



Citizen-Centered Approaches  
to State and Market



# Guinea Bissau: Translating Potential into Reality

February 2010

**Institute for State Effectiveness**

600 New Hampshire Ave NW  
Suite 900  
Washington DC 20037

+1 (202) 298-5959  
[info@effectivestates.org](mailto:info@effectivestates.org)

© 2014

# Guinea Bissau: Translating Potential into Reality

## February 2010



### I. Introduction

---

Guinea Bissau is a country with immense, but largely unfulfilled potential. A variety of political and economic factors both within and outside the country are now combining in a way that is producing an open moment of sorts- a point at which deeply divergent futures are possible for Guinea Bissau. The country may have the opportunity to begin to move beyond the political instability of the past and capitalize on progress made in terms of process, governance and management. This would, in turn, allow it to put in place the goals, strategies and tools that could harness its significant assets- human and natural- to generate prosperity and stability in the long-term. Equally, however, the confluence of a number of destabilizing trends- ranging from the continued militarization of politics, a deepening of poverty and the increasing exposure to narco-trafficking- if not addressed quickly and effectively, could push Guinea Bissau into a period of prolonged insecurity.

To ensure the probability of the first rather than the second outcome, a new approach is necessary which emphasizes state, market and civil-society building as central aims, based on a coherent understanding of what is feasible in the Bissau Guinean context; a mapping of capabilities; agreement on key priorities; and a movement away from aid dependency. Preliminary analysis indicates that in the short-term, priorities might include structural changes to the energy sector to improve power supplies; the creation of a strategy committee within the Ministry of Planning to coordinate actions; a focus on the rule of law as a critical driver of governance; and rapid job-creation through sustainable employment generation. In the medium-term, opportunities include the development of regional power through the Gambia River Basin Development Organization (OMGV) project; a focus on accountabilities and revenue; the development of a Bissau renewal program; and implementation of a national rural development program. Over the longer-term, it is critical that Guinea Bissau moves to fulfill its potential through development of the private sector, building and deploying sectoral-knowledge, and generating the human capacity that the country needs in order to compete in a globalized, 21<sup>st</sup> century world.

The government of Guinea Bissau faces the difficult task of forging consensus on the way forward for the country, prioritizing among a plethora of urgent needs, and demonstrating tangible change to the population while also carrying out longer-term institutional reforms. At its core, this is going to require a concerted shift away from narrow political and personal objectives on the behalf of the country's leaders, and a movement towards a broader view of government as the agent of the people. To help this process along, donor support could be aligned behind a vision and process that is formulated, owned and managed by the citizens, stakeholders and leader of Guinea Bissau. Reliance on traditional aid thinking and aid mechanisms has not catalyzed any kind of positive transition in Guinea Bissau. The upcoming period provides an excellent opportunity to adapt approaches in a way that could jump-start fundamental change. The past is still very much present in Guinea Bissau today, but it is time that the people of the country are supported in moving beyond previous realities and in crafting new possibilities for a better future.

### II. Background

---

In February 2010, ISE conducted a desk review and a preliminary visit to Guinea Bissau at the invitation of key stakeholders in the country, to conduct an initial process of inquiry, asset mapping and institutional and organizational analysis. Through discussion with individuals across the government, civil society, donor, and private sector communities, these processes allowed for an understanding of the issues with which the country is dealing; a broad evaluation of developmental progress in the country from a state-

building perspective; approaches and mental models that might be relevant to the context; and ideas as to how thinking, processes and developmental outcomes could be improved moving forwards, with potential entry points for change. This follow-up report is by no means a holistic analysis of all state- and market-building issues in the country, but rather a short summary of key findings and initial ideas on areas for further thought and investigation. It is based on the assumption that the reader is familiar with the recent history of Guinea Bissau and the current political context.

### III. Significant Progress

While the problems that Guinea Bissau faces are significant, it is important not to lose sight of the progress the country has made over the past decade. Focusing on where functionality exists provides an understanding of context through which areas for the expansion of progress can begin to be identified, rather than a mindset through which the degree and scope of the issues facing the country appear overwhelming. Recently, Guinea Bissau has shown progress in terms of:

- i) *Adherence to constitutional principles.* With the support of the international community, the 2008 legislative elections were a success, and were described as an example for West Africa.<sup>1</sup> Following the elections, the bulk of the administrative structure of government remained in place, which provided necessary institutional continuity. Subsequently, despite the murder of the Chief of Defense Staff and the President in March 2009, the constitutional process for the transfer of power and subsequent organization of a national ballot was also respected. Significant consultations were carried out with parliamentary and other political parties and civil society as to the way forward, and ultimately the interim president stepped down and the 2009 presidential elections were a relative success. Given the clearly difficult political environment in Guinea Bissau, this adherence to rules and processes is not insignificant. Equally, while many political actors remain much the same as before the March 2009 killings, there is some hope that the present will prove a more fertile time for the creation of more productive political relationships.
- ii) *Governance.* Guinea Bissau has a set of organizations with specific functions and mandates in place. Presently there may be an emerging trend that certain functions are being managed as part of a reassertion of the authority of the state rather than as the exercise of the personal or political preference by those in charge. That is to say that there are the tentative beginnings of a technical space of governance in Guinea Bissau. For example, movement has been made towards a Single Treasury Account for government revenues; extra-budgetary payments have been reduced and regularized; and procurement practices are improving slowly. In 2009, the government implemented an action plan for public financial management to push through further reforms, particularly as they relate to budget preparation and execution, and put in place a new investment code. Importantly, the Minister of Finance has also worked hard to ensure that payroll arrears have been cleared and that government is moving towards paying employees on time and in full. A recent IMF mission was ‘encouraged by progress in preparing public financial management reforms, and by the determination of the government to start moving the reform strategies...into concrete plans of action’.<sup>2</sup>
- iii) *Accountability to international partners and debtors.* The government has also begun to indicate commitment to change, if only gradual, through implementation of the IMF’s Emergency Post Conflict Assistance (EPCA). The country seems to be making progress towards the Highly Indebted Poor Countries (HIPC) completion point by the end of 2010, and the normalization of relations that this will bring with the international community. Should this be the case going

<sup>1</sup> International Crisis Group *Africa Briefing No.57, 29<sup>th</sup> January 2009 Guinea Bissau: Building a Real Stability Pact*, p.2

<sup>2</sup> *IMF Mission Reaches Preliminary Agreement on ECF Arrangement for Guinea Bissau*. Press Release No. 10/18, January 28<sup>th</sup>, 2010.

forwards, the international community may have the opportunity to partner with the government on a program to gradually help rebuild the authority of the state by focusing on core state functions.<sup>3</sup> While this opportunity could easily disappear with the departure of a small number of individuals from their positions, it is nonetheless worth noting and exploring its possible implications. Guinea Bissau's private debt is also significant, and requires attention. It is not unfeasible to suggest that the government could create a debt-fund, co-managed with international support, to restructure and organize the payment of private debt to free up additional resources for strategic priorities.<sup>4</sup>

- iv) *Understanding and vision.* In 1997, before the civil war, the *Djitu Ten 2025* prospective study brought together civil society, the government, the private sector, the religious community, artists and intellectuals, and the army to develop a long-term vision for Guinea Bissau predicated on the idea of a country based on good governance, accountable decision-making, equitable growth and the rule of law. This process was pathbreaking at the time, and comprehensive in terms of the issues covered. It provides a significant basis for further thought on what the aspirations of the people of Guinea Bissau are, what they would like their country to become, and the way in which the consensus based approaches that are part of society can be used to support larger aims.<sup>5</sup> The document indicated the impressive capacity of Bissau Guineans to understand the options open to them, and the potential scenarios that could come about based on current realities at the time.<sup>6</sup> It also demonstrates a sophisticated understanding of strategies and options to move from planning to implementation. The point here is that the country has the ability to draw on a vision that could generate forward momentum; create cross-cutting ties between and among citizens, communities, the private sector and policy makers; and provide a medium through which to connect discussions within formal and informal authority structures and processes.

#### IV. Mapping Assets

The achievements outlined above are small but significant, and as a result of this progress, Guinea Bissau now has a nascent but important base from which to support state-building and future economic, political and social development. A process to map assets more broadly is also critical in order to understand the resources, capabilities and networks that exist and which can be leveraged through a coherent approach to development and governance in the country. A preliminary mapping exercise demonstrates the following key assets:

- i) *Citizenship.* Guinea Bissau has for centuries been a crossroads for West Africa, with the intermingling of ethnicities, peoples and cultures. This has created a rich tapestry of diverse groups, and a tolerant, cosmopolitan mixed-race society, which despite periods of conflict has existed largely in peace. This sense of nation was bolstered by the distinct pride that relates to the anti-colonial fight against the Portuguese, a feeling that still very much affects the Bissau Guinean sense of self today. Moreover, elements of citizenship exist at the village level- communities are active in collective management of resources and are engaging constructively

<sup>3</sup> In economic terms, Guinea Bissau is working from a low base, but the global recession has not affected the country to an excessive degree given its weak links to international markets- the price of cashew nuts, the chief export commodity, has declined, but at an aggregate level recent increases in production have covered the price differential. Economic growth has also been spurred by construction activity and lower inflation as a result of lower food and fuel prices.

<sup>4</sup> Indeed, the government began to set up a fund of this sort in the late 1990s with the help of the Swedish government.

<sup>5</sup> See Republic of Guinea Bissau, *Guinea-Bissau 2025, Djitu Ten: National Long-term Prospective Studies* (National Institute for Studies and Research 1997). The subsequent "Estados Gerais" and "Voz di Paz" processes have also complimented this vision with important efforts to create dialogue and support reconciliation processes.

<sup>6</sup> Indeed, the "Koba Di Djanfa" scenario in which political instability, bad governance, insufficient resources and unfavorable external trends dominate policymaking has to a large degree been proven correct.

with the market, whether in the form of labor, remittances, or goods. This is largely because government provision of services has been so poor, but nonetheless, there is a sense of social capital that has developed informally in the country, which could now be channeled into more formal structures as part of a citizenship agenda. Civil society groups are also becoming more active and vocal on issues of governance and accountability, and this could now be used to forge a collective identity and common purpose, to give the average person in the country a stake in the system rather than outside it.

- ii) *Human capacity.* Guinea Bissau may lack literacy and technical skills among much of its population, and cannot draw on a significant pool of low-cost labor, but to interpret this as a lack of human capital may be short-sighted. The people of Guinea Bissau have an impressive capacity to bootstrap in response to difficulties, find solutions to problems with minimal resources, and are imbued with a striking “can-do” spirit. The country has at least the basis for a Portuguese speaking population which could prove catalytic as it relates to the growth of Brazil as a global power in the coming years. Capacity exists among Bissau Guineans, but perhaps just not in the areas in which it is most needed. The key to mobilization of these skills is to identify where they exist, both inside and outside the country (the diaspora), and develop a networked approach that links individuals and groups in a way that can leverage capabilities in support of collective change.
- iii) *Natural resources.* Guinea Bissau has significant and well known natural resources. The country has significant eco-tourism possibilities along the 400km of coastline, among the Bijagós archipelago and in the country’s world class nature reserves.<sup>7</sup> In terms of agriculture, it has huge potential as a hub for organic food ranging from cashews and rice, to mangos and cherry tomatoes, and as a result of the unique marine conditions, the seafood caught off the coast is some of the best in the world. It is estimated by the Banque de France that Guinea-Bissau’s waters have the potential for an annual fish catch of over 300,000 tons a year. The waterways of the country themselves provide a huge opportunity in terms of transport- over 85% of the Bissau Guinean population lives within 20km of navigable waterways.<sup>8</sup> Mineral wealth in the country also ranges from oil (with the possibility of 30-60,000 barrels per day), to bauxite, to phosphates. Moreover, the country’s forests are estimated to be capable of producing 100,000 tons of timber a year without disturbing the ecological balance.<sup>9</sup>
- iv) *Committed donor community.* Despite years of political instability and economic difficulties in Guinea Bissau, the donor community should be commended for remaining engaged in the country<sup>10</sup>. Often with few resources, the donor community has worked to prevent state collapse and fill critical financing and capacity holes. Budget support has been provided through the Emergency Economic Management Fund (EEMF) for recurrent expenditures and programming has targeted critical sectors. Moving forward, Guinea Bissau seems to have the benefit of significant international goodwill, if not attention (although this is changing with the rise of the narcotics smuggling problem). The creation of the new UN Integrated Peace-Building UN Office (UNIOGBIS) provides the opportunity for improved coordination of action within the UN system. A significant base of analysis is now underway by donors, including the World Bank and

---

<sup>7</sup> See World Bank, *Guinea-Bissau, Cashew and Beyond: Diversification Through Trade* (June 2009). Despite the inability to enforce environmental standards at present, there is an important awareness of environmental issues in the country- the International Union for the Conservation of Nature (IUCN), for example, has more members than any other state in Africa. Discussion with Nelson Gomes Dias, Chef de Mission, UICN en Guinée Bissau, February 2010.

<sup>8</sup> Water transportation remains hugely under-developed, however, and infrastructural planning is based on roads as the key mode of transport.

<sup>9</sup> Economist Intelligence Unit, *Guinea Bissau Country Profile, 2008*, p.26

<sup>10</sup> Annual flows of foreign aid have averaged around 20% of GDP over the past decade

IMF, and there are actors within the donor community that are also beginning to think about alternative approaches in terms of how Guinea Bissau can break out of the recurrent trap of poverty and instability in which it finds itself. This is a welcome development, and it is critical that any new programmatic modalities are based on a coherent vision, and carefully targeted and coordinated to ensure maximum impact (see **Donor Engagement** below).

## V. **New Approaches**

All of this is not to suggest that very real and difficult challenges do not remain, of course. Years of mismanagement, poor governance, economic decline and the militarization of politics have led to entrenched poverty and a dependence mentality in Guinea Bissau. Politics has become privatized to the extent that many ministerial portfolios are treated merely as tools through which the greatest personal gain can be generated in the shortest possible timeframe, before a change in government shifts responsibilities. Narco-interests are now encroaching upon the state and population in a hugely detrimental manner, pulling apart the fabric of the state, undermining the rule of law and generating further perverse economic and political incentives. A perpetuation and deepening of a combination of these factors could quite easily drive the country back towards conflict.

A new approach, as the tone of this paper suggests, however, might be to recognize these problems, but not to develop solutions through thinking and tools that have already been used unsuccessfully in the past. For example, while based to some degree on the *Djitu Ten 2025* process, the Poverty Reduction Strategy Paper (PRSP) does not cohere around the idea of state effectiveness; it views governance as a driver rather than priority; it is unclear on the links between sectors and the larger foci; and lacks a short-medium- and long-term framework for results.<sup>11</sup> Moreover, the weakness of monitoring capacity within the government was not taken into account, and as a result, progress has been difficult to measure.<sup>12</sup> It is by nature a poverty reduction, not a state-building strategy. Equally, donor strategies have, for understandable reasons perhaps, often been short-termist and overly cautious. A longer-term state-building framework within which to couch the PRSP requires a careful understanding of the historical arrangements and functions of governance, comparative mappings of functional pathways, and the development of effective mechanisms for fiscal flows and transfers.<sup>13</sup> It also requires an emphasis on market-building, to ensure that unemployed and under-employed youth are provided with legitimate economic opportunities and a sense of upward social mobility. An approach of this type should target Guinea Bissau's significant latent assets, capitalize on investment interest when it arises, and seek to work backwards from market access to identify and remove the blockages in terms of knowledge and capacity that currently prevent integration into these markets. (See **Potential Ways Forward** below for more specific ideas).

## VI. **Generating Understanding**

Progress is possible in Guinea Bissau when ideas are linked to action and country conditions are matched to possibilities through design rather than planning. Overcoming constraints and shifting thought patterns away from zero to positive sum is possible, but it will take imagination, vision and leadership. Key decision-makers must understand that short-termism is destabilizing and will undermine not only what they perceive as their own goals, but also the prospect of a stable and prosperous Guinea Bissau more

<sup>11</sup> IMF, *Guinea-Bissau: Poverty Reduction Strategy Paper* (September 2007).

<sup>12</sup> World Bank, *Interim Strategy Note for the Republic of Guinea Bissau for the Period FY09-FY10* (May 2009), p.9

<sup>13</sup> It is encouraging to hear, through discussions with key staff, that the World Bank is considering a new High Impact Program in Guinea Bissau in an attempt to move away from previous engagement modalities. Given the significant political weight and leverage that the Bank holds over the government and other donors, it is important that this program is structured appropriately and coordinated effectively. It is hoped that this note might provide some preliminary ideas in this regard.

broadly. They must also seek to move beyond the closed inter-elite social networks and relationships in order to convey and share information more openly to build trust as part of efforts to ensure effective governance. The challenge is to avoid spoiler-type behavior and allow for all stakeholders to develop common interests and collectively share in successes. Thus, in practical terms, movement away from traditional thinking and towards innovative, targeted solutions to Guinea Bissau's problems may come about through the creation of:

- i) *Space for dialogue*, through the facilitation of interactive fora for the political elite and other groups, to ensure that concerns and interests are heard and mechanisms for bridging differences created. These meetings could take the form of issue-centered workshops for leaders and policymakers facilitated by neutral interlocutors with comparative understanding. The idea is to ensure that issues are understood from the bottom-up and summarized in official forums in a way that allows for consensus.
- ii) *Comparative understanding*, through the formulation of a set of options regarding how issues have been resolved in other countries and how they might be resolved in Guinea Bissau (such as natural resource management in Norway; tourism in Costa Rica; spatial strategy development in Ireland). This comparative analysis will allow Guinea Bissau's external partners to provide constructive input on key concerns such as sectoral development and security sector reform. Outputs could take the form of succinct notes outlining the concrete range of options for progress as the basis for dialogue between actors.
- iii) *Agreement on priorities*, such as energy and infrastructure (particularly the port in Bissau) by offering a range of options to translate general agreement into more concrete policy and program level agreements. This requires the use of language that is accessible and readable and documents that present a variety of potential options succinctly rather than through verbose off-the-shelf recommendations. It also requires a solid understanding of options before decisions are made or contract signed. The complete lack of preparation or understanding of the implications of a potential port project in Buba is a case in point.<sup>14</sup>
- iv) *Consensus on progress*, through reassessment of the possibility of each of the four scenarios outlined in the *Djiutu Ten 2025* document, establishment of consensus on the drivers of each potential outcome, and coordination of signaling to relevant stakeholders on the desirability of stability. This requires the creation of a mechanism (including national and international actors) to meet regularly, and which would analyze the political situation in terms of emerging patterns and potential outcomes. This would, in turn, avoid personality driven reporting and ensure coordination between analysis and action.
- v) *A mapping of capabilities*. As yet, there is not a good understanding of what the possible capabilities of potential groups, associations and private sector organizations are in terms of delivery.<sup>15</sup> Were the strengths and weaknesses clearly understood in the public, private, community, non-governmental and diaspora communities, programs could be more easily developed or adapted. Again, clear notes targeted to specific audiences that provide the basis for discussion would be a welcome first step, focusing on the policies, public investments and strategies that could facilitate investment and regional and national economic integration.

---

<sup>14</sup> A deep-water port at Buba could hold significant potential for transforming the region into a hub for trade in West Africa, linking beyond Guinea Bissau to markets in Guinea-Conakry and Mali. However, the current prospecting for the port by Bauxite Angola seems to be based only on vague notions of bauxite extraction (most of which would be in Guinea Conakry) and little understanding of the larger infrastructure that would need to be in place to truly make the port a transformative and environmentally sound investment. To save face on all sides at this point, the Government of Guinea Bissau could agree to a broad study to investigate how other potential funders could be brought into the project, allowing both sides to reconsider the prospects for the port.

<sup>15</sup> Indeed, even physical assets have not yet been mapped properly- it seems that a comprehensive national geological survey has not yet been carried out.

- vi) *Movement away from aid dependency.* The ultimate aim of the Bissau Guinean state must be an exit from international aid, rather than a dependence on this aid. The government should place a clear emphasis on human capacity-generation and a shift of developmental activities to operation within a more sustainable, revenue based, government-led framework. Meanwhile, the donors and NGOs could focus on the handover of responsibilities to the government in a progressive fashion against measurable timelines and benchmarks.<sup>16</sup>

One way to begin to bring some of these ideas together in the short-term would be through the creation of an independent, non-partisan and non-profit research institute in Bissau that could act as a catalyst for national dialogue, capacity building, objective analysis and coherent policy development. An organization of this type could begin to understand and channel citizen perspectives into policymaking; act as a linkage between the public, private and civil society sectors in the country and the region; deliver key messages on central issues to policy and decision-makers in the national and international communities; and begin to initiate programs to generate skills among the population. While this idea is not new in itself, it has now gathered momentum through efforts of various actors within civil society and an institute of this type is in the process of development.

## **VII. Potential Ways Forward**

As outlined above, it is the people of Guinea Bissau that need to reach agreement on priorities, and precisely what it is that they want their country to become. A preliminary reading of the documentation and in-country meetings with key stakeholders indicate that the following short, medium and longer-term considerations might be useful to explore further with the support of the country's partners, after which the necessary tools and mechanisms can be put in place to ensure implementation. These ideas will need to be validated through more comprehensive research in-country and more extensive consultation with relevant parties:

### *Short-term Priorities*

Credibility in the government will only come about through a movement to action- which requires careful sequencing and prioritization of change and a focus on two (or three maximum) decisions and areas for reform over the next two years that could genuinely lead to positive outcomes. The following areas/ideas might be considered as possible short-term priorities:

- i) *Energy.* Guinea-Bissau's electrification rate is only 12%, with the country currently operating with only about 5 Mw of generation capacity despite the fact that significant potential exists within the region for the generation of renewable power (see *Regional power* below). As a result, there seems to be a national consensus- among the political elite, the business classes and the people- on the critical importance of the energy sector. This makes energy unusual in Guinea Bissau and win-win solutions are quite achievable if an appropriate approach is adopted.<sup>17</sup> A starting point might be a complete, independent review of the energy sector, including structure, tariffs, regulation, and capacity, followed by the development of ideas on the potential restructuring of the Electricidade e Agua da Guiné-Bissau (EAGB) to allow for private sector

<sup>16</sup> NGOs will of course have to carry out a number of state functions and delivery services in Guinea Bissau until the government builds the capacity and systems to do so itself. The point is that this cannot be an open ended arrangement.

<sup>17</sup> Solar energy seems to have significant potential. A UN study has indicated that as little as \$300,000 could provide street lighting in key areas of Bissau to reduce security issues at night by up to 67%. Discussion with Joseph Mutaboba, Special Representative of Secretary General of the United Nations in Guinea Bissau, Bissau, February 2010.

participation.<sup>18</sup> There may be some interest from the private sector in this process, and this will need to be capitalized upon by the government and donors.

- ii) *Strategy Committee.* In order to ensure progress, the government of Guinea Bissau has to move from constant improvisation towards choreography through strategic planning. At present in Guinea Bissau there is a distinct lack of capacity or will that would allow a set of goals agreed politically to be turned into bureaucratic mandates and delivered upon operationally. Nor is there any ability to communicate reforms effectively to the population to build a sense of momentum and forward progress. The development of a strategy committee within the Ministry of Planning could begin to monitor opportunities, develop plans, provide decision-options, cost programs and coordinate government interventions. This body could also be linked to a project design facility within the government, as discussed further below. The committee could be convened informally as soon as possible, to begin work even before the formal rules are in place, with a view to developing an immediate strategy and plan for the upcoming donor roundtable on Guinea Bissau.<sup>19</sup>
- iii) *Support to the Rule of Law.* While human security in Bissau is actually quite good, stability is declining- that is to say that larger structural rule of law and security issues in the country are becoming more problematic. Reform of the security forces and the demilitarization of politics are a critical part of this, of course, as is the reform of the army and police, the provision of assistance to fight drugs smuggling, immigration and customs reform, and targeted capacity building within the Ministry of the Interior. More broadly, however, if a coherent rule of law agenda is going to put into effect, there needs to be a renewed focus on the significance of rule making, rule interpretation and rule enforcement through support for the courts and other mechanisms of dispute settlement. Without trust in the law it will be extremely difficult to bring the government, private sector and the non-governmental sectors within a framework of rules that can govern interactions and behavior. While consolidation of the rule of law will take considerable time and effort, special courts and other accountability mechanisms, such as ombudsmen and citizen's committees, could be created in the short-term, based on local structures, to investigate complaints about the security sector and offer citizens credible proof that the purpose of these institutions is the public good.
- iv) *Employment Generation.* The creation of sustainable employment for the population of young, unemployed or underemployed people in Guinea Bissau is a critical economic and security issue, exacerbated by plans to downsize the country's military forces. A number of youth are now becoming involved in drug-running or substance or alcohol abuse and could provide fertile ground for recruitment by illegal gangs if conditions in the country deteriorate any further. One idea might be the creation of an urban labor corps, through which thousands of young men would be recruited on a voluntary basis into groups and paid by the government on a weekly cycle to provide municipal services, building repairs, trash collection and infrastructural regeneration. This program could also be linked to certification schemes for the kind of skills these young men would develop naturally through the corps- in carpentry, masonry, and brick-laying, for example- to allow for transitions to the private sector and ensure longer-term sustainability. The

---

<sup>18</sup> In terms of billing, collective payment systems might be a model that could be employed in Bissau. These systems, which bill communities rather than individuals, use social pressure as a tool to ensure compliance, and have worked well for utility providers in Brazil and the Philippines, among other countries.

<sup>19</sup> This roundtable will be absolutely critical if the government is to seize the open moment for reform in the country and leverage donor engagement to the fullest extent possible. A continual complaint heard from donors in Bissau is that the government is unable to approach them with concrete proposals for change, which in turn makes it difficult for aid to be justified as demand driven.

development of courses on a wide scale to provide these skills would also underpin implementation capacity.<sup>20</sup>

### *Medium-term Opportunities*

Analysis of the medium-term opportunities in Guinea Bissau allows a movement away from focus on the day-to-day issues that affect daily life and towards a broader conception of what Guinea Bissau can become if its assets and resources are leveraged appropriately. Thinking in this regard could include attention to

- i) *Regional Power.* Beyond domestic reform of the energy sector, regional power provides a critical economic and political opportunity for Guinea Bissau in the medium term. The Gambia River Basin Development Organization (OMGV) has developed planning for an energy project through a fully structured PPP, from which the member countries (Guinea Bissau, the Gambia, Guinea-Conakry and Senegal) can reap the extensive economic and environmental benefits of a low cost, reliable and renewable energy source. The project includes the construction of two hydroelectric generators with total energy output of 1350 GWh/y and high tension power lines (225kV) extending along 1700km in the OMVG zone, to be connected with existing transmission lines in the region under the West African Power Pool (WAPP) initiative. The energy output constitutes 13% of the projected 2014 demand in the sub-region, of which Guinea Bissau will receive 8%, (satisfying 42% of the country's energy needs or 7 times its current level of energy consumption). An estimated 8,000 jobs will be created directly by the Energy Project and many others indirectly from the associated infrastructural developments.<sup>21</sup> All preliminary work, including feasibility and environmental impact studies, has been completed and donors have committed over 60% of the financing. Though the political will is in place to support the project, the final stages of preparation will require coordinated effort among OMVG member's regulatory bodies in order to generate interest among potential private sector partners to secure the remainder of the financing and begin construction of the project.<sup>22</sup> There are few opportunities for transformative turnkey projects of this sort in Guinea Bissau that have all of the necessary arrangements in place to allow for implementation, and as such it is important that support is provided for the OMGV Secretariat in a way that will allow its staff to push this project in a more concrete and assertive manner with the relevant political stakeholders in Guinea-Conakry, Senegal and the Gambia.
- ii) *Accountabilities and revenue.* A systems approach towards Guinea Bissau's public finances would reduce leakages and improve efficiencies. This could include a coherent focus on payroll, procurement, treasury, auditing, project and program preparation, oversight and accountability as interlinked processes rather than separate domains. The 2008 PEFA and 2009 PEMFAR documents provide a good and comprehensive basis for reform within the context, and must be supported through the development a medium to long-term revenue mobilization framework to arrive at clear priorities for economic growth and diversification. The budget should become the key instrument of policy-making, and the trade-offs between different ways of balancing revenue

---

<sup>20</sup> Agreement could also be reached with the small construction industry in Bissau to create small public works programs on which they can bid and use the labor developed through the labor corps. Comparative experience indicates that implementation is the critical issue- the government could develop this program either through the Ministry of civil service, labor and state modernization or the municipality of Bissau, appoint a manager, and pilot it on a small scale to prove effectiveness. Financing could be provided by a combination of government and donor funds.

<sup>21</sup> See OMVG *Projet Energie de l'OMGV: Conference des Investisseurs Privés du 13 Octobre, 2009, Mémorandum d'Information* and OMGV *Projet de Gestion Integree des Ressources en Eau dans le Bassin Versant du Fleuve Kayanga-Geba, Rapport d'Evaluation*, (December 2008)

<sup>22</sup> The amount of energy the OMGV can provide will be affected by seasonal variations in rainfall, but the added electricity it would provide would be hugely significant for Guinea Bissau. The project will also provide significant opportunities in terms of regional irrigation plans for agricultural production.

and expenditure can then be brought coherently within such a framework.<sup>23</sup> Attention to those sectors that could generate the revenue to enable the state to perform its key functions is an essential starting point- fishing licensing currently provides the largest non-tax revenue for the government and this process can feasibly be tightened and reformed to improve efficiency.<sup>24</sup> More broadly, the government needs to build upon the systematic analysis of revenue sources already carried out, and develop a map of revenue potential in each district across the country. This will help to provide an understanding of exactly where returns could be improved, and take advantage of existing opportunities to increase revenues.<sup>25</sup> Tightening rules for exemptions from import duties at the port, for example, would be a quick win.<sup>26</sup>

- iii) *Bissau renewal program.* The population of Bissau has grown significantly in recent years, with the development of sprawling slums on the outskirts of the city. Despite this fact, the government and donors have paid very little attention to housing or property rights issues both as central concerns in terms of human dignity, but also as they relate to wealth generation. An urban renewal program in Bissau could be based on the idea of addressing property rights and development in these slums through transferring decision-rights to the neighborhood level and filling the critical housing shortage in the capital. Alignment between property rights and housing stock could be generated through public-private partnerships that build homes based on a spatial planning model which creates synergies with surrounding provinces and other municipal hubs.<sup>27</sup> This type of program could underpin the development of a land register, would begin to relieve the chronic living conditions in Bissau, and would develop clear property rights as the foundation for a market economy.<sup>28</sup> A concomitant program could focus on reform of the port in Bissau as the critical constraint to economic development in the capital city.<sup>29</sup> Beyond donor support, world class knowledge on port management could be drawn upon and contracted into Bissau if a strategic arrangement could be put in place. PSA Singapore has been contracted to rehabilitate and manage the port of Gwadar in Pakistan for example, indicating the ability of these types of organizations to work in difficult contexts where feasible.
- iv) *National rural development program.* A framework for a national community level program would be incredibly valuable in Guinea Bissau as a means by which to provide an avenue for active participation of the citizenry across ethnic and geographic areas, and to develop the

<sup>23</sup> The link with SSR is critical here- spending on military wages represented more than half the wage bill in 2009. It is hoped that Captain Induta may be open to more comprehensive reform of the armed forces than his predecessor.

<sup>24</sup> The recent government crackdown on illegal fishing is a welcome development and may indicate determination for change in this area. The key to effective licensing is highly contextualized rule-sets with simple but robust regulations. In Afghanistan post 2001, for example, a very difficult context, a clear licensing framework for telecoms was put in place to boost government revenues. When this program began in 2002, there were only 100 mobile phones in the country. But by the end of 2009 total fixed and mobile phone subscribers increased by 3.3 million, to a total of 9.5 million, and total mobile phone subscribers passed the 10 million mark. Annual growth in the mobile market in 2008 was 66%, and total mobile penetration in March 2009 had reached 36%. The telecoms sector is now the highest revenue generating sector for the government.

<sup>25</sup> Government revenue is only about \$40 per annum, per capita. Donor support represents upwards of 36% of the government budget. Last year, the Nigerian government conducted a process of revenue mapping in Lagos, an example which could be drawn upon by the Government of Guinea Bissau.

<sup>26</sup> Potential natural resource revenues are a much larger issue of course.

<sup>27</sup> The examples of Singapore and Spain are worth examination in this regard, given the conscious decision made in those countries to develop public-private partnerships in construction to build housing, generate jobs, develop management and implementation skills and build government legitimacy. The Patrimonio Hoy program run by CEMEX in Mexico is also of interest as it might relate to Bissau:

<http://worldbenefit.case.edu/innovation/bankInnovationView.cfm?idArchive=359>

<sup>28</sup> See de Soto, H. *The Mystery of Capital* for further understanding of how property rights underpin economic development and wealth generation.

<sup>29</sup> At current rates, the silting in the port will render it inaccessible to most freight traffic soon, cutting Bissau off from international maritime trade.

immense social capital that has evolved as a result of years of self-preservation and the lack of state provision of services. As the *Djitu Ten 2025* summary points out: “Guineans aspire to a decentralized, ethical, transparent, merit-based administration that is adapted to the needs of its citizens”.<sup>30</sup> Moreover, a program of this sort would improve expenditure on rural infrastructure, electrification, health and education and allow donors to provide funding for development, even when the national political picture is unclear or unstable. The parameters of such a program would have to be carefully thought through to ensure a set of rules within which existing projects (such as those funded by the World Bank) could operate and through which coordination on a national level with government ministries and systems could take place. Nor would such a program need to replace existing local decision-making systems, but rather, could be designed in a way that allowed for mutual benefit to both traditional governance mechanisms and more participatory development. The Kecamatan Development Program (KDP) in Indonesia and the National Solidarity Program (NSP) in Afghanistan provide examples of the types of national programming at the community level that could potentially be adapted to the Bissau Guinean context.<sup>31</sup>

### *Longer-term Necessities*

A shift needs to take place by which Guinea Bissau begins to move away from linear thinking in response to specific problems, and towards an understanding of the complex interactions between the systems, rules, dynamics and actors that exist within the country and the region. This type of approach in the longer-term will generate an understanding of how networks and linkages between functions and actions can be mutually reinforcing. The aim should not be maximization, but optimization of resources and opportunities through:

- i) *Development of the private sector.* It is still incredibly difficult to operate in the private sector in Guinea Bissau given the plethora of obstacles to effective business start-up and operation, and the lack of or non-enforcement of rules. The country now ranks 181 out of 183 countries on the World Bank’s Doing Business Indicators.<sup>32</sup> The role of the private sector in the country has to be the subject of joint public-private discussions on sectors, parameters, capacities and infrastructures to understand what is feasible and how some of these constraints can be removed. A starting point for this could be a open and honest discussion between the government and interested, legitimate private sector entities and potential investors in Guinea Bissau on exactly what conditions need to be in place to generate private enterprise, what concrete steps can be taken, and what the possibilities are in terms of job creation and economic development. A better understanding of pathways for the development of critical sectors will be important to ensure diversification away from cashew nut exports. While a series of diagnostics and trade studies by the World Bank are underway as noted previously, further work will also be needed to develop concrete plans for licensing and procedures necessary to meet export standards (eg. fisheries) through the development of a sufficient pipeline of feasibility and competitiveness studies, assessments and prepared projects. An honest discussion among stakeholders of what can and cannot be achieved realistically in terms of electricity generation over the coming months and years would also be useful.<sup>33</sup> The donors could also support, within public sector reform work,

<sup>30</sup> Republic of Guinea Bissau, *Guinea-Bissau 2025, Djitu Ten: National Long-term Prospective Studies* (National Institute for Studies and Research 1997), p.6

<sup>31</sup> <http://www.worldbank.org/id/kdp> and [www.nspafghanistan.org](http://www.nspafghanistan.org). Such a process could begin with piloting in certain districts where the demonstration effect could be greatest and community mobilization shown through previous work to be most robust.

<sup>32</sup> See the World Bank Doing Business Indicators, 2010: <http://www.doingbusiness.org/ExploreEconomies/?economyid=83> It currently takes 213 days to open a business in the country. Interview with the private sector, Bissau, February 2010.

<sup>33</sup> See the OMGV discussion above. Other types of alternative energies including meso-hydroelectricity and solar power may also be worth further analysis.

the process for decision-making and project review within government, and the development of a project design facility for project preparation and tendering across the private sector.

- ii) *Sectoral knowledge-building.* The World Bank's Diagnostic Trade Integration Study provides an impressively comprehensive overview of Guinea Bissau's economic potential. However, while the document includes a priority action matrix, it still does not provide a simple strategic map for sectoral approaches with options that could be easily decided upon and supported by the government.<sup>34</sup> Moreover, it could be supplemented through efforts to draw on the significant knowledge and technology that exists globally in support of transformative approaches. In agriculture, for example, which has proven hugely resilient in Guinea Bissau despite years of instability, advanced soil maps and crop and water management systems could be used to better understand potential. Rather than working from production forward to markets, a view that begins from market access and works backwards through the value-chains, supply-chains, knowledge organizations and the infrastructure, both human and physical, that needs to be in place to ensure agricultural development and movement up the value chain through agri-processing, would be valuable.<sup>35</sup> This will then allow lessons from elsewhere to be drawn and applied to the Bissau Guinean context. In the region, Burkina Faso is now exporting mango juice to Europe- there is no reason why Guinea Bissau could not document this process and create its own pathway towards a similar outcome. In cashew nut production, for example, Brazil and India also have a wealth of knowledge and practice in transforming small-scale production into larger cooperative outputs and processing, that could also be analyzed.<sup>36</sup> In agro-processing, fisheries and forestry, the case of Fundación Chile is also an interesting comparator.<sup>37</sup> More broadly, the transformation of agriculture in East Asia between the 1950's and 1970's and in the U.S. from the 1950 to the 1980's may provide a range of models which the government could use to help create a comprehensive strategy for a dynamic and competitive agricultural sector.
- iii) *Human capacity creation.* Guinea Bissau continues to demonstrate extremely low capacity in terms of social indicators- the Human Development Report indicates that illiteracy is as high as 35% of the population.<sup>38</sup> There is a distinct lack of focus on secondary, higher and vocational education in the PRSP or elsewhere in government or donor strategy documents, to create the type of capacity Guinea Bissau needs to lead and manage an effective state, a dynamic economy and a vibrant civil society. This starts with a long-term human development plan (20 years +) supported by large-scale vocational training on issues that are critical for the future of the country, such as fisheries, tourism, mining, agriculture, and natural resource management, with careful certification and monitoring of standards. Managerial talent across the public and private sectors could be identified and systematically nurtured for specific goals and mid-range administrative positions, while donors could concomitantly work with the Deputy Minister of Foreign Affairs (whose portfolio includes the diaspora) to carry out an in-depth stocktaking of the diaspora population and invest significant thought and funding into mechanisms necessary to

---

<sup>34</sup> World Bank, *Guinea-Bissau, Cashew and Beyond: Diversification Through Trade* (June 2009).

<sup>35</sup> At present, for example, up to 40% of the annual rice crop is lost after harvest to birds, rats, fungus and humidity as a result of insufficient or non-existent dry storage facilities. Discussion with Nelson Gomes Dias, Chef de Mission, IUCN Guinea Bissau, February 2010. It will be important to get the balance of state intervention right in terms of private sector development, to ensure rent-seeking and inefficiencies are minimized.

<sup>36</sup> The trade study does suggest collaboration with the Brazilian agricultural research institute on cashew, and reference to the Mozambican model of decentralized cashew processing facilities.

<sup>37</sup> Fundación Chile supports a number of industries along with the related upstream and downstream activities. Overall, the shift to agricultural and forestry exports it has created has been impressive- in the mid-1970s, these exports contributed about 2% of total exports; by the mid-1990s this total was 28%. Agricultural and forestry exports increased over twenty times during the military government in Chile and grew 14.5% between 1990 and 1996.

<sup>38</sup> [http://hdrstats.undp.org/en/countries/country\\_fact\\_sheets/cty\\_fs\\_GNB.html](http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_GNB.html)

draw these people back to Guinea Bissau and create a network of skills and capabilities.<sup>39</sup> This could be supplemented by more concerted efforts to create a pipeline of the capabilities needed to ensure good political and economic governance.<sup>40</sup> Private investment in universities in Bissau is an encouraging sign and could be supported by further thought on official collaboration with organizations and universities in Portugal and Brazil on alliances, training and exchanges, distance learning and networking.

### **VIII. Donor Engagement**

While ideally the government will lead thinking and the development of policy on these issues, it will need support from donors to translate these types of ideas into reality. The donors are a significant asset for the country, as outlined above, but these external partners must now move from continual ad-hoc support to more robust and transformative engagement. This begins, as far as possible, with a change in mindset that allows for new design of interventions rather than reliance on traditional planning tools. It also requires the international community being honest and candid with the government as to what they are willing to support and what is beyond their scope or capacity.<sup>41</sup> Equally, key donor decision-makers, many of whom are based outside Guinea Bissau, could work harder to understand the political economy of reforms in the country- the current set of donor documents outline a number of desirable technical reforms but may lack a deeper understanding of the feasibility of these reforms in practice, given the difficult and extremely complicated web of relationships and motives that pervade government action. Donors could also move to bring more clarity to each of their roles and responsibilities, and develop long-term planning.<sup>42</sup> The rapid turnover of governments in Bissau complicates engagement enough without the donors also changing priorities and staff repeatedly. It may be that Guinea Bissau's movement towards HIPC completion point will at least provide a basis upon which donors can justify more substantive and substantial engagement with the country. At the same time, donors must understand that more of a "venture capital" approach for aid is necessary in Guinea Bissau if interventions are to be catalytic- the business as usual approach to development has not, and will not be effective in a context this difficult.

Engagement modalities may also require further thought. Budget support to cover recurrent expenditures is critical for government functionality, for example, but if it is withdrawn at short notice or includes conditionalities, it has a hugely detrimental effect on the ability of the government budget team to plan. Equally, Project Implementation Units (PIUs) might prove useful in the short-term to ensure more rapid implementation of projects, but must be linked to clear benchmarks and timeframes for the transition back to normal government delivery systems if at all possible. The donor community has to match rhetoric on coordination, ownership and accountability with action, seek as far as possible to ensure that aid is delivered in ways that support rather than undermine the state-building objective, and to provide information on a timely and transparent basis. A request for review by the OECD of donor behavior in relation to the Paris Declaration to indicate progress on ownership, alignment, harmonization, management for results and mutual accountability in Guinea Bissau might be a useful place to begin. Aid delivery to date has used a mix of instruments that tends to have been supply rather than demand driven, and the government may now like to catalyze the use of other instruments, including leasing operations,

<sup>39</sup> There is perhaps a core group of 50-100 Bissau Guineans inside and outside the country that have the skills and thinking that could provide the basis for a substantive turn-around in governance outcomes if the right governance mechanisms and positions were put in place in the country.

<sup>40</sup> Guinea Bissau may be able to learn from other difficult contexts in West Africa in this regard. Both Liberia and Sierra Leone have developed executive civil service training programs, for example.

<sup>41</sup> On a broader level, staff incentives need reform within donor institutions to incentivize staff to work on fragile states such as Guinea Bissau. At present it is difficult to attract the right kind of people with the right skills to Bissau, which in turn makes improved engagement difficult.

<sup>42</sup> In terms of the security sector reform efforts, for example, it is unclear that donors know exactly who is supporting what reforms- the creation of some sort of coordinating body in this domain might be useful.

investment guarantees, political risk insurance, domestic venture capital funds, trade concessions and suchlike as catalysts for the creation of an enabling environment for a competitive state and economy. Organizations such as Agricultural Ministries in OECD countries and risk guarantee agencies (e.g. the Overseas Private Investment Corporation), export promotion agencies (e.g. the US Export-Import Bank) and enterprise funds are key in this regard.<sup>43</sup> Micro and mezzofinancing could provide the necessary resources for entrepreneurs inside and outside Guinea Bissau to begin to invest, and the IFC could be brought in to provide additional investment loans.<sup>44</sup> Significant funding related to climate change initiatives is also available to developing countries, and through the OMCV, Guinea Bissau has the potential to tap into these financing flows and lead the region in terms of renewable power.

This year is potentially time for a fundamental rethink of donor behavior across the board- the World Bank has developed an in-depth set of analytical studies and is in the process of considering a new strategy; the EU strategic review of country engagement is ongoing; the IMF is open to the development of a Poverty Reduction and Growth Facility (PRGF); and Brazil is emerging on the world stage as a critical non-traditional donor. The donor roundtable planned for later in 2010, if structured in the correct fashion, could provide a forum both for the government to show it has concrete plans for change, and for the international community to better understand and support these priorities as part of a new compact with the government.<sup>45</sup>

## IX. Conclusions

Guinea Bissau has now reached a critical moment in its post-colonial history. As outlined above, a new set of options can be conceived of for a country that for too long has failed to fulfill its potential. There is only a limited amount of time to capitalize on Guinea Bissau's wealth of potential and assets, however, before the country may succumb to its multiple threats and weaknesses. The past is still very much present in Bissau- from the untransparent decision-making of the political elites, to the deep problems suffered by ordinary Bissau Guineans on a daily basis. The process now should be forging the shape of a wealthy, inclusive 21<sup>st</sup> century state and moving beyond the problems that have bedeviled the country since the transition to independence nearly 40 years ago. The current set of issues are going to require less short-term crisis mitigation and much longer-term agreement on collaborative answers, with a definition of national interests that is broader than any individual members of the political and economic elite.

A host of difficult issues related to state-building in Guinea Bissau have not been detailed in full here- including the security sector and the role of the military; the need for critical interventions in the health sector; the importance of gender; the space for improved parliamentary oversight and political party strengthening; and difficult environmental issues. Implementation of strategic solutions to Guinea Bissau's problems will involve a concerted effort to build on the vision of the country so eloquently and effectively outlined by the people in the *Djitu Ten 2025* process, and a mobilization of national sentiment behind positive change. The year 2014 marks the 40<sup>th</sup> anniversary of independence from Portugal- it is time for Guinea Bissau to fulfill the potential and hope embodied in the leader of that movement, Amílcar Cabral, and forge a future that is more prosperous and secure than the past.

<sup>43</sup> The U.S. Government runs an Enterprise Fund Program, and there are examples of properly run funds which successfully injected capital into carefully selected industrial ventures (e.g. Baltic/Bulgarian Funds), made a profit and returned seed funding to the US Treasury.

<sup>44</sup> The Government of Sierra Leone is in the process of setting up a venture capital fund, which donors may like to investigate further to understand comparative parameters and potential for something similar in Guinea Bissau. An interesting comparator is also Manocap's Sierra Investment Fund (SIF), set up recently to invest in business in Sierra Leone: [http://www.manocap.com/investment\\_fund](http://www.manocap.com/investment_fund)

<sup>45</sup> Arguably this meeting should be a "stakeholders roundtable" rather than only a donor meeting, to ensure that the private and civil society sectors can be part of the dialogue on Guinea Bissau's future and the entire realm of capacities can be brought to bear on the issues. The ISE team has significant experience in the support and design of these types of conferences for Afghanistan and elsewhere.