A moins que les Parties n'en conviennent autrement par écrit en ce qui concerne les pertes, avarie ou usage impropre de produit, les montants payés par le Pays Bénéficiaire ou par des parties tiers dans le pays de distribution seront déposés auprès du "U.S. Disbursing Officer", Ambassade Américaine, de préférence en dollars U.S. avec instruction de créditer le dépôt au compte No. 12X4336 du CCC, ou en monnaie locale au taux de change officiel applicable aux importations en dollar au moment du dépôt, avec instruction de créditer le dépôt au compte ventes No. 20 FT401 du Trésor Américain. La somme recouvrée en monnaie locale sera traitée comme les revenus générés en monnaie locale destinés aux usages définis dans le présent Accord.

### ARTICLE V - RESPONSABILITES EN MATIERE DE REGISTRES, RAPPORTS ET AUDITS

#### Section C.5.1. Tenue de registres

Le Pays Bénéficiaire devra tenir les registres et les documents d'une manière qui reflètera avec précision toutes les transactions relatives à la réception, l'entreposage, la distribution, la vente, l'inspection et l'utilisation du produit, ainsi qu'à la collecte et aux déboursements de tous revenus en monnaie locale et à l'exécution du programme. Ces registres seront conservés pendant une période de trois (3) ans à compter de la date de clôture de l'année fiscale U.S. à laquelle ils appartiennent, ou pendant une période plus longue

si l'A.I.D. le requiert pour des raisons telles que le cas de litige à propos d'une réclamation ou d'un audit concernant ces registres. Le Pays Bénéficiaire devra transférer à l'A.I.D. tout registre, ou copies de registres requis par elle.

#### Section C.5.2. Rapports

(a) Le Pays Bénéficiaire devra soumettre à l'A.I.D. les rapports suivants sur le produit:

(1) Un rapport semestriel concernant la logistique produit qui couvre la réception et l'utilisation du produit donné par l'A.I.D. sous le présent Accord. Le premier rapport devra être soumis le 15 novembre 1991 et couvrira la période jusqu'au 30 Septembre 1991. Les rapports suivants couvriront chaque semestre ultérieur jusqu'à ce que la totalité du produit fourni sous le présent Accord soit vendu. Ces rapports devront contenir les informations suivantes:

(A) Réception(s) du produit agricole y compris le nom du (ou des) navire(s), du port de déchargement, la date d'achèvement du déchargement, l'état du produit à l'arrivée, toute perte ou avarie significative en cours de transit et tout avis de réclamation pour perte ou avarie en transit ou pour réduction de coûts de fret due à la perte ou à l'avarie en transit;

(B) Quantités de produit distribuées, avec indication de chaque commerçant bénéficiaire et de la quantité de produit reçue par chacun d'eux;

(C) Quantités de produit vendues et le montant brut des revenus en monnaie locale générés par la vente;

(D) Inventaire matière estimatif à la fin de la période du rapport;

(E) Quantités de produit vendues et en magasin à la fin de la période du rapport;

(F) Situation des réclamations pour pertes de produit aussi bien résolues que non résolues pendant la période du rapport;

(G) Quantités de produit avariées ou déclarées impropres pendant la période du rapport; et

(H) Description des mesures prises pour mettre en oeuvre les dispositions prises en matière de publicité dans la Section C.2.3. du présent Accord.

(2) Un rapport couvrant la période de livraison indiquée en Annexe B qui contient:

(A) Les données statistiques d'importation par pays d'origine pour satisfaire aux conditions de Marchés Habituels spécifiées en Annexe B Section B.1.4.;

(B) Une indication des mesures prises pour mettre en oeuvre les conditions de la Section C.1.3. relatives à la revente et à l'exportation du produit donné; et

(C) Les données statistiques sur les exportations par pays de destination de produit identique ou similaire à celui donné sous le présent Accord comme indiqué dans l'Annexe B Section B.1.5.

(b) Le Pays Bénéficiaire devra soumettre à l'A.I.D. des rapports trimestriels sur les revenus en monnaie locale générés par la vente du produit donné sous le présent Accord. Le premier rapport sera soumis dans un délai de 45 jours après la clôture du premier trimestre au cours duquel les revenus en monnaie locale sont générés. Les rapports suivants devront être soumis dans un délai de 45 jours après chaque trimestre ultérieur jusqu'à ce que les revenus en monnaie locale soient utilisés pour les buts, programmes, projets ou activités approuvés sous le présent Accord, les accords de gestion des revenus en monnaie locale, et les accords avec les agences bénéficiaires. Le rapport devra contenir les informations suivantes sur chaque période trimestrielle et devra être établi en monnaie locale et en équivalent U.S. Dollar:

(1) Le montant total des revenus en monnaie locale générés par la vente du produit;

(2) Le montant des revenus déposés dans le compte spécial séparé;

(3) Le solde total des dépôts au compte spécial séparé;

(4) Le montant des revenus générés pour le Programme "Vivres pour le Développement" mais non déposés au compte spécial séparé; et

(5) Le montant des fonds déboursés pour le Programme "Vivres pour le Développement", avec indication du montant transféré à chaque bénéficiaire et le but, programme, projet ou activité financé par ces déboursements.

(C) L'A.I.D. enverra une lettre d'Exécution du Programme au Pays Bénéficiaire, décrivant les justificatifs qui devront être approuvés par l'A.I.D. afin de soutenir les informations contenues dans les rapports soumis par le Pays Bénéficiaire et les justificatifs qui devront être conservés par le Pays Bénéficiaire pour référence future.

(D) A moins que les Parties n'en conviennent autrement par écrit, le Pays Bénéficiaire réalisera ou prendra les dispositions pour réaliser une revue interne annuelle qui démontre l'exécution effective du Programme "Vivres pour le Développement" pour lequel le produit et les revenus générés en monnaie locale sont fournis sous le présent Accord, les accords de gestion des revenus en monnaie locale et les accords avec les agences bénéficiaires, ainsi que l'efficience des systèmes de gestion et des procédures conçus et mis en oeuvre par le Pays Bénéficiaire pour satisfaire les termes et conditions du présent Accord. La revue interne devra être conduite par une firme privée ou une agence du Pays Bénéficiaire agréée par l'A.I.D. Une copie de la revue interne sera fournie à l'A.I.D. le 31 décembre 1992, soit quatre vingt dix (90) jours après la clôture de l'année fiscale U.S.

#### Section C.5.3. Audit

(a) Le Pays Bénéficiaire fournira coopération et assistance aux représentants de l'A.I.D. pour leur permettre, à tout moment raisonnable:

- d'examiner les activités, registres et documents justificatifs du Pays Bénéficiaire, des Agences Bénéficiaires, ou autres, liés à la réception, l'entreposage, la distribution, le reconditionnement, la vente et l'utilisation du produit;
- d'inspecter le produit en magasin ou les installations utilisées pour la manutention ou l'entreposage;
- d'inspecter et d'auditer les registres et livres du Pays Bénéficiaire et des Agences Bénéficiaires, y compris les livres et registres financiers et les rapports relatifs à l'entreposage, au transport, à la vente et à l'utilisation du produit, au dépôt et/ou à l'utilisation de tous revenus générés par la vente;
- d'analyser l'efficience globale du programme au regard des objectifs définis dans l'Accord, le Plan des Opérations et les accords de gestion des revenus en monnaie locale; et

- d'examiner ou de faire l'audit des procédures et méthodes utilisées pour satisfaire les conditions du présent Accord.

(b) Si l'A.I.D. constate qu'un déboursement de fonds en monnaie locale a été fait pour un programme, projet, activité ou autre propos non éligible pour recevoir un déboursement en vertu du présent Accord, les accords de gestion des revenus en monnaie locale ou les accords avec les agences bénéficiaires, notification en sera faite par l'A.I.D. au Pays Bénéficiaire et les Parties, sur la demande de l'une d'entre elle, se consulteront sur une telle inéligibilité. Si la notification d'inéligibilité n'est pas annulée par l'A.I.D. dans un délai de 90 jours, le Pays Bénéficiaire devra promptement restituer au compte séparé un montant équivalent en monnaie locale, sur la demande de l'A.I.D., pour un usage en accord avec les termes du présent Accord.

#### ARTICLE VI - SUSPENSION OU ARRÊT DU PROGRAMME; DIVERSION DE PRODUIT

##### Section C.6.1. Suspension ou Arrêt

Tout ou partie de l'assistance fournie sous le programme, y compris les produits en transit, peut être arrêté ou suspendu par l'A.I.D. à sa discrétion si le Pays Bénéficiaire ne satisfait pas les dispositions prévues dans l'Accord, ou s'il est établi par l'A.I.D. que la continuation d'une telle assistance n'est plus ni nécessaire ni désirable. Dans ces cas, le titre de propriété du produit qui a été transféré au Pays Bénéficiaire ou les revenus générés en monnaie locale qui n'ont pas été déboursés pour le programme "Vivres pour le Développement" seront, à la demande écrite de l'A.I.D., transférés à l'A.I.D. par le Pays Bénéficiaire. Toute quantité excédentaire de produit encore détenue par le Pays Bénéficiaire au moment de l'arrêt du programme devra être disposée selon les instructions de l'A.I.D. S'il est déterminé que le produit dont la fourniture est autorisée par l'Accord n'est plus disponible pour les programmes "Vivres pour le Développement", une telle autorisation prendra fin pour tout produit qui, à la date de cette détermination n'aura pas été livré à un transporteur maritime.

##### Section C.6.2. Diversion de Produit

Nonobstant le transfert de titre, l'A.I.D. se réserve le droit de requérir la diversion d'une cargaison dans le meilleur intérêt du programme tant que le déchargement n'est pas achevé. L'A.I.D. paiera les coûts d'une telle diversion, et la notifiera au Pays Bénéficiaire aussitôt que possible. A moins qu'une

décision ne soit prise pour arrêter (ou suspendre) le programme, les cargaisons diverties seront remplacées dans une limite de temps raisonnable. Le Pays Bénéficiaire accepte d'assister le gouvernement des Etats-Unis dans toute opération de diversion, y compris, mais non limité à la réexpédition des connaissements qu'il détient.

### Section C.6.3. Expiration

Si des circonstances autres que celles décrites dans la Section C.6.1. conduisent à l'expiration du programme approuvé, le Pays Bénéficiaire devra déposer auprès de l'U.S. Disbursing Officer, Ambassade Américaine, avec instruction de créditer le dépôt au compte No. 20FT401 du CCC, tout revenu en monnaie locale restant, ou le Pays Bénéficiaire devra obtenir l'approbation de l'A.I.D. pour l'utilisation de ces revenus, ou de biens immobiliers ou mobiliers procurés par ces revenus, pour des usages conformes à ceux éligibles au soutien de l'A.I.D.