

USAID/GUINEA BISSAU
ANNUAL REPORT FY 2002

March 2002

Please Note:

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Released on or after July 1, 2002

Annex E: Non-presence Countries – Guinea-Bissau

After free and fair elections in Guinea-Bissau in December 1999 and January 2000, the U.S. Secretary of State lifted sanctions that had been imposed, per Section 508 of the Foreign Assistance Act, due to the overthrow of an elected government in 1998. The civil war which followed the overthrow almost completely destroyed the progress that Guinea-Bissau had made since independence, leaving the country with an economy in ruins and a democracy more fragile than ever. The only thing that seems to hold the country together is the general knowledge that only stability and an open business environment will allow them to develop their modest, but significant natural resources.

The U.S. Government has been as responsive as possible under difficult budgetary and management constraints. The only remaining funds from a once significant and successful USAID program were in the Trade and Investment Promotion Support (TIPS) project. Given the go-ahead by Washington, USAID visited Guinea-Bissau in August 2000 to renew contact with the Government of Guinea-Bissau (GOGB) and determine if a small micro-finance program could be started under the auspices of TIPS. With the GOGB's enthusiastic support, an amendment for the TIPS Project Agreement was drafted to extend the project until September 30, 2002, and signed in September 2000. The Agreement was further amended to extend the project to September 30, 2003. An RFA was prepared inviting U.S. PVOs to propose a micro-enterprise activity using the approximately \$1.6 million remaining in the TIPS project. Applications were reviewed, and AMEX International and Enterprise Works Worldwide, Inc. (EWW) were selected. A Cooperative Agreement was signed with AMEX to build the capacity of micro-enterprise and micro-finance development, and another cooperative agreement was signed with EWW to promote local processing and marketing of cashews. These programs will allow USAID to have a small, but symbolically significant presence in Guinea-Bissau and keep the management burden to a minimum by using one or more U.S. PVOs experienced in working in non-presence countries.

After the U.S. Ambassador to Senegal visited Bissau in December 2000, several other programs are being developed. In FY 2001, the Embassy requested and obtained \$250,000 of ESF resources under the Countries-in-Transition program to support the National Assembly and the Rule of Law through technical assistance, training and supplies. This program is being managed by USAID through a Public International Organization Grant to the UNDP. The Embassy is requesting the following ESF resources in FY 2002:

- (1) \$25,000 to hold a series of national seminars for the explanation and discussion of the new investment code, and the publication of these proceedings prior to submission of the draft law to the National Assembly;
- (2) \$200,000 to support a loan guarantee program that would complement USAID's existing microfinance program that is hampered by the lack of liquidity in the banking sector and would provide access to desperately-needed capital for entrepreneurs who have already been receiving USAID-funded technical assistance in cashew processing; and
- (3) \$300,000 to support Guinea-Bissau's demobilization program.

Demobilization is a prerequisite to moving the country forward on a development path, it is the government's reported number one priority, and is supported by other donors, particularly the World Bank. The Embassy also plans on requesting \$20,000 in Self-Help funds.

The WARP's conflict resolution special objective team has been contacted concerning the possibility of working in Guinea Bissau and possibly The Gambia to complement the work USAID/Senegal is doing in the Casamance region of Senegal which borders these two countries. They have agreed that the Casamance conflict affects the neighboring countries and vice-versa and are exploring the possibilities of designing a program for Guinea-Bissau in FY 2002.

In general, the U.S. Mission in Senegal is making every effort to respond to the desperate needs of Guinea-Bissau, with whatever resources are available and manageable and these modest

efforts may bring other donors back. USAID is convinced that many people inside and outside government are dedicated to this purpose and are cautiously hopeful that with a minimum of assistance they can succeed.