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Republic of Guinea-Bissau
Poverty Assessment and Social Sectors
Strategy Review

(In Three Volumes) Volume I Poverty Assessment

June 3, 1994

Africa Region
Sahel Department
Country Operations

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGBEPFS	Associação da Guiné-Bissau para Educação e Promoção da Saúde Familiar (IPPF Affiliate in Guinea-Bissau)
AIDS/SIDA	Acquired Immune Deficiency Syndrome
ASB	Basic Community Health Agent
ASDI	Swedish International Development Authority
CDR	Crude Death Rate
CECI	Canadian Center for Studies and International Cooperation
CECOMES	Center of Communication and Production of Education Materials for Health
CEEF	Center for Educational and Training Experimentation
CEFAG	Agricultural Experimental Training Center
CEFC	Rural Development Training Center
CENFA	Administrative Training Center
CENFI	Industrial Training Center
CERPOD	Centre d'Etudes et de Recherche sur la Population pour le Développement (Regional Population Research Organization, Bamako, Mali)
CIDAC	Information and Documentation Center Amílcar Cabral
CRAC	Center for Business Retraining and Improvement
DANIDA	Danish International Development Agency
DESEP	Department of Statistics and Planning Services
DGAF	General Directorate of Administration and Financing
DGPP	General Directorate of Planning and Projects
DGSP	General Public Health Directorate
DHS	Demographic and Health Survey
DIS	Drug Information System
DRE	Regional Education Department
EDP	Essential Drug Program
EC	European Community
FAI	Fondo di Aiuto Italiano (Italian Aid Fund)
FAO	Food and Agriculture Organization of the United Nations
FARMEDI	National Pharmaceutical Procurement Organization
FP	Family Planning
HC	Health Center
GDP	Gross Domestic Product
GNP	Gross National Product
HIS	Health Information System (also combined with MIS)
IDA	International Development Association
IEC	Information, Education and Communication
IMF	International Monetary Fund
IMR	Infant Mortality Rate
INAFOR	National Inst. of Technical and Vocational Training
INDE	National Institute for Educational Development
IPPF	International Planned Parenthood Federation
MCH	Maternal and Child Health
MINPH	Ministry of Public Health
MIS	Management Information System (also combined with HIS)
MMR	Maternal Mortality Rate
MINNE	Ministry of National Education
NATCAP	National and Technical Cooperation Assessment Program
NGO	Non-Governmental Organization
OIT	Organisation Internationale du Travail
ORT	Oral Rehydration Therapy
OXFAM	Oxford Committee for Famine Relief
PAM/WFP	World Food Programme
PAV/IEPI	Expanded Program of Immunization
PCHHE	Per Capita Household Expenditure
PEM	Protein-Energy Malnutrition
PG	Guinean Peso
PHC	Primary Health Care
PHCW	Primary Health Care Worker
PHN	Population, Health and Nutrition
RADDA BARNEN	Swedish "Save the Children" Organization (NGO)
SAC	Structural Adjustment Credit
SAP	Structural Adjustment Program
SAREC	Swedish Agency for Research Cooperation with Developing Countries
SIRP	Social and Infrastructure Relief Project
SNV	Dutch Cooperation for Technical and Social Assistance
SOLIDAMI	Solidarity and Friendship Institution
SSPH	Secretary of State for Public Health
STD	Sexually Transmitted Disease
TA	Technical Assistance
UDEMU	Democratic Union of Women
UNDP	United Nations Development Programme
UNESCO	UN Education, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
UNIPAC	UNICEF Pharmaceutical Procurement Agency
USAID	United States Agency for International Development
USB	Basic Health Unit or Post
WHO	World Health Organization

FISCAL YEAR

January 1 - December 31

GUINEA-BISSAU

POVERTY ASSESSMENT AND SOCIAL SECTORS STRATEGY REVIEW

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This report is based on the findings and results of a number of recent reports and documents prepared by the World Bank, most significantly, an updated version of a Social Sectors Strategy Review completed in 1991. Additional data collection and liaison with the Government were carried out during a first mission to Guinea-Bissau in April 1993. The task manager for this current report was Tom Stephens. Other members of the team involved in the preparation of the report were Carol Hoppy (task manager of the original social sector review), John Ngwafon and Jean-Luc Dubois (poverty profile), Aristides Gomes (local perceptions of poverty), and Wim Alberts (rural poverty). Useful comments were received from Monique Garrity, Michele Guerard, Tonia Marek, Ian Porter, and Helena Ribe. The report was processed by Geise Santos. Ms. Katherine Marshall and Mr. Jean-Louis Sarbib are Departmental Director and managing Division Chief, respectively.

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EXECUTIVE SUMMARY

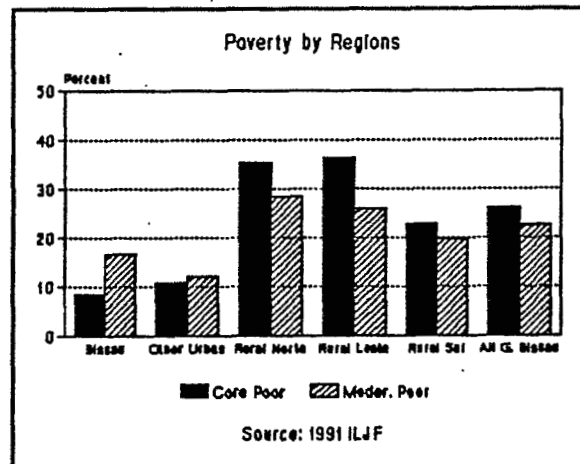
Poverty in Guinea-Bissau

The incidence and pervasiveness of poverty are extremely high in Guinea-Bissau, even when compared to other Sub-Saharan African countries. The central theme of this report is that improved economic management and poverty reduction represent two faces of the same development challenge facing the Government the foreseeable future. It would be a fundamental mistake for the Government to become solely preoccupied with achieving balance in the country's macroeconomic aggregates, however essential that is, based on an assumption that poverty can be tackled afterwards. The choice, phasing and sequencing of macro-economic policies must be understood for their effects on the pace of poverty reduction. Without this understanding, Guinea-Bissau runs the risk of creating a dualistic, more inequitable economy: one formal and export-oriented, the other, encompassing most of the population, mired in the same low levels of human deprivation as exist now.

Guinea-Bissau's Poverty Profile

Based on a 1991 household expenditure survey, poverty in Guinea-Bissau has some of the following characteristics:

- Of Guinea-bissau's total population, 26.2 percent are classified as living in extreme poverty – the "core poor" – and another 22.5 percent are classified as moderate poor.
- Poverty is overwhelmingly a rural problem; 84.5 percent of the poor live in the three regions of Rural Norte, Rural Leste and Rural Sul.
- 75 percent of the poor are from the Fula, Balanta, or the Mandinga ethnic groups.
- The poor's resources are limited by low income and earnings per person. They live in a household typically headed by a male breadwinner, who is most likely (60 out of 100) engaged in some form of agriculture, and generally (85 out of 100) self-employed.
- The poor are characterized by high dependency ratios. The poorest households are on the average larger (7.8 members) than the wealthier ones (6.7 members). There is high incidence of poverty among large households particularly among those with more than 18 members.



- The incidence of poverty is higher in households in which the head has more than one wife i.e. households where polygamy prevails (30 percent of all households in Guinea-Bissau are of the polygamous type), compared to those where polygamy does not prevail.
- The poor have attained very low educational levels: about 84 percent of the "extreme poor" have no formal education and only about 14 percent have attended or completed primary school, thus limiting their earnings potential.
- The rural poor live in predominantly traditional semi-permanent housing, have the river or lake and in a few cases traditional wells as their main sources of potable water. Electricity is nonexistent in these households. 17.8 percent of them did not even indicate a source of lighting. The urban poor are typically renters or live in homes with rent paid by someone else.
- About 94 percent of the poor households live more than an hour away from the nearest primary school, health center, food market and the nearest bus/taxi station. There is more infrastructure in the urban than in the rural areas, particularly in terms of electricity, drinking water, schools and medical services. Although this lack of basic amenities is a key to poverty, economic factors remain the main contributors to poverty among households.

The Economic and Regulatory Framework for Poverty Reduction

For the foreseeable future, the Government must pursue a combination of macroeconomic and sectoral policies which achieve a sustainable growth path which allows for the reduction in the Government's budgetary imbalances at the same time as expanding the process of economic participation by the poor. While most policy attention has focused on the serious consequences of budgetary shortfalls, the poverty reduction aspects of macro policy has not been given as much attention. This task must involve improving the poor's access to income-generating assets and employment opportunities based on their enhanced physical and human productivity.

Currently, the key public policy challenge facing the Government is the need to persevere in the process of removing still-existing distortions and rigidities in the macroeconomic and regulatory framework, which not only impede the potential for sustained growth, but also the prospects for the poor located in the traditional and informal sectors from participating in that potential growth. Efforts to assist the poor must entail bringing down the high 'transaction costs' which limit the economic opportunities for the poor in the traditional and informal sectors, and which conversely allow the potential for economic rent-seeking in the the country's liberalizing market economy. Alternatively, government policy must be formulated so that the poor are at least not discriminated against in having access to these assets.

Human Resource Development and Poverty Reduction

Along side the economic framework, the Government has yet to meet the challenge posed by the country's low levels of human resource development. Guinea-Bissau falls below the social indicators in every case cited for low-income countries in the region and for Sub-

Saharan Africa as a whole. The time is opportune for the Government to reevaluate its priorities and set the direction for the important task of development in the nation's people. The Government needs to set the tone and demonstrate its commitment to the social sectors through policy direction and reallocation of resources. Evidence has shown that investing seriously in people makes sense not only in human terms, since expenditures on health care and education expand opportunities for the poor, but also in hard economic and productive terms. In the long run, investing in people is the only way to achieve sustainable growth and lasting progress.

In addition to reallocating funds within the central budget to health and education, the Government should review the whole problem of under-funded recurrent costs. There is a temptation in Guinea-Bissau to accept foreign funds, without considering the recurrent cost implications, for buildings, equipment and service systems that cannot be maintained. The Government should consider further efforts that need to be made to reduce costs, such as promoting cost sharing, encouraging people's participation in service management and maintenance, expanding outreach, and raising the efficiency of social services. While more public resources need to be allocated to PHC and primary education, given the prevailing budget constraints there is an urgent need to tap additional private sources of funding, particularly for curative health care and higher education. Equity would also be improved by making better-off citizens pay for their own care and education, and reallocating scarce Government resources and subsidies to rural areas and to the urban poor.

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CHAPTER I

INTRODUCTION

1.1 Guinea-Bissau is at a critical crossroads in its development history. Despite considerable foreign assistance (currently running at US\$ 100 per capita compared to US\$ 30 for Sub-Saharan Africa as a whole), the country's economic management has been, to say the least, disappointing. At the same time, poverty reduction efforts have not been successful in improving the quality of life for the vast majority of the population. It is not an exaggeration to say that unless there is some measurable progress on both these fronts, there is a clear possibility that Guinea-Bissau runs the risk of losing the high level of support it has received from the donor community in the past, and that it will fail to mobilize the levels of domestic and foreign private investment which are needed to invigorate the economy to achieve any prospects of sustainable growth.

1.2 A few basic indicators on the state of Guinea-Bissau's socio-economic situation suggest the severity of the challenge that must be confronted. In 1991, GNP per capita of US\$ 190 was about half that of other sub-Saharan African countries, despite the high level of foreign assistance mentioned above. On the one hand, the economy is still suffering the residual effects of the devastating liberation war leading up to independence in 1974 and the ensuing centrally-planned economic focus, which neglected the agricultural sector, ran up large fiscal imbalances resulting in high inflation rates, and created a large and inefficient public sector including many heavily subsidized parastatals. At the same time, the record suggests that public investments during this period went to neither the productive sectors nor improving social or economic infrastructure, and that the government in the ensuing years has not moved as forcefully as the situation requires to redress many of these distortions and inefficiencies, even with balance-of-payments support from the international community. Thus, the economy continues to be characterized by a large traditional rural sector, based overwhelmingly on subsistence smallholder agriculture. Agriculture, fisheries and forestry account for some 90 percent of total employment and 45 percent of GDP in 1993. Cashews account for about 40 percent of total exports, while earnings from fish exports and fishing licenses are the second largest source of export revenues. Inflation pressures continue to be strong: 80 percent in 1989, and approximately 30 percent in 1990, 57 percent in 1991, 70 percent in 1992, and 48 percent in 1993. Domestic resource mobilization has been critically weak. The domestic savings rate has been consistently negative in the last few years: -13 percent in 1991 as a percentage of GDP and -4 percent in 1992. External debt management likewise represents one of the most serious obstacles to the country's improved economic performance; Guinea-Bissau's total external debt was US\$ 632 million in 1992, and debt service payments came to approximately US\$ 45 million.

1.3 Along side this economic picture, Guinea-Bissau's social indicators place it among the poorest in Africa, and thus among the poorest countries in the world. Approximately 140 infants per 1000 live births die before reaching one year of age. The under-five mortality rate is 250 per thousand live births, compared to 116 for Sub-Saharan Africa as a whole. The population growth rate is estimated at 2.5 percent per annum. Family planning awareness is low with probably less than 1 percent of women/couples practicing any form of birth control. Less than a third of the adult population is literate, placing the country among the ten Sub-Saharan countries with the highest illiteracy rates. Primary school enrollment rates are about 39 percent, and females represent only about one-third of the total enrolled. The secondary school enrollment rate is only 4.2 percent, of which girls represent just 36 percent of the total. Less than 2 percent of students entering secondary schools actually complete their studies. In recent years, these low social indicators have been compounded by the low levels of government spending allocated to the health and education sectors as a percentage of total government expenditures.

1.4 Against this backdrop, the central theme of this report is that improved economic management and poverty reduction represent two faces of the same development challenge facing the Government. It would be a fundamental mistake for government to become solely preoccupied with achieving balance in the country's macroeconomic aggregates, however essential that is, based on an assumption that poverty can be tackled afterwards. Thus, the choice, phasing and sequencing of macroeconomic reform policies must be understood for their effects on the pace of poverty reduction. For Government policy-makers, there are two potential risks which must be kept in mind and monitored. First, the sequencing of policy changes and the transitional social costs of these policy shifts must be understood and anticipated *ex ante*, so that appropriate remedial measures can be taken to protect the poor and other vulnerable groups. Second, unless the existing rigidities and distortions in many factor and product markets which currently discriminate against the poor and impede mobility are forcefully addressed, there is a very clear danger that an sustained growth path could in fact accentuate a dualistic, even less equitable economy – one part, dynamic and outward oriented, and another, mired in the same patterns of poverty which persist up to the present.

Income Streams in Poor Households

Paulo T. is a farmer in Prabis. He is married to two women and together they have six children. The household earns income in a variety of ways: "We make a living by growing rice, gathering cashews, and my work as a mason. I have a plot of land on which I grow rice, we all participate in the cashew harvest, and I work from time to time as a mason, under contract. I do this as part of a group. We work in Bissau during the off-season. My wives work in commerce, mainly buying and reselling tomatoes. When the cashew season begins we all get involved; even some of my nieces, who usually perform domestic work in Bissau for a salary, come back.

One serious problem here is that the merchants give us a kilo of rice for a kilo of cashew. We need rice not only to feed ourselves but also to feed those who help us with farming work from time to time. Fortunately the girls in our family go to Bissau to work as maids and the boys to pick *chabeu* (oil palm kernels) and produce palm wine, which they sell. I also get some money income when I work as a mason. This year I was able to buy metal sheets to replace the roof on my house. I think I'll be able to breathe easy because I'm free of the hassle of having to buy new thatch each year to replace the roof on my house."

Paulo puts much stock in his children's ability to help him in the future. He describes their education: "I think that, God willing, they'll do well so they'll be able to get good jobs. I do all in my power to make sure they don't miss class. I hope God will point the way to success for them. If that desire is not realized, patience. Without an education life is difficult because you can't get a good job. Take the case of a nephew of mine who is under my charge: I gave him all the help he needed to get his driver's license. I paid what had to be paid, he took a long time to learn, now he's got the driver's license, but he's not yet been able to get work in Bissau as a driver. Perhaps he could get a decent job if he continued his studies.

I need money for my children's education. Otherwise they'll have to interrupt their studies at some point to help me with the work to earn income to support the family."

1.5 How have other countries tackled their poverty problems? The experience of other countries – synthesized in the 1990 World Development Report on poverty – demonstrates that a strategy for rapid and politically sustainable progress on poverty alleviation has to focus on two equally important elements. The first element is to promote efficient growth, making use of the poor's most abundant asset – labor. The second is to use public expenditure programs and

institutions to provide equitable access to basic social services. The Report also emphasized the desirability of having in place a social safety net for the most vulnerable groups among the poor.

1.6 As in many other countries, the reduction of poverty has been a matter of fundamental importance in the Government's deliberations on its development policies. At the same time, however, most discussions of poverty and ensuing project proposals have tended to interpret poverty from a sectoral perspective, be it in agriculture, health, education, energy, environmental, urban, or - last but not least -- macroeconomic. This report takes a wider approach by analyzing Guinea-Bissau's poverty from a multi-sectoral perspective and thus trying to establish the linkages among many sectoral concerns. Such an analytical approach is congruent with the common understanding that poverty is the result of many economic and social factors extending from the individual household, through the local community, and ultimately to the macro-economic level. Poverty's multi-dimensional character makes efforts to understand poverty and formulate meaningful policy choices a complex task. In undertaking this broad approach, there is the potential that the nuances of sectoral issues affecting poverty and key elements of Guinea-Bissau's unique sociological and historical fabric will be overlooked or downplayed. Despite this concern, it is still felt that a broader analysis of poverty can provide useful insights into the range of strategic policy choices and trade-offs that must be considered, if Guinea-Bissau is to attain the kind of economic growth which is both sustainable and equitable.

1.7 This poverty report is the synthesis of a number of recent studies and reports by the World Bank and other institutions, as well as a recently completed poverty profile using Guinea-Bissau's 1991 household income and expenditure survey. The purpose of this study is to assess current available knowledge of poverty in Guinea-Bissau, to examine the existing constraints and kinds of vulnerabilities affecting the poor, and to propose policy options for overcoming the barriers to poverty reduction. The report places considerable emphasis on human resource development, in view of its critical importance over the short- to medium-term.

1.8 The study is divided into three volumes. This first volume provides a multisectoral synthesis of poverty, including a poverty profile based on a 1991 household survey. The first volume also contains (in Chapter III) an analysis of constraints in the macroeconomic and regulatory framework affecting the poor in various sectors. Chapter IV of this first volume likewise provides a synopsis of human resource issues affecting the poor. In view of this report's focus on human resource issues, the second volume contains a more thorough analysis of human resource issues, including elaboration of a country social sector strategy for Guinea-Bissau. The reader is encouraged to consult the third volume of this report which contains supporting statistical information and other data collected in the preparation of this report. The individual "snapshots" of actual poor households, as found in the boxes throughout the first volume, are based on interviews conducted by a local Guinean sociologist. The actual interviews and sociologist's summary observations of these interviews can be found in Annex IV-1 of Volume III.

CHAPTER II

A POVERTY PROFILE OF GUINEA-BISSAU

A. Background and Summary Results

2.1 In this chapter, a poverty profile for Guinea-Bissau is developed which seeks to establish a benchmark against which the future evolution of welfare in the country can be evaluated. As used here, a poverty profile is a study in which (i) the incidence of poverty in specified regions and socioeconomic groups is measured by reference to a poverty line; and (ii) the differences in the sources of income, the patterns of expenditure, and living standards achievements between the poor and non poor are differentiated. The poverty profile is based on the results of a household survey ("Inquérito Ligeiro Junto as Familias") conducted in 1991 by the Ministry of Planning in Bissau, with assistance from the World Bank, covering a stratified sample of 1700 households. The questionnaire for the survey was divided into two parts with an estimated interview time of approximately two hours per household. Part one of the survey included modules on household members, household structure, education, access to health and other social infrastructure, and child anthropometry. Part two covered household expenditure on about 300 items, home consumption on about 30 other items, and an income section covering 29 different sources.

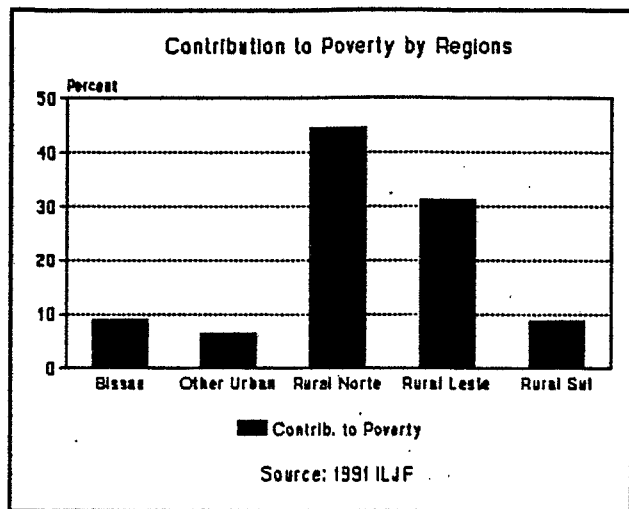
2.2 The poverty profile -- using a definition of poverty described below -- analyzes poverty from different perspectives. The analysis examines poverty in the country as a whole, in both urban and rural areas, looking at poverty from a number of different perspectives, e.g., employment, expenditure sources, ethnic and regional distribution, etc. In view of the prevalence of rural poverty, a separate section looks more specifically at some of the conditions and characteristics of rural poverty. It should also be emphasized that this 1991 survey represents only one way on analyzing poverty. The social data found in later chapters of this report represent other ways of measuring poverty conditions. In these circumstances, the poverty profile presented here is "static" in the sense that it refers to one particular point in time. This profile consequently serves as a point of departure for the analysis of future data which will permit "dynamic" or "over-time" analysis, which -- when combined with other data sources -- can present a more comprehensive view of poverty conditions in Guinea-Bissau.^{1/}

2.3 Some of the principal findings of the poverty profile are as follows:

- Of Guinea-Bissau's total population, 26.2 percent are classified as living in extreme poverty -- the "core poor" -- and another 22.5 percent are classified as moderate poor.
- Poverty is overwhelmingly a rural problem; 84.5 percent of the poor live in the three regions of Rural Norte, Rural Leste and Rural Sul.
- 75 percent of the poor are from the Fula, Balanta, or the Mandinga ethnic groups.

^{1/} Consideration was given to comparing results of this 1991 household survey with an earlier 1986 survey. This was not done, however, because of flaws in the 1986 survey methodology. In the earlier survey, the analysis used total household expenditure without controlling for household size and regional price differentials. Furthermore, the survey covered only urban households but not any rural households.

- The poor's resources are limited by low income and earnings per person. They live in a household typically headed by a male breadwinner, who is most likely (60 out of 100) engaged in some form of agriculture, and generally (85 out of 100) self-employed.



- Even allowing for cost-of-living differences, the urban poor have larger incomes than their rural counterparts. As in rural areas, the urban poor seem to have a hard time finding jobs. Although most of urban incomes come from wages, a large part of the poor still consider themselves as self-employed.
- 43 percent of the poorest rural households do not list agriculture as their principal activity. Wage employment is also an important source of income for poor rural households.
- The poor are characterized by high dependency ratios. The poorest households are on the average larger (7.8 members) than the wealthier ones (6.7 members). There is high incidence of poverty among large households particularly among those with more than 18 members.
- The incidence of poverty is higher in households in which the head has more than one wife i.e. households where polygamy prevails (30 percent of all households in Guinea- Bissau are of the polygamous type), compared to those where polygamy does not prevail.
- The poor have attained very low educational levels: about 84 percent of the "extreme poor", have no formal education and only about 14 percent have attended or completed primary school.
- The rural poor live in predominantly traditional semi-permanent housing, have the river or lake and in a few cases traditional wells as their main sources of potable water. Electricity is nonexistent in these households. 17.8 percent of them did not even indicate a source of lighting. The urban poor are typically renters or live in homes with rent paid by someone else.
- About 94 percent of the poor households live more than an hour away from the nearest primary school, health center, food market and the nearest bus/taxi station. There is more infrastructure in the urban than in the rural areas, particularly in terms of electricity, drinking water, schools and medical services. Although this lack of basic amenities is a key to poverty, lack of economic opportunities remains the main variable contributing to poverty among households.

B. The Survey Methodology: Defining and Classifying the Poor

2.4 How were the preceding estimates determined? In order to define poverty, it is first necessary to have a measure of the standard of living of the relevant population, and to choose a level

which separates the poor from the non-poor. Various methodologies have been suggested, including income, expenditure, the proportion of expenditure allocated to food, caloric intake, and nutritional status, as well as "intangible" criteria such as freedom, the right to vote, gender equality, and several others. The data available to this report do not lend themselves to intangibles or physical quantities of food consumed. "Total Real Per Capita Expenditure" has been used as a proxy for the standard of living of the households interviewed by the survey.

2.5 Total expenditure is the sum of cash expenditure on consumption goods and services, the value of own-produced food, the value of transfers and remittances received (both in cash and in kind), and the goods received in barter transactions. It includes some durable expenditure but excludes the purchase of buildings, land, imputed value of owner occupied houses (but rent payments were included) and vehicles. Total expenditure is expressed in per capita terms to adjust for household composition.

2.6 Given this approach to measuring the standard of living, the next task is to choose the level which distinguishes the poor from the non-poor (the poverty line). The approach used in this chapter is based on the classification of the poor and non-poor households in relation to their level of total expenditure (food and non-food). This is done in two ways. First, two lines are set relative to the standard of living in Guinea-Bissau: (i) a moderate poverty line equivalent to 2/3 of the mean per capita expenditure; and (ii) a core poverty line, equivalent to 1/3 of the mean per capita expenditure. Households are classified into one of three mutually exclusive groups separated by these poverty lines, either as (i) core poor; (ii) moderately poor; or (iii) non-poor. A second method, also presented in Table 1 for purposes of comparison, measures the distribution of expenditure across population quintiles, from which it is possible to estimate expenditure inequality within the population.

2.7 Table 2 shows urban and rural poverty differentials based on weighted expenditures. The mean per capita expenditure was PG 306,736 for the urban areas and PG 159,969 for rural areas. The moderate poverty line was set at 67 percent of the mean per capita expenditure or PG 204,501 for urban and PG 106,651 for the rural areas, respectively. The core poverty lines were set at 33 percent of the mean per capita expenditure or PG 102,143 for the urban and PG 53,270 for rural areas.

Table 1
POVERTY BREAKDOWN BY QUINTILE, PER CAPITA HOUSEHOLD EXPENDITURE, AND PERCENTAGE

QUINTILE (PG)			
First	Less Than		54,190
Second	54,191	to	107,819
Third	107,819	to	202,221
Fourth	202,221	to	336,671
Fifth		more than	336,671
PER CAPITA HOUSEHOLD EXPENDITURE (PG)			
Mean per capita household expenditure (PCHHE)			201,626
Moderate poverty line (2/3 of mean)			134,417
Core poverty line (1/3 of mean)			67,209
PERCENTAGE			
Core poor			26.2%
Moderate poor			22.5%
Non poor			51.3%

Table 2
MEAN PER CAPITA HOUSEHOLD EXPENDITURE BY RURAL/URBAN, POVERTY LINES (PESOS)

	ALL	URBAN	RURAL
Mean PCHHE	201,626	306,736	159,969
Moderate Poverty Line (2/3 of mean)	134,417	204,501	106,651
Core Poverty line (1/3 of mean)	67,209	102,143	53,270

1. Distribution of Poverty by Regions

2.8 Table 3 and Figure 2 present a breakdown of poverty for the five different regions in Guinea-Bissau. Certain clear patterns emerge with respect to geographical distribution. Overall, poverty is widespread in Guinea-Bissau with over 48 percent of the population in all provinces within poverty. Rural Leste shows the highest percentage of extreme poor with 36.4 percent of individuals classified as "core poor". Nationally, Rural Norte and Rural Sul contribute 75.7 percent to poverty. This figure is about five times the contributions of all the urban areas including Bissau. The rural areas contribute 84.5 percent of all poverty in Guinea-Bissau. This translates into 90.2 percent of the core poor and 91.4 percent of the moderate poor. Rural Sul and Bissau have roughly the same

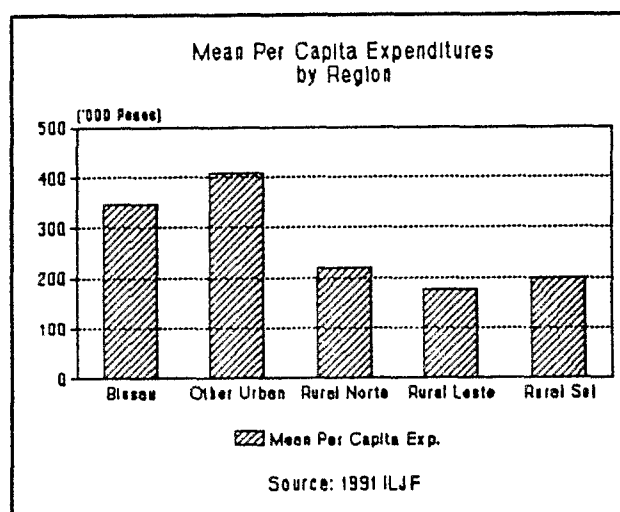
proportion of poor, 9.0 percent and 8.8 percent respectively. It is also interesting to note that Other Urban (notably Gabu) has a mean per capita household expenditure which is 18 percent higher than Bissau.

Table 3
POPULATION BY POVERTY LEVELS AND REGION

REGION	MEAN PCHHE	CORE POOR	MODERATE POOR	NON POOR	CONTRIB. TO POVERTY
Bissau	346,365	8.4	16.7	74.9	9.0
Other urban	407,234	10.7	12.1	77.2	6.5
Rural norte	218,560	35.2	28.3	36.5	44.5
Rural leste	174,944	36.4	25.9	37.6	31.2
Rural sul	197,733	22.8	19.6	57.6	8.8
All		26.2	22.6	51.2	100.0

2. Distribution of Poverty by Household Structure 2/

2.9 The 1991 survey estimated Guinea-Bissau to have 50.3 percent (some 63,000 households) of the traditional family structure, which corresponds to about 500,000 individuals. The second largest household structure was that of polygamous families with approximately 37,600 households. Interestingly enough, defacto female-headed households had the highest mean PCCHE and the lowest number of families of this structure (1,700) and the lowest percentage of poor. Table 4 shows that roughly one of every two traditional families is poor, of which some 44.6 percent or 27,468 traditional households are in core poverty and another 22 percent, or 13,860 traditional household, are in moderate poverty.



2/ The survey used the following definitions for household structures: Traditional: household composed of a male head and his spouse, whether or not other relatives are present. The male head should have resided in the household for at least 9 months of the reference year. Dejure Female-Headed: female-headed household who is either divorced, legally separated, or widowed. Other relatives, if any, are included. Defacto female-headed: female-headed household where the male spouse lives in the household but has been away for considerable length of time in the reference year. Polygamous: male-headed household with more than one spouse.

Table 4
DISTRIBUTION OF POVERTY LEVELS BY HOUSEHOLD STRUCTURE

HOUSEHOLD STRUCTURE	MEAN PCHHE	CORE POOR	MODERATE POOR	NON POOR	CONTRIBUTION TO POVERTY
<i>Traditional</i>	247,639	44.6	56.8	55.3	48.1
<i>Dejure female</i>	294,387	9.0	6.9	7.8	8.4
<i>Defacto female</i>	476,269	0.5	0.3	3.0	0.5
<i>Polygamous</i>	200,082	34.5	26.2	25.5	32.2
<i>Single male</i>	302,586	11.2	9.8	8.4	10.8
<i>All</i>		100.0	100.0	100.0	100.0

3. Distribution of Poverty by Ethnic Group

2.10 The population of Guinea-Bissau comprises about 35 different ethnic groups. The survey took the top 10 in terms of population. The Balanta is the largest ethnic group with about 27 percent of the population, as per the 1979 census. This is followed by the Fula (23 percent), Mandinga (12 percent), Manjaco (11 percent), Papel (10 percent), the Mancanha, Beafada and Bijago (each 3 percent). Table 5 shows the distribution of poverty among the six major or largest ethnic groups. The Criola have, by a significant large margin, the highest mean per capita household expenditure. The Fulas constitute 38.1 percent of all core poor in Guinea-Bissau. This is followed by the Balanta with 18.8 percent and the Mandingas with 15.3 percent. Taken together, the Balantas, Fula and Mandingas make up 72.2 percent of the core poor.

Table 5
DISTRIBUTION OF POVERTY BY ETHNIC GROUP

ETHNIC GROUPS	MEAN PCHHE	CORE POOR	MODERATE POOR	NON POOR
<i>Criola</i>	485,159	2.0	0.2	2.6
<i>Balanta</i>	181,961	18.8	18.0	7.8
<i>Fula</i>	220,789	38.1	37.3	32.4
<i>Mandinga</i>	275,510	15.3	17.8	18.5
<i>Manjaco</i>	261,797	8.3	2.3	7.1
<i>Papel</i>	224,656	6.3	10.5	9.7
<i>Other</i>	201,626	11.2	13.9	21.9
<i>All</i>		100.0	100.0	100.0

4. Distribution by Household Size

2.11 Referring to table 6, households of 7 to 10 members is the most prevalent household size and accounts for the most core poor, the moderate poor and the most non poor, both in terms of absolute numbers and percentage. Also of note, smaller household size is not necessarily equated with more per capita household expenditure, as 3-to-6 member households have a smaller mean PCHHE than do households up to 19 to 22 members. Discounting the 2 or less households, 11-to-14 member households have the highest mean PCHHE, suggesting the importance of the contribution derived from several income earners within one household. Stated another way, the table shows no direct relationship between per capita expenditures and household sizes, but it clearly shows that per capita expenditures are highest (4.2 times the national average) for households with two or less members, decreases dramatically for households with three to six members to 85.0 percent of national average and stays above national average until household sizes become more than 23 members. Per capita incomes decrease at this stage to 48.7 percent of the national average. 89 percent of households above 23 members are in core poverty.

Table 6
DISTRIBUTION OF POVERTY BY HOUSEHOLD SIZE

HOUSEHOLD SIZE	MEAN PCHHE	NUMBER OF PERSONS	CORE POOR	MODERATE POOR	NON POOR
< = 2	853,778	6,190	0.9	0.3	0.9
3 TO 6	171,439	201,700	27.8	17.9	13.9
7 TO 10	259,728	332,700	33.0	48.1	42.3
11 TO 14	313,251	182,010	20.6	17.8	28.0
15 TO 18	213,787	68,500	9.3	6.6	9.0
19 TO 22	218,861	34,310	3.0	6.3	4.1
> = 23	98,166	32,340	5.4	3.0	1.8
All			100.0	100.0	100.0

5. Employment of the Poor and Non Poor

2.12 Tables 7 and 8 show the main occupations of the poor and non poor. The tables indicate that 57.2 percent of the core poor are in agricultural production, and that 33.5 percent of individuals in agricultural production were among the core poor. This is followed by "Other" category (which includes the informal sector), accounting for 27.5 percent of the core poor. The inactive and domestic categories had per capita incomes below the national mean of PG 201,626, with the lowest per capita incomes reported by the inactive. Formal sector or public and private sector employees had per capita expenditures 86 percent above the national mean.

Table 7
THE POOR AND NON POOR BY EMPLOYMENT STATUS

OCUPATION	MEAN PCHHE	CORE POOR	MODERATE POOR	NON POOR
<i>Agric. Production</i>	206,423	57.2	56.6	47.8
<i>Domestic</i>	182,008	3.8	4.6	6.5
<i>Public/Private Sector</i>	374,223	1.4	0.9	6.0
<i>Student/Apprentice</i>	210,504	5.6	6.6	7.8
<i>Inactive</i>	143,546	4.5	1.7	3.8
<i>Other</i>	357,131	27.5	29.6	28.0
<i>All</i>		100.0	100.0	100.0

Table 8
DISTRIBUTION OF MAIN OCCUPATION BY POVERTY LEVELS

OCCUPATION	CORE POOR	MODERATE POOR	NON POOR	CONTRIB. TO POVERTY
<i>Agric. Production</i>	33.5	26.2	40.3	53.1
<i>Domestic</i>	18.6	19.0	62.3	5.0
<i>Public/Private Sector</i>	7.9	14.3	77.9	2.1
<i>Student/Apprentice</i>	14.0	20.0	65.9	6.7
<i>Inactive</i>	29.7	20.9	49.3	5.2
<i>Other</i>	23.8	20.4	55.8	27.9

6. Income and Expenditure Sources of the Poor

2.13 **Income** refers to value added attributed to household labor and land. It is calculated as the value of goods and services produced (whether sold, bartered, or consumed in the household) minus the cost of production. According to the survey, 73.6 percent of income for the core poor comes from agricultural production. This consists of 19.7 percent from the sale and barter of food crops, 28.7 percent from sale of non food crops, 15.6 percent from other agricultural income, and 9.6 percent from other farm income. 10.2 percent of the income for the core poor comes from transfers, both remittances and government transfers. The survey also revealed that 58.7 percent of the income for the moderate poor comes from agriculture and 8.1 percent comes from transfers. The core poor receive 49.7 percent of all transfers (including veterans pensions). This amount, when taken together with 18.6 percent for the moderate poor, means that 68.3 percent of all transfers go to the poor.

2.14 Table 9 presents expenditure patterns for the poor and non poor. For the poor the largest single expenditure is food. For the core poor food accounts for 59.8 percent ^{3/} of all expenditure, this is followed by miscellaneous expenditures. For the moderate poor food accounts for 26.1 percent of all expenditures, with miscellaneous expenditures taking up 43.5 percent of their expenditures. For the non poor, as might have been expected, the largest single expenditure item is on the miscellaneous, accounting for 68.9 percent of their total expenditures.

Table 9
TOTAL EXPENDITURE PROPORTIONS BY TYPE AND POVERTY LEVEL

EXPENDITURE TYPE	CORE POOR	MODERATE POOR	NON POOR
Food (1)	14.0	8.7	8.4
Home consumption (2)	45.8	17.4	5.8
Transport	2.7	5.4	1.5
Education	4.4	2.5	1.2
Health	5.7	2.5	0.9
Housing (3)	0.9	0.8	0.7
Miscellaneous (4)	22.1	43.5	68.9
Other	4.4	19.2	12.6
All	100.0	100.0	100.0

Note: (1) Purchased food: salt, meat, vegetables, etc.
 (2) Consumption of own production.
 (3) Housing expenditures: water, electricity, gas, etc.
 (4) Includes non food expenditure on household articles.

7. Educational Levels of the Poor

2.15 Table 10 shows the educational indicators for the poor and non poor. The table reveals that income is positively correlated with education and that poverty is very highly inversely correlated with education. 83.5 percent of the core poor have had no formal education, and that those with no formal education have per capita expenditures that are nearly 50 percent less than those who have attained a secondary school level. It is interesting to note that the mean PCHHE for those with no formal education – PG 212,790 – is virtually the same as the national mean PCHHE of PG 201,626.

^{3/} It is important at this point to note that the timing of the survey, having been conducted right after Ramadan, could have distorted the results.

Table 10
EDUCATIONAL LEVELS OF THE POOR AND NON POOR

EDUCATION LEVEL	MEAN PCHHE	CORE POOR	MODERATE POOR	NON POOR
No Education	212,790	83.5	79.3	68.5
Primary	284,080	14.5	19.3	25.6
Secondary	403,339	2.0	0.9	5.8
Higher	486,503	.	0.6	0.2
All		100.0	100.0	100.0

8. Access to Other Economic and Social Infrastructure

2.16 The survey also revealed a number of other relevant points about the poor access to economic and social infrastructure. The survey revealed, for instance, that 92.8 percent of the core poor owned their housing, falling to 88.3 percent of the moderate poor, and 75.4 percent for the non poor. This statistic is best understood because the poor tend to live in traditional, semi-permanent housing as found in the extended family compound. In this regard, only 5.4 percent of the core poor have access to potable water from a pipe-borne tap or only 17.6 percent of the core poor obtain their water from a modern well. The survey further revealed that 92.5 percent of the core poor use fuel wood as the main source of cooking fuel, the high use of fuel wood having major implications on the time-use allocation of women and children between family chores, more productive activities, and, in the case of children, school attendance. Replies to another survey revealed that 41.1 percent of the core poor require between one hour and a day to travel to the nearest health center.

C. A Profile of Rural Poverty

2.17 Poverty in Guinea-Bissau has very pronounced rural dimensions. The poverty profile in the first half of this chapter, using a national relative poverty line, revealed that 84.5 percent of all poor live in the rural areas. In view of the large share of the population, the following picture of rural poverty is based on derivations from the rural PCHHE. The choice to use the average rural, rather than the average national expenditure level, is made for two reasons. First the purpose of this relative poverty picture is not to compare the rural poverty level with the urban poverty level, but to describe poverty within and across the rural regions. Second, the rather big disparity between the average rural and average urban expenditure levels, and the non-availability of reliable rural consumer price series to make relevant price corrections, could easily skew the picture of rural poverty if derived from the national expenditure average. ^{4/}

^{4/} It will be recalled from table 2 of this chapter that the national mean PCHHE was set at a level of PG 201,626; the urban PCHHE at PG 306,736; and the rural PCHHE at PG 159,969. The relative urban poverty line derived from this is almost twice as high as the rural poverty line, PG 204,500 and PG 106,651 respectively. This urban-rural difference is to a large extent due to the higher cost of living in urban areas. The much lower average expenditure level in the rural areas, in this relative poverty scenario, cannot be interpreted as an indicator for more rural poverty.

2.18 The analysis of rural poverty starts off with presenting information on the distribution of the mean PCHHE by quintiles. As can be seen from Table 11, 20 percent of the individuals live in households with a mean PCHHE of PG 18,887 per month, the next 20 percent of the individuals live in households with a mean PCHHE of PG 60,688 per month, the cut off points (which are not presented in the table) for that second quintile being 36,617 and PG 83,671. Table 11 further indicates that the distribution of per capita household expenditures 'across' and 'within the quintiles by region. Each cell in table 1 contains two entries, representing percentage breakdowns. The top right hand entry corresponds to a row percentage, while the bottom left hand one is a column percentage. The columns represent the three rural regions (within the quintiles), the rows represent different categories of expenditure (across the quintiles). Both rows and columns respectively add up to 100.

Table 11
RURAL HOUSEHOLDS BY EXPENDITURE QUINTILE AND REGION

MEAN EXPENDITURE LEVEL	EXPENDITURE QUINTILES				
	18,887	60,688	108,899	193,736	437,575
Region	First	Second	Third	Fourth	Fifth
Rural Norte	53.0 21.8	50.9 20.4	53.2 21.3	49.2 19.6	42.3 17.0
Rural Leste	35.2 20.2	39.8 22.3	36.5 20.4	31.9 17.8	34.1 19.2
Rural Sul	11.7 16.2	9.3 12.5	10.3 13.9	18.8 25.3	23.6 32.1

2.19 Considering the cell at the intersection of the first quintile and Rural Norte, the figures show that 21.8 percent of the individuals in Rural Norte are found in households of the poorest quintile (1), and it shows also that 53 percent of the poorest quintile, of the total rural population live in Rural Norte. The cell at the intersection of the fifth quintile and Rural Sul shows that 32.1 percent of the households in Rural Sul are found in the wealthiest quintile and it shows that, of all rural households in the wealthiest quintile 23.6 percent live in Rural Sul. The two entries in the cells represent two different distributions of the same expenditures. These two ways of displaying the data are complementary and the reader is encouraged to compare the distributions.

2.20 Moving along the rows of Table 11 reveals fairly equal proportions in the quintile distribution for Rural Norte and Rural Leste, while Rural Sul shows a larger concentration of households, 57.3 percent in the two wealthiest quintiles. The column percentages should be interpreted in relation to the actual population shares presented in Table 12. The columns covering the total rural population in that particular quintile. Within the columns the proportion of Rural Sul households in the two wealthiest quintiles, 18.8 and 23.6 respectively, is higher than the population share of Rural Sul, 14.8 percent. Rural Sul has also less households in the two poorest quintiles, not only in numbers, but proportional to their population share. Rural Norte has proportionally slightly more households in the two poorest quintiles.

Table 12
RURAL POVERTY LEVELS AND INDICES BY REGION

REGION	POVERTY LEVEL						
	Population Share %	Mean PCHHE	Core Poor		Moderate Poor		Non Poor
Rural Norte	49.7	218,560	50.8	27.6	56.0	25.5	46.9
Rural Leste	35.5	174,944	38.4	29.2	35.2	22.4	48.4
Rural Sul	14.8	197,732	10.8	19.8	8.8	13.5	66.7

2.21 The analysis of poverty measures from here on is conducted along two relative poverty lines. As in the earlier analysis in this chapter, the first line is chosen at two-thirds of the mean rural PCHHE and cuts off the moderate poor, while the second line is chosen at one third of the mean, to cut off the core poor. The poverty levels and poverty indices in Table 12 indicate that 53.1 percent of the population in Rural Norte, 51.6 percent in Rural Leste and 33.3 percent in Rural Sul are among the combined moderate and core poor. Of these, 27.6 percent of the population in Rural Norte, 29.2 percent in Rural Leste and 19.8 percent in Rural Sul are below the core poverty line.

2.22 As regards sources of income and expenditure, the survey revealed that among the the rural population agriculture is clearly the most important source of income for both the core and moderate poor. Agricultural income accounts for 64 percent of total income for the core rural poor, 47.2 percent of the moderate poor and 36.9 percent for the non poor. Employment income accounts for only 6.1 percent for the core poor and 17 percent for the moderate poor. The rural poor as a whole receive 55.2 percent of transfers and 35.1 percent of project-related salaries. As noted earlier in the population as a whole, public salaries in rural areas go entirely to the non poor.

2.23 Finally, table 13 presents the total expenditure proportions by type and poverty levels in the rural areas. It is interesting to note the difference in home-consumption between the core poor on the one hand and the moderate and non-poor on the other. The core poor have over 20 times more home consumption than the moderate poor. This raises a question on the measurement of home-consumption for the moderate poor in particular. Experience with other survey's in West Africa generally reveals a much larger proportion of home-consumption and a much larger proportion of total food expenditures for moderate poor in rural areas. The difference in total food expenditures between the core, and the moderate and non-poor is the next expenditure category that draws our attention. The core poor spend 65.2 percent of their total expenditures on food, while the moderate poor and the non-poor spent 10.7 and 14.9 respectively. The disparity between the core and the moderate poor is in this case mainly explained by home-consumption, while the moderate poor do not spend proportionately more on food. Another point of interest is the very small proportion of expenditures by the poor on housing and transport. In the first instance, this implies that poor rural families live overwhelmingly in traditional housing structures, and in the second instance, that transport for the rural poor is either by foot or draught animal.

Table 13
TOTAL EXPENDITURE PROPORTIONS BY TYPE AND POVERTY LEVELS

EXPENDITURE TYPE	CORE POOR	MODERATE POOR	NON POOR
Food (1)	16.1	17.3	6.9
Home Consumption (1)	49.1	2.4	8.0
Transport	.	10.6	1.3
Education	5.0	2.6	1.1
Health	5.6	2.1	0.4
Housing (3)	.	.	1.2
Miscellaneous (4)	23.4	38.5	64.4
Other	0.8	26.5	16.7
All	100.0	100.0	100.0

- Note: (1) Purchased food: salt, meat, vegetable, etc.
(2) Consumption of own production.
(3) Housing expenditures: water, electricity, gas etc.
(4) Includes non food expenditure on household articles.

CHAPTER III

THE ECONOMIC AND REGULATORY FRAMEWORK FOR POVERTY REDUCTION

A. The Macroeconomic Context for Poverty Reduction

3.1 For the foreseeable future, the Government of Guinea-Bissau, assisted by its donor partners, faces two fundamental tasks. The Government must pursue a combination of macroeconomic and sectoral policies which achieve a sustainable growth path which allows for the reduction in the Government's budgetary imbalances at the same time as expanding the process of economic participation by the poor. While most policy attention has focused on the serious consequences of budgetary shortfalls, the poverty reduction aspects of macro policy has not been given as much attention. This task must involve improving the poor's access to income-generating assets and employment opportunities based on their enhanced physical and human productivity. It would be a fundamental mistake for the Government to become solely preoccupied with achieving balance in the country's macroeconomic aggregates -- however essential that is -- based on the assumption that the enormity of the poverty problem suggests that it should be tackled afterward.

3.2 Government's strategy to eradicate poverty will therefore have to be centered around macroeconomic and sectoral policies which create conditions for rapid and sustainable growth in employment and productivity. Yet equally important as the rate of growth is the pattern of growth. The key public policy problem in this regard is therefore how to assist poor and vulnerable groups without distorting economic mechanisms, since any seemingly 'pro-poor' distortions could hurt both the chances for sustained economic growth and, ultimately, the poor themselves. Alternatively, macroeconomic policy must be formulated so that the poor have access to productive assets, or are at least not discriminated against in having access to these assets. In the short term, the adjustment program, by eliminating earlier subsidies on interest rates and freeing up the prices of agricultural products, will encourage a labor-intensive growth pattern. This shift should help the poor, in particular in rural areas, by increasing the use of their main asset -- their labor -- and thus increase their income.

3.3 What is needed over the long term to ensure that the poor participate in the growth process? International experience suggests that well functioning factor markets, particularly labor markets, are crucial in allowing income increases at the centers of growth to spread throughout the economy. In the first instance, many of the difficulties that the Government has had in following through on its structural reform measures suggest that rigidities and distortions continue to exist in many factor and product markets, due in part to the political pressures against removing these distortions. Secondly, even if there were much greater factor and product market mobility, that does not mean that it is ipso facto automatically pro-poor. Thus, care must be taken to understand the unique characteristics of Guinea-Bissau society which can either encourage or impede the poor from benefitting from access to these markets. For example, informal labor markets, especially in urban areas, can be highly inefficient, where under-employment, and hence low income, is the rule rather than the exception. Diminishing the distortions and rigidities in factor and product markets must be understood as the most efficient means for increasing the poor's productive assets and raising the return on these assets through changes in relative prices. Perhaps as important as changes in relative prices is the need to reduce the high "transaction costs" which confront the poor and thus diminish their chances of participating in newly emerging economic opportunities.

3.4 This chapter examines a number of areas in Guinea-Bissau's macroeconomic and regulatory framework with respect to their implications for the poor. The next section provides an overview of Guinea-Bissau adjustment process and its impact on the poor. With this overview as background, the analysis turns to an examination of the three principal sectors which have direct and/or indirect impacts on the lives of the poor. These three are the traditional sector, the informal sector, and the formal sector, the later two of which constitute the modern economy using monetized exchange and transaction mechanisms. The three sectors are examined in terms of the constraints facing these sectors and points of access where public policy changes could be helpful in accelerating the pace of poverty reduction.

The Poor and Underemployment

Aliu B. is a former farmer and mason's apprentice who now earns his living through contract work, when he can get it. He has two wives, one of whom he "inherited" from a deceased old brother. Together they are responsible for seven dependents. Aliu talks about the insecurity of his position: "At this time the greatest difficulty I face is the possibility of illness in the family. If any of my family members were to fall ill my situation would be dramatic, since I don't have any money. I'm trying to get contracts. I go out every morning to look for work through friends and people I used to work with at the company. It's always good to have some regular salary, even if it doesn't get you through to the end of the month, which was my situation. Mine didn't even last two weeks, but at least I knew I had something regular I could count on and so I could anticipate and plan. It's always better because your headaches aren't as bad.

At this time I have many difficulties especially because here in Bissau there are problems getting agricultural land. The only hope continues to be getting salaried work, which is harder and harder to come by."

B. Guinea-Bissau's Adjustment Record: Implications for the Poor

3.5 Since 1983, whether out of necessity or choice, the Government of Guinea-Bissau has initiated a far-reaching economic reform program, fundamentally reversing the centrally-planned model of economic development which the government had originally adopted shortly after independence. The new development strategy was to be market-oriented, agriculturally-based and private sector led, with a long term view toward solving the residual economic burdens caused by pre-1983 policies: a large external debt, growing monetary arrears, severe fiscal imbalance, high inflation and a significant dependence on foreign aid. After some false starts and sputtering momentum between 1983 and 1986, the Government renewed its reform efforts beginning in 1987, with the support of a first Structural Adjustment Credit (SAC I), followed by SAC II in 1989. The principal objectives of the two structural adjustment efforts have been, first, to stabilize the economy by introducing prudent fiscal, monetary and exchange rate policies complemented by price and trade liberalization measures, and, second, to improve public sector management. These two objectives remain necessary conditions for both sound economic management and poverty reduction.

3.6 During the period of reform, GDP has grown annually at between 3 to 6 percent, and the ratio of exports to GDP increased from 8 percent in 1986 to more than 30 percent in 1991. Cashew exports doubled between 1989 and 1991, reflecting a more flexible exchange rate policy. Domestic savings rates, however, have remained negative during the reform period. More disturbing, weakness in fiscal and monetary policies have contributed to rapid inflation, a sharp depreciation of the Guinea-

Guinea-Bissau: Key Economic Indicators

	1989	1990	1991	1992	1993	1994	1995	1996	1997
Real Growth Rate %									
GDP	4.5	3.3	3.0	2.8	3.0	2.6	3.1	3.7	4.0
GDP (per capita)	2	0.8	0.5	0.3	0.5	0.1	0.6	1.2	1.5
Total Consumption (p.c.)	4.2	-4.6	0.4	13.5	-14.5	4.5	1.1	-2.1	0.1
Private Consumption (p.c.)	1.3	-2.3	-2.7	18	-14	4.9	2.1	-2.4	-0.1
Debt and Debt Service 1/									
Total DOD (US\$ M)	420.5	454.5	502.2	550.8	579.9	580.7	545.5	536.1	523.8
DOD/GDP	212.1	194.7	214.9	249.6	244.2	255.0	219.7	216.7	202.2
Debt Service (US\$ M)	40.0	28.96	48.24	48.6	47.12	43.49	50.74	51.13	51.54
DS/XGNFS	196.8	111.5	141.7	257.3	162.3	123.3	304.1	192.3	180.8
DS/XGNFS 2/	98.4	50.9	128.8	257.3	162.3	17.3	240.6	136.1	129.6
DS/GDP	20.2	12.96	20.64	21.11	20.19	17.17	35.39	23.45	22.48
Interest Burden									
Interest due (US\$)	12.3	10.6	17.04	13.25	12.6	13.02	25.4	20.4	20.2
INT/XGNFS	60	40.56	50.93	73.41	43.64	36.71	79.87	57.26	51.86
INT/GDP	6.2	4.7	7.2	6	5.4	5.1	7.6	7.3	7.1
Ratios to Nominal GDP									
GDI	34.3	24.7	27.1	27.8	24.0	24.8	25.1	26.8	27.8
Gross Public Investment	32.6	22.2	25.3	26.0	22.0	22.1	21.6	22.0	22.3
GDS	-12.1	-6.9	-6.0	-20.5	-2.5	-7.0	-6.5	-2.5	-0.2
BOP Curr. Acct. Bal. 3/	-49.1	-25.9	-36.3	-48.5	-27.9	-33.1	-35.9	-30.9	-29.3
Gov Rev 3/	11.9	19.1	14.5	11	11	12.8	14.3	14.6	15.1
Gov Exp. 4/	55.3	44.7	50.7	45.8	35.8	36.3	40.5	38.9	39
Current Expenditures 5/	13.9	11.9	13	11	8	9	9	9	9
Overall Fiscal Deficit 6/	43.4	25.6	36.2	34.8	24.8	23.6	26.2	24.2	23.8
Primary Fiscal Balance	-2	7.2	1.1	0.4	2.4	3.9	5.7	5.7	5.9
XGNFS	10.38	11.89	14.31	8.17	12.37	14	11.71	12.36	12.97
MGNFS	56.76	44.63	47.36	56.46	39.36	42.48	39.37	37.5	36.84
Resource Gap	-46.4	-31.5	-33	-48.3	-26.9	-31.8	-31.6	-29.3	-28.1
Trade									
Export Price Index 1989=100	100	95.8	96.4	102.6	94.5	87.3	88.7	90.4	92
Import Price Index 1989=100	100	105.1	103.6	105.7	101.8	105.1	107.4	109.2	111.6
Terms of Trade 1989=100	100	91.1	93.1	97.1	92.9	83.1	82.7	82.9	82.6
Export Goods Vol. Growth Rate	-6.8	41.7	5.4	-70.2	212.7	43.1	-13.9	22.3	13.5
Import Goods Vol. Growth Rate	13.1	-6	0.5	21.3	-28.6	15.4	1.8	0.5	1
BOP Curr. Acct. Bal. (US\$ M) 3/	-96.9	-60.4	-84.9	-107	-66.2	-75.5	-85.2	-76.3	-75.8
Miscellaneous									
GDP (million 1986 FG)	55,434	57,263	58,981	60,631	62,451	64,074	66,060	68,504	71,244
Annual ICOR									
(GDI lagged one year/change)	7.7	10.39	8.23	9.68	9.26	9.35	7.61	6.13	5.77
Gross Off. Res. (US\$ M)	19.8	18.3	14.6	17.9	14.2	16.2	18.2	20.2	26.2
Gross Res. as months of MGNFS	1.3	1.4	1	1.1	1.2	1.1	1.3	1.6	1.8
Nominal Exchange Rate (per. aver.)	-83	-20	-67	-39	-45.4	-31.2	-15	-10	-8
Annual % Change (- Deprec)									
CPI (% change, period average)	80.8	33	57.6	69.6	48.1	20.3	15	10	8

1/ Before Debt Rescheduling

2/ After Debt Rescheduling

3/ Excluding Grants

4/ Including Interest Payments

5/ Excluding Interest Payments

6/ Excluding Grants, Commitment Basis

Bissau peso, and a sizable accumulation of external payments arrears, and consequent unsustainably high debt service obligations.

3.7 The first phase of the adjustment program did make substantial progress in eliminating price distortion and trade restrictions and in restructuring the public investment program. The exchange rate moved closer to its market value, at the same time that prices were liberalized, except for petroleum products and imported rice. Quantitative restrictions were eliminated on 75 percent of imports, and the state monopoly on cereals trade was abolished. However, positive results came more slowly than anticipated; weak administrative capacity impeded the Government's ability to control credit and to reduce the budget deficit. Ominously, the debt burden continued to grow rapidly, as the Government failed to limit new debt or to implement a comprehensive medium-term debt reduction strategy.

3.8 The second phase of the adjustment program (SAC II) has been characterized by uneven macroeconomic performance and slower than envisaged progress in key areas. Three areas are noted below which have major ramifications for the poor. Some of the points raised are discussed in more detail in later sections of this chapter.

3.9 Monetary and Exchange Rate Policies. Credit policies have constituted one of the most difficult areas in the reform process. Monetary and credit policy have remained expansionist since 1989, in particular during 1991/92. After a decline in 1990, the inflation rate reached 60 percent in 1992 and is projected to hover at around 35 percent in 1993. Exchange rate management has improved, nonetheless, as devaluation has reduced the spread between the official and parallel markets to less than 3.5 percent in 1993. Beginning in November 1992, the Government established a single official exchange rate pegged to the Portuguese escudo; it subsequently switched to the US dollar, which remains the currency against which the crawling peg is anchored.

3.10 Public Sector Management. Measures to improve public sector management have moved at a slower than anticipated pace. Reform of the public enterprise sector has been largely implemented, although in a less transparent environment than originally envisaged. Several enterprises have been privatized; others, including the electricity and water utilities, have been placed under management contracts. After an encouraging start, civil service reform has slowed in the past two years. The registry of civil servants has been updated and revised organizational charts are under preparation. A voluntary departure program has been initiated, but financial constraints have delayed its implementation. At the same time, however, continued low salaries and other disincentives have prevented the Government's from retaining qualified staff.

3.11 Trade and Price Liberalization. Trade and price liberalization has been one of the more successful areas within the reform effort. All prices have now been liberalized, except petroleum products, whose prices are adjusted regularly to reflect changes in costs. Although there have been important gains in eliminating trade restrictions, an import and export licensing system continues to operate. In theory, import licenses are issued automatically, except for goods for security or health. In practice, the issuance of licenses is still a cumbersome procedure and a continued barrier to trade for potential parties.

3.12 Public Finance. As a result of revenue and expenditure shortfalls and inefficiencies, the Government continues to face serious budgetary deficits. Revenue collections, for example are often highly skewed and inefficient, despite some progress in earmarking new revenue sources in 1992 and 1993. In 1991, tax revenues amounted to only about \$15.4 million or 8.2 percent of GDP, or 22.6

percent of total revenues. The remainder came from non-tax revenues -- \$19.3 million, mostly from fishing license fees, and by donor grants, \$33.3 million or 17 percent of GDP. The overall budget deficit was \$33.2 million in 1991 or 17.6 percent of GAP, jumping to about 35 percent of GDP in 1992, and falling to a projected 19 percent in 1993.

3.13 In looking toward the medium-term, recent projections by the World Bank, IMF and UNDP all suggest average annual growth in GDP for the 1992-94 period of about 4 percent, of which agriculture and fisheries are expected to be the leading growth sectors. These projections are based on two pivotal assumptions: that stabilization and adjustment targets will be essentially met and that the private sector plays a leading role. In turn, these assumptions reflect perceptions about greater private sector confidence in the government to carry through with needed reform, a further reduction of the public sector involvement in the productive economy, as well as corresponding revisions and simplification of the legal and regulatory environment. Apart from their impact on the formal private sector, many of these factors likewise have direct and indirect implications for the poor and vulnerable.

C. The Formal and Informal Sectors

3.14 The first point of entry for the Government's objective of obtaining sustainable growth and raising per capita income is in the formal sector, notably in the export of primary goods and related agribusiness processing. These primary exports, which often link the formal export sector with the traditional and informal sectors, include fishing, timber, cashews, cane sugar, and fruits and vegetables. Expansion of these activities centers on the formal sector, since the requirements of financing, contractual arrangements, etc. entail legal and collateral assurances or guarantees. Taken as a whole, the informal and formal sectors of the economy account for about 15 percent of the population. The distinction between the formal and informal firms is, however, not always clear-cut. Whether an individual or firm belongs to the formal sector rather than the informal sector is not so much a function of size and type of economic activity as it is the perceived costs and benefits of complying with the various laws and regulations required for entry into the formal sector. Nevertheless, there may be advantages to formal sector participation, such as improved prospects for working with foreign counterparts, although -- as will be discussed below and contrary to what might be expected -- there is not necessarily greater access to formal credit.

3.15 Government policy toward the informal sector has tended to be ambivalent during the past few years, even as the sector has expanded considerably in the movement toward a market-oriented economy. As in other countries, the growth of the informal sector is the result of the recognizably emerging economic opportunities and chances for welfare gains. At the same time, its growth has also been an institutional response to by the formal sector to limit the informal sector's mobility into the formal economy. By sidestepping relatively costly and time-consuming laws and regulations, the informal sector has been able to thrive by creating its own viable concerns. The booming informal sector centered around Gabu, with its important cross-border trade between Senegal and Guinea and the city's role as the point of entry for many consumer goods for even Bissau itself -- is witness to the informal sector's vibrancy.

3.16 Currently, the informal sector plays a major role in retailing, trading and providing important services to both the formal and traditional sectors, e.g., construction, automobile and equipment repair, maintenance, and transport. At the same time, however, because the informal sector has low operating costs and generally does not pay taxes, complaints by the formal private sector about the unfair competitive advantage of the informal sector are not uncommon. Calls for

The Informal Sector

Tiofilo N., age 48, hauls goods with his cart to earn a living. He has three wives, five children and 17 dependants. Tiofilo describes how he arrived at his current occupation: "I face great difficulties. The plots I used to work after I was laid off at the Naval Shipyards in 1987 dried up and were infiltrated by salt water.

I had worked at the Naval Shipyards since the colonial period. In 1986 they announced that the company was having problems and so they were going to cut personnel. In 1987 I was laid off and had to go back to where I'm from to try to farm again. The family plot left by my father was in poor shape. It was damaged by the drought and by salt water from the ocean. In addition, I found that our family was having a hard time getting enough people to help work the land. All those factors made production hardly profitable. I have to go back to the city to seek a regular money income. At this time I've got one foot here in Bissau and the other in Quinhamel. There I raise crops and pull the cart at the Bandim market."

The family also has other sources of income. Tiofilo describes the situation: "My wives are all in Quinhamel. They are working in the production of cashew wine at this time. After making cashew wine, they'll help grow the rice. From time to time, when it is neither rice-growing season or wine-making season, they bring mangos and other fruits here to Bissau to sell. They and my children always have something to keep them busy. When they complete one type of production or activity they begin the next. And that's how we get by."

stricter enforcement of business laws and licensing appear to be growing.

3.17 The following sections highlight some of the constraints imposed by the current economic and regulatory framework on the growth of the formal and informal sectors, and thus on the direct and indirect income earning opportunities of the poor. In many instances, the Government has already recognized the importance of addressing these constraints. Yet only to the extent that these constraints are addressed more forcefully – notwithstanding the opposition of certain segments of the economy – then the environment for improvement private sector performance and for poverty reduction will be nourished.

1. The Financial System and the Poor

(a) Formal Sector Financial Institutions

3.18 Guinea-Bissau's financial system is in a state of crisis. Whether for the private formal entrepreneurial class, the informal sector or the traditional sector, the banking and credit systems are not meeting the needs of the majority of potentially interested firms or individuals. Unmet needs for financing occur across several sectors which are key to the country's economic growth, including small to medium scale industries providing products for the local market and small-scale agro-processing units producing for both domestic and export markets. Due to a combination of factors – including lack of medium and long term funds in the market, level of interest rates and lending capacity with existing banks, lack of management skills in the private sector and past high default or late repayment rates – the needs of viable business for project financing and, in many cases, working capital are not being met.

3.19 During 1992, the authorities made an effort to keep up with accelerating inflation, but nominal interest rates fell behind inflation. In March 1993, as the Government took steps to implement an IMF program, all interest rates were raised. Comparing interest rates against the recent deceleration in inflation shows that the Government has been successful in achieving positive interest rates in real terms.

3.20 However, Guinea-Bissau's two commercial banks have, as recently as 1993, extended only short term credits and the average term is 90 days. The primary customers have been larger traders receiving working capital and import credits and large parastatal companies importing fuel and raw materials. A 1993 World Bank financial sector mission found that the most immediate need for credit is for (i) medium term financing (2-5 years) for expansion of existing viable business and (ii) long term financing (5-10 years) for new or expanding businesses requiring construction and infrastructure. The mission found that medium term credit needs include acquisition of improved machinery and equipment for small-scale domestic industries involved in flour milling, garment manufacture, construction materials production, and small to medium scale fishing operations. A second group of unmet needs for project financing includes loans for equipment for agro-based industries seeking to expand operations for the domestic market (poultry production, poultry and animal feeds milling, dairy, fruit production and processing) and for value-added exports, notably for improving the quality of cashews. A third category demonstrating medium-term credit needs is the tertiary services sector. For example, transport for shipping agricultural products to market and bringing consumer goods to under-served areas is in short supply, particularly in rural areas.

3.21 Regardless of funds availability, Guinean entrepreneurs -- operating within a recently liberalized economy -- often lack experience in developing and managing private-sector risk-oriented investments. As a result of a shortage of experience and lack of access to experienced business advisory services, entrepreneurs often present incoherent business plans with unreliable financial estimates and outdated equipment costs. Most business plans are backed by inadequate market analysis; many operators don't recognize the constraints posed by Guinea-Bissau's small market and don't have the expertise to wider regional or international export markets.

3.22 As for small and medium-scale enterprises, many do not generate sufficient cash flow to pay the costs of feasibility studies and related technical inputs. Recently formed Associations -- bringing together young entrepreneurs, women, or sub-sectoral operators -- do not have sufficient funds for assisting members to pay for project feasibility services. A further constraint to effective credit extension to the informal and small scale sectors is lack of experience with bank financing and lack of trust in existing financing institutions. Faced with continuing high inflation rates, lack of savings facilities adapted to their needs, and difficulty in deposit withdrawals, most operators in the small scale informal sector do not save with banks.

3.23 The financial sector mission's examination of supply and demand factors in the formal credit market indicated that the target group most at risk of not being able to meet project financing needs through existing institutions are the small scale industries assembling, manufacturing or processing products primarily for the domestic market. A second segment of the market requiring term financing is small to medium scale business in agricultural production and/or processing. Medium to long-term credit need of this segment of the market are largely unmet; however, these businesses are somewhat more likely to access term financing in the short to medium term than are the small scale manufacturing or assembly firms.

(b) Informal Sector Financial Institutions

3.24 In the wake of the limitations within the formal financial system, Guinea-Bissau has a strong and evident cultural pattern in both urban and rural areas of mobilizing joint savings. These savings finance both common economic activities of the groups and individual activities by members of group associations. Based on the experiences of two NGOs, Soladimi and Africare, three basic kinds of informal group savings and credit mechanisms have been observed. They are:

- (i) The "abota" or informal Tontine rotating savings group which is practiced by groups of small market sellers (Bissau and rural market towns), and has also been observed among town or urban based "fonctionnaires". Under the market "abota" structure, each member is required to pay in an equal amount of cash daily and acquires the "pot" in his turn to finance his market business until the cycle ends and begins again.
- (ii) An "abota" organized on mutual investment lines. This group operates in market towns and rural villages. It typically requires each member to contribute a certain amount daily or weekly to a common fund, which is in turn used for a joint economic purpose (examples are purchase of raw materials from which the whole group benefits for a common production activity or acquisition of a truck to get products to market).
- (iii) A village or community level "ton", where members contribute a jug of palm oil or a pagne, and one member takes the lot in his turn. This mechanism is also organized around funerals, where village members contribute these items as gifts to the bereaved family. In Guinean traditional rural communities, palm oil, pagnes and cattle serve as semi-liquid savings which can be liquidated when necessary for emergencies.

3.25 A variant of the second type of organization, or "abota" for investment purposes was observed by the financial sector mission operating in two of the four Associations interviewed. In one case, a 26-member village level women's group producing soap as a common economic activity initiated their group enterprise through member "cotisations" of liters of palm oil to get production started. Once one or more production and sales cycles had been completed, group members decided that rather than divide profits among the group, they would save the receipts and invest them to construct and stock a consumer goods store they are developing to serve their "tabanca" with household necessities to which they don't currently have access.

3.26 A second group of 29 women horticulturalists, cultivating together and selling vegetables from their individual plots, carries out a weekly cash "cotisation" among members when money is needed for investment. Funds are used to finance the costs of tools, fencing and seeds to support their common economic activity. Another much sought economic asset, mentioned by Africare-assisted Associations interviewed, is transport to take products to wider markets (domestic and regional). Four groups indicated that future income and "cotisations" might be set aside to assist financing of a truck purchase as a means of reducing high transportation costs.

Smallholder Poverty and the Problems of Credit

Bailo S. is a farmer in Bafata. He has three wives and together they have a total of 14 dependents. He has turned to charcoal production and selling during the dry season because "nowadays farming alone isn't enough to meet all our needs. He describes a number of factors that constrain his earning potential: "My difficulties began with the scarce rainfall when I was working as a peasant. My difficulties in producing charcoal have to do with not having a draft animal. I don't have any money to buy a donkey and less charcoal is sold in the area where I produce it. I have neighbors who are able to sell more than me because they have carts drawn by donkeys and can quickly bring their output here to the city of Gabu, or take it to the main road where more customers pass by." Bailo sees no way to improve his situation without additional money, and no way to get that money.

2. Tax Policy and Equity Concerns

3.27 The reduction of fiscal imbalances constitutes a precondition for sustained growth. Yet budgetary revenues over the last several years have been low and the dependence on non-tax revenues and on taxation of international trade has been high, even when compared with other countries in Sub-Saharan Africa. The revenue structure reflects concentration on three revenue sources: fishing licenses, taxes on cashew exports, and duties and taxes on gasoline. As a result, revenues are very volatile and seasonal, as approximately 40 percent of all revenues is collected during the last quarter of the year.

3.28 While economy-wide distortions are being slowly removed, efforts to initiate a comprehensive reform of the tax system have lagged behind. The principle framework for tax policy and its administration differs little from the one inherited from the colonial era and bears little relationship to the realities of the present economy. The system is overly complex and is plagued by redundancies. The organizational structure for both direct and indirect taxation distorts incentives to produce, has a strong anti-export bias and is highly inequitable – only a small fraction of the economy is being taxed and individuals with the same income are being taxed at widely different rates.

(a) Indirect Taxes

3.29 Indirect taxation in Guinea-Bissau represents more than 80 percent of tax revenues. In recent years the indirect tax system has been subject to important changes. Driven by the need to increase revenue and stimulate economic activity, new taxes have been introduced and the statutory rates frequently modified. Little attention has been given to the likely effects on the efficiency of production or on the equity implications.

3.30 The overwhelming preponderance of indirect tax revenues (80 percent) are derived from taxes on international trade; the rest comes from taxes on a limited number of domestic goods – beer and alcoholic beverages, soft drinks as well as on a few services, e.g., motor vehicle registration. In addition there is a land tax, cattle tax, forestry tax, and a tourism tax. The latter two are earmarked for the 'forestry fund' and the "tourism fund" respectively. There is also a stamp tax for the issuance of permits, diplomas, and other kinds of legal or 'authentic' documents. Finally, the sales tax on gasoline has become an important source of revenue in the last few years.

3.31 The Cashew Export Tax. The cashew tax is fully born by domestic producers and traders in Guinea-Bissau, although how the burden is divided depends upon the internal market structure. The export of cashews is in the hands of a few large traders who operate through numerous intermediary merchants who compete keenly with each other. In this competitive environment, merchants cannot obtain extraordinary profits so that the burden of the cashew tax falls on the harvesters and small retail marketers of cashews, mainly women traders and men and women farmers. This has negative equity implications, as low-income rural farmers are being taxed at rates that are much higher – currently 35 percent – than those applied to urban dwellers with similar income levels.

3.32 Exemptions on Import Taxes. Although all exemptions were supposedly abolished by decree in 1989, they continue to be one of the major reasons behind the inefficient performance of import taxes. Even though exemptions granted to Government and foreign technical advisors have been eliminated, controls on exemptions continue to be inadequate and the exemptions granted to individuals has actually increased. Widespread exemptions encourage imports at the expense of

domestic production, cause distortions in competitiveness and relative prices, introduce inequities, and lead to abuse and corruption. Unfair competition as a result of *ad hoc* exemptions granted to private individuals, public enterprises or public projects in productive sectors also constitutes a major impediment to the development of the private sector

(b) Taxation on Income

3.33 The direct tax system in place differs little from the Portuguese tax system established in colonial times. There is no company or personal income tax as such. four different tax instrument are applied according to income source: (i) the Professional Tax levied on wages and other forms of labor income, (ii) the Business Profit Tax levied on income from commercial or industrial activities, (iii) the Rental Income Tax on rental income, and (iv) the Capital Income Tax on interest income and dividends. This is also a Complementary Tax levied on aggregated income of companies and individuals as well as a poll tax.

3.34 The main concerns raised by the direct tax system are horizontal and vertical inequity, distortion to investment decisions, and excessive complexity. At present, individuals with comparable income levels are taxed widely different tax rates; taxpayers may pay almost three times more tax if income originates from a commercial activity compared to government salaries. Similarly, self-employed individuals earning their living as vendors are taxed through the Business Profit Tax and subject to the same rates applied to company profits. Different time lags in tax payment aggravate the inequity of the system. The differentiated tax treatment on the return on income from different production factors – wages, interest and profits – distorts the incentives to supply labor, to invest or to save. A market economy requires a uniform, or at least a consistent, tax treatment to income from different production factors to avoid allocational distortions.

3. Constraints Arising from the Current Legal System

3.35 In looking at constraints affecting the formal and informal sectors, a third and final area to be highlighted involves the existing legal system. Guinea-Bissau's legal system is an amalgam of traditional customary law, colonial law, socialist law, and more recently enacted law to promote the market-oriented economy. Just after independence, the Popular National Assembly affirmed the continuation of then existing Portuguese laws so as to avoid a juridical vacuum. Many of the colonial laws, however, quickly proved outdated or inadequate, resulting in a range of different kinds of legislation and laws coming into force. These include: laws ("leis"), passed by the National Assembly; decree-laws ("decretos-leis") enacted by government with the approval of the Assembly; and decrees ("decretos") enacted solely by the Government. The government also issues executive resolution and directives of an administrative nature under the headings of circulars ("circulares"), regulations ("regulamentos") and directives ("despachos").

3.36 Unfortunately, all these various laws have not been codified to permit identification and enforcement. As a result, it is difficult for the formal or informal sector, or even for the courts, to know which set of laws apply to any given situation. With the transition to a market economy and the need for greater flexibility and information, this issue is even more critical. The co-existence of traditional law, old colonial laws, socialist laws, and the more recent private-sector laws sends conflicting and confusing signals to the formal and informal sectors, including potential foreign investors.

3.37 Apart from the maze of laws and regulations themselves, the manner in which they are implemented and enforced likewise imposes major constraints. In one sense, the legal environment is de facto very liberal, but many laws are not uniformly enforced. In practice, the formal and informal sectors appear to be less concerned about the laws and regulations themselves, and much more concerned about the heavy bureaucratic and discretionary manner in which they are applied and implemented. This lack of transparency and accountability in the enforcement of laws and regulations opens the door for corruption and favoritism.

D. The Traditional Sector

3.38 The traditional sector accounts for some 85 percent of the total population and, according to the 1991 survey, 84.5 percent of the core and moderate poor. The traditional sector is synonymous with rural subsistence agriculture. As such, traditional-sector economic mechanisms are based on a complex web of societal customs influencing resource allocations, barter trade, and interaction with the monetized economy. This web of economic customs is not necessarily determined by market-based allocation and cost decisions. Those in the traditional sector have tended to move in and out of the cash economy when relative prices made the contract attractive, or -- historically -- when the independence war made tabanca life tenuous. Many traditional sector consumer goods are obtained through a well defined cash and barter system, based on subsistence crop production derived from non-wage moranca labor, with the output shared by the entire moranca.

3.39 Farming systems in Guinea-Bissau differ greatly by ecological zone and type of land use in Guinea-Bissau. The access to land, the gender division of labor and the control over produce and income derived from farming activities depend on the region, communal customs and cropping pattern. [See boxes for a description of the specific farm systems characteristics of the Balanta Brassa and the Fula -- two of the three ethnic groups where most of Guinea-Bissau's poor are situated.] Notwithstanding this caveat, the typical smallholder in Guinea-Bissau can be seen living in an extended family type village setting, called a tabanca. The villages consist of 100 to 1,000 individuals from the same ethnic origin. Their land is generally divided into various plots following a rather complex cropping pattern. The land use is based on integrated coping strategies. In a traditional tabanca, farm families divide their activity among 3 or 4 complementary crops, planted in different areas around or near the village. The family has a plot of land to plant flooded (brackish or fresh water) rice, in the so-called 'bolanhas' or 'bas-fond', another plot for itinerant and rotated rainfed crops (groundnut, rainfed rice and other cereals) under a bush fallow system, and a field adjacent to the house to grow foodstuffs, such as cassava, maize, etc. In addition they use a plot under natural oil palm to produce palm wine and oil. Access to forests, for hunting and other products such as honey and certain tree crops, is also an important part of the year round subsistence strategy of the tabanca.

3.40 The production system is closely linked with the social organization of the tabanca. The residential areas of the different extended families or lineages are clearly distinguished in compounds or morancas. The basic social unit in the morancas is the fagao, successive generations of the nuclear family sharing the same cooking place. Within fagao's individual members are entitled to produce on their own behalf, but labor and food exchanges are common at all levels. Most tabancas also have some form of collective production on communal fields.

3.41 In general terms, the principal constraint on area farmed is labor, although in many areas of the country virtually all productive land has long since been allocated. In case unclaimed land is still available, the bigger the smallholder household unit, the larger the area farmed. Where land is

The fula and Mandinga

The agricultural production system of the Fula and Mandinga in the northeast is very diversified. The staple crops are millet, sorghum, maize; rice is a prestige crop, reserved for guests and ceremonies. Cotton and groundnut are main cash crops, and cattle are a major element of their farming system. Land is collectively owned by the resident clans of the village and is allocated by the male village and clan elders to individual compounds; the male compound head allocates this land to the individual males within the compound. Usufruct rights to land can be granted on a collective or individual basis. Both men and women, married or not, can obtain use rights to individual plots of land and the right to dispose of the harvest from these plots. Collective fields remain under the control of the compound head who is responsible for maintaining the compound's collective granary. Work on collective fields has priority over work on individual plots. River valley land with sufficient moisture is utilized exclusively by women for bolanha rice cultivation and oil palms, using either controlled or flood irrigation. Grasslands around the settlements are cropped exclusively by men in a grass-fallow rotation of 4-8 year cycles, with sorghum, millet, fonio, cassava, peanuts and cotton; ox ploughs and fertilizer are used where available. Upland forest areas are utilized, with men and women working together, in long-cycle slash-and-burn shifting cultivation for the production of upland rice, millet, maize and tubers. Women grow vegetables in village gardens; some men produce cassava, cocoyam (taro), maize, sweet potato, and beans in their own gardens. Gardens are cultivated year-round and very intensively.

Grasslands are used to graze cattle; this is done by boys and young men. Cattle can be individually owned by men, women and children, but are tended in herds. Cattle are rarely sold (usually obtained instead through inheritance, gift, part of the brideprice, or as circumcision gifts), and a woman wishing to sell a cow requires her husband's permission. Fula women have the right to the milk and dung of the cattle, and derive significant income from milk sales. Mandinga men and women both milk their cows, but most milk is consumed within the household. Both men and women have the right to own, buy and sell small livestock.

Male collective fields must be planted with subsistence crops (millet, sorghum) to be consumed, rather than sold. Male cash crops (groundnuts, cotton, cassava) are grown only on male's individual plots. Female collective and individual fields are always located in the valley bottoms and used for irrigated rice cultivation. The senior women of the clans allocate the valley bottom land to the individual compounds, and the senior woman of each compound is responsible for the compound's collective fields and allocates the individual fields to the women of the compound. Bolanh land is exclusively reserved for women and independently controlled by them; they make all planting decisions and have the right to distribute and/or sell the product from their individual fields. The senior women also have the rights to the oil palms in the valley bottoms; they hire men to cut down the palm kennels, and they extract the oil and collect the nuts to sell or trade. All women receive from the village elders rights to water and land for their gardens; they have the right to dispose of the produce of their garden. Everybody, male or female, must give a percentage of the harvest from both collective and individual fields to the village chief or clan head, to be used for charity, social security and gifts to Muslim religious leaders.

Men work together on the collective fields and may also help each other on their individual plots. Similarly, women organize their own work groups to tend to their collective and individual fields, often calling on women in neighboring villages to participate. When a women's work group helps on individual's field, the holder must feed the work group. Women are required to cook and bring food to male work groups working on collective or individual fields.

Spousal incomes are neither pooled nor complementary. Women derive income from selling garden produce, palm oil and nuts, rice, milk, charcoal and ceramic pots. A woman must show her income to her husband, and he may take some of it, but principally a woman's income is used to satisfy her own and her children's personal needs.

more scarce, family plots tend to fragment. The successive life-cycles among generations within the household -- where families age, children marry and create new units, other units split up or grow larger -- are crucial to the area farmed, and changes in land allocation over time. The labor force comprises adults (especially women) and the older children. In critical periods one relies on other members of the moranca to help out, which is generally paid for in kind.

E. Constraints and Strategies for Greater Productivity in the Traditional Sector

3.42 This section deals with the constraints to productivity in smallholder agriculture in Guinea-Bissau and strategies for overcoming these constraints. Several factors contribute to these bottlenecks in productivity and can be grouped into the following broad categories: (i) human resource

The Balanta Brassa

The farming system of the Balanta Brassa, the single largest ethnic group, is based on intensive irrigated rice cultivation in salt water 'bolanhas' (swamp paddies), supplemented with upland cultivation of such crops as millet, sorghum, maize, cassava, groundnuts, beans, upland rice, etc. Fruit trees are also cultivated on upland areas, especially cashew. Rice is the main staple, and the men are responsible for providing it. Women are obliged to provide labor on their husbands' bolanhas as well as to furnish the ingredients (vegetables, milk, fish, etc.) for the sauce that is eaten with the rice. Cattle are important to the Balanta Brassa, and both men and women own cattle, but women more frequently own small livestock. Cattle are managed by boys and young men. Milk and dung are hardly utilized, cattle being primarily used to store wealth and for ritual purposes and social exchanges.

The domestic units of the Balanta Brassa can be categorized as households. A male head of the household shares a house with his wife/wives and children, and occasionally his mother or other relatives. This residential unit is at the same time the production and consumption unit.

Land is collectively owned by the patrilineage, and the male head of the lineage allocates land to the compounds. The male compound head in turn determines the allocation of this land to collective as well as individual uses. Men have both collective and individual uses. They also control most of the upland fields (lugars) which they prepare and seed, with the women helping with weeding and harvesting. Men undertake all the land preparation activities on fields for subsistence crops. Twice a year, they prepare the bolanhas, utilizing male age-group work teams if they can afford to feed and pay them (in kind and/or cash).

Most men give their wives separate small bolanhas in the drier fringes of the swamps as well as lugars to grow a few crops of their own. The women cultivate their individual bolanhas and lugars on their own, usually by hoeing, with the help of their daughters and/or foster daughters; for ridging a groundnut field, they may obtain the help of their husband or hire a work group by providing rice and other compensation for them. Women also have their gardens in or near the village to grow vegetables.

The rice produced on the husband's bolanhas is owned by him, but the bulk is consumed by the family. Parts of it are given by the man in compensation for labor to his wives (for sale), parts are exchanged for tobacco, palm wine or other consumer goods during the year, and any surplus is used to invest in livestock, preferably cattle. By contrast, crops produced on the women's fields and in their gardens are their personal property and may be sold by them.

With the increasing outmigration of males for urban employment, women are faced with greater direct responsibility for bolanha cultivation, but increasingly lack access to sufficient adult male labor to maintain these systems. Changes in hydrology, caused by prolonged drought and by upstream dam construction, are causing increasing acidity in the bolanhas, with significant negative effects on productivity. As a result of these developments, the pressure on upland areas for increasing cultivation is rising, with negative consequences for the environment and the sustainability of the traditional farming systems. Women are expanding their involvement in the production of palm oil and wine, are increasing their vegetable production for commercial fishing and fish processing activities.

Balanta Brassa men contribute a considerable amount of labor to food production and under normal circumstances women's time is not entirely taken up by field work, food processing, and domestic work. This enables women to pursue commercial activities. Brassa women are active in various artisanal activities: the production of ceramics, soap, palm oil and wine, salt, dried and smoked fish. They also collect cashew nuts for sale and produce cashew wine for the market. They fish for shrimp and small fish and collect mollusks. Women are also active in trading. They derive income from trading and from the sale of cashew wine, palm oil, processed fish, vegetables and rice.

Husbands' and wives' incomes are not pooled, and women have the legal right to dispose of their income as they please. It is not unusual for women to have more disposable income than their husbands. Husbands have full responsibility for the survival of the family and, except in times of abundance, all the products from the male fields are kept for home use. Women's contribution is, thus, completely met through their labor on male fields. Women use their income primarily for their own and their children's personal needs, to compensate work parties, and to pay for ceremonies.

The Balanta Brassa have different coping strategies for the dry and for the rainy season. To limit the depletion of grains in the dry season, the women gather manganasse, fruit, leaves, and other forest products. Boys and men help in the harvesting of tree crops. After a poor harvest, women spend more time gathering and processing wild food to avoid the threat of hunger. During a period of scarcity women intensify their fishing and collection of seafood for consumption. They sell less of the rice, peanuts, and other goods they usually collect or produce to earn money. After a bad harvest, men may only sell as much rice as is absolutely necessary for them to pay taxes, and women may not receive any to sell. As a result of food shortage both men and women face reductions in income.

If in the rainy season the depletion of grains becomes imminent before the ripening of the new crops, the Balanta Brassa search for ways to ward off the famine that do not interfere with their planting activities. Trying to get help from people in other compounds is a sensitive issue among the Brassa men. They would be ashamed to have their wives go ask their kin for food, because the men are culturally expected to provide the grains to the family. Where women may still resort to their own kin networks to try to get food if the shortage becomes acute, the men feel forced to sell or exchange their goats or cattle for rice or millet. Women might exchange their cattle and small livestock as well, however once livestock is decimated, it cannot be reconstituted rapidly and the depletion of livestock is a sign of considerable distress in the system.

endowment, (ii) access to productive assets, and (iii) migration, and (iv) environmental degradation.

3.43 In analyzing these constraints to productivity, a first emphasis has to be put on the crucial role of women in smallholder agriculture and the increasing pressure on their use of time and energy. The aggravating multiple task burden poses an important impediment on the rate of development of smallholder agriculture. As elsewhere, female farmers have a triple role: - child bearing and rearing,

- family and household management, and - production/income earning activities. In Guinean rural communities, a woman's first and foremost role is that of procreator. Girls are married off at the onset of puberty, usually to considerable older men, and immediately locked into high fertility patterns. Women's reproductive role is emphasized by social, cultural and religious traditions. A women's life, particularly in the rural areas, is one of long days, numerous tasks, and physically demanding work. She is responsible not only for caring for her children, but she also works long hours in a variety of agricultural and other income-earning activities. In addition, she spends long hours in low-productivity and time-consuming, but essential household management and survival tasks: fetching water and fuelwood, preparing meals, washing clothes, cleaning house and yard, etc.

Women Smallholder Farmers

Amelia S. is a 48 year old illiterate vegetable farmer in Pessaaque. She describes her living situation: "At home my husband and I have 18 people in our charge. We live off the land. I cultivate the land, preparing seed-beds for the production of vegetables, and my husband grows rice. He receives help from nephews and sons who live with us, and I receive help from our daughters and nieces."

Amelia and her husband face a number of difficulties in their farming: "The land I cultivate is not mine, it's my brother's. But people say that a road is going to be built through the land. For now it's fine, we're not paying the owners anything. We just give up these plots to the respective owners during the rainy season; they grow rice, since there's a lot of water.

Other difficulties we've faced have to do with the pests that eat and contaminate the vegetables. When there is a plague we are forced to buy products or pay specialists to spray the crops. People also say that housing will be built on the land we cultivate beyond the road I mentioned. This is a source of great concern, for if all of these projects are carried out, we (and there are many of us cultivating these plots) would be in serious financial straits. It's not easy to find lands such as those we cultivate. Growing vegetables for market requires good land; we need low-lying lands with abundant water."

Amelia can no longer afford to send her children to school. As she states "I only know that some don't go any more because they want money for this and that, and I don't have it."

3.44 Women form the backbone of smallholder agriculture in Guinea-Bissau. Notwithstanding differences across ethnic groups, they are responsible for the bulk of farming activities, with the exception of land clearance and soil preparation. In general women are required to provide substantial labor on the fields managed by their husbands and, in addition, manage plots and gardens on their own account. In all communities women predominate in horticulture and vegetable production, and they also own small livestock which they keep for subsistence production as well as for generating cash income through sale in local markets. They often work in groups in order to spread work loads around and cope with temporary peak demand for their labor.

3.45 Women are estimated to contribute at least 55 percent of the active agricultural labor force between 15 and 60 years old. Given their multiple responsibilities, women work considerably longer hours than men, 14-16 hours on average as opposed to 6-8 hours daily for men. All ethnic groups are polygamous and the number of wives in the household determines to a large extent the household's wealth and productive capacity. The increasing load of subsistence, very often though, leaves insufficient time or space for other income earning activities and thus impedes women to raise their household over the minimal subsistence level.

1. Human Resource Limitations

3.46 Smallholders in Guinea-Bissau are grossly disadvantaged in virtually all aspects of human resource development, be it health, nutrition, education or training. The next Chapter IV of this volume provides an overview of these issues and policy requirements, followed by a more extensive treatment in volumes two and three. Suffice it to say that shortages of basic village health posts and urban bias in basic health care delivery, limit access to basic health facilities in rural areas. Maternal health is generally weak and only few women seek and receive adequate pre-natal care. Family planning and knowledge of modern contraceptive methods is minimal. The marginal basic health care delivery and the physical vulnerability form a serious constraint to productivity.

3.47 International evidence suggests a causality between improvement of health and increasing productivity. Perhaps the most obvious impact is through improvement in the physical strength and endurance of farmers. Another positive impact is through reductions in number of days ill and days absent from field work due to sickness. Furthermore there is a positive effect of health and nutrition on educability. Healthy mothers produce healthy babies, healthy pupils learn more, and healthy workers work harder and longer and produce more.

3.48 As noted elsewhere in this report, educational performance in the rural areas is rather low. School attendance among smallholder households is limited, since very often children are needed to help in agricultural activities. Primary and secondary school enrollment is considerably below the average for Sub-Saharan Africa. Enrollment rates for girls are quite a bit lower than for boys, traditional values hold that a woman's place is home and parents resist sending their daughters to school. This low level of education is another drawback on the farmer's capacity to improve their productivity. General education provides people with basic skills to improve the quality of their lives and it enhances the receptivity to knowledge and the capacity to learn.

2. Access to Productive Assets

3.49 The second set of constraints to productivity centers around the rural poor's access to and control over productive assets, land, technology, support services and credit. In other words the external environment that determines the productivity of farm labor.

3.50 Land and Land Tenure. At present land access is a very important, and potentially explosive, issue in Guinea-Bissau, with major implications for smallholder agriculture. Legally all land is owned by the state. Access to land is defined by two basic and competing farming systems, the tabancas and the ponteiros. Tabancas use a customary system of land allocation. Land is held by the community or kinship group and administered on its behalf by the local chief and the male heads of lineages and extended families. Tabanca land is a collective resource and not private property. Members of the tabanca obtain usufruct rights through the elders or through inheritance. Tenurial security is assured not only by occupation and use, but de facto through the allocation.

3.51 The ponteiros have access to land through the allocation of land concessions from the modern legal structure. This system regulates the allocation of 'unoccupied' land as concessions to anyone (i) who can show that the land in question is not claimed by a second party; and (ii) who has the means to productively use it. In practice, the explosion of ponteiro concessions since 1986 was very closely tied up to production credits. Virtually the only way to obtain credit in Guinea-Bissau in the late eighties was in conjunction with concessions. Lenders required a concession as evidence of a

secure production opportunity. The consequence was a 'cadastral' explosion of new pontas, controlled by absentee, urban based owners. While the ponteiro should first consult local tabanca chiefs to allocate an unused area according to customary procedures, the concessionaire could subsequently legalize the land allocated. The tabanca thereby loses allocative control over its land.

3.52 The competition over land has in the recent past led to open conflict, with cases reported of tabanca residents burning ponteiro crops and tearing up newly planted fruit trees and boundary markers. The conflict also takes the form of a rush to secure unclaimed land. A recent ponteiro-census (1992), however puts the amount of conflict in perspective. The degree of competition is so far not nearly as extreme as would be inferred on the basis of cadastral registration records. The ponteiro sector is presently quite small in relation to the whole agricultural sector of the country. The total amount of land farmed by active ponteiros, approximately 8,500 hectares is less than 2 percent of the total land registered in the cadastral concession records, and only one third of 1 percent of the estimated land requirements of the tabanca sector.

3.53 The conflict nevertheless symptomizes the vulnerability of the traditional smallholder sector. At the base of the land tenure issue is the question of customary land rights being translated into private property. Expectations for future growth in the commercial ponteiro sector imply that competition for good agricultural land will increase over time. Improved transportation access throughout the country in recent years and current road construction activities can be expected to continue the general trend of increasing numbers of active ponteiro cultivation in outlying regions. For the near future, limited access of the rural poor to their most productive asset seriously erodes their capacity to cope with poverty. Especially women, are increasingly faced with the need to produce on lower-quality land, as commercial farmers and commercialization generally tend to lead to a concentration of the better land in fewer hands and under the direct control of men.

3.54 The Government, with support from some donors, has begun look into the issue of land tenure. While not a major problem now, this issue has the potential for creating major social unrest and further loss of economic confidence in the agricultural sector. As such, it should be given high policy priority.

3.55 Technology. Access to modern farm technology and agricultural support services is very limited. Smallholder agriculture in Guinea-Bissau is labor-intensive and can generally be characterized by a low level of technology. Most farming is manual, the predominant tools being axes, machetes, hoes, and knives. The use of modern technology is limited to a few ponteiros and to cotton production. Less than 25 percent of the farmers use selected seeds, only 3 percent use pulverizers or rice peelers. The area cultivated with selected seed is only 4 percent of total cultivated area and the use of fertilizers is very limited. Far greater effort is needed, to provide and improve access to both technology and extension services. The institutional capacity to deliver services is as yet insufficient and typically directed at cash crop production. The lack of appropriate extension messages and the poor training of extension workers make the delivery ineffective. In addition, the delivery is very often exclusively directed at men and at crops which tend to be controlled by men. At present women, the main subsistence providers, have not benefitted much from agricultural extension activities. Improvements in seed material, subsistence crop management, cultivation techniques, and the time and labor constraints in subsistence farming need to be given appropriate attention.

3.56 Rural Infrastructure. The lack of basic rural infrastructure poses a significant constraint on the enhancement of productivity for the rural poor. Agricultural marketing is hampered by the lack of feeder roads, poor maintenance of secondary roads and difficult communications in general. Insufficient means of transport, and an even more limited access to transport aids such as wheelbarrows, carts and bicycles for women, make marketing and gathering extremely time-consuming and therefore counter productive. These problems are aggravated by the absence of adequate rural marketing infrastructure and facilities, including display and storage facilities, transport access, sanitary facilities and banking outlets. Dissemination of market information is hardly feasible under the circumstances.

3.57 As first priority under rural infrastructure in view of the Government's severe financial limitations, the expansion and maintenance of the country's basic feed road network should be of the highest priority, especially in those areas that are already under served.

3.58 Credit. As discussed earlier in this chapter, the country's financial sector is very weak and currently the Government together with the donor community are investigating channels that can provide effective financing to higher-risk lending. Access to the formal banking system is very limited, it clearly does not serve the needs of smallholders that require financing for agricultural purposes. Lack of assets that could be pledged as collateral severely restrict the ability to obtain institutional credit. Women also face traditional restrictions on financial transactions with people outside their family and kinship circles. In their individual capacity the rural poor are not viable customers of commercial banks. Recent experiences with savings and credit associations, 'caixa de poupanca', are rather mixed. Cooperative organization however, appears to be the only practical way of bringing savings, credit and other formal financial facilities within reach of the majority of the rural population. Informal credit is extended within families or through traders, who occasionally extend credit in kind.

3. Migration

3.59 At present two patterns of migration cause labor shortage in traditional agriculture: seasonal rural-to-rural and, permanent rural-to-urban movements. Seasonal migration of young men from the Rural Norte and Rural Leste to neighboring Senegal, for example, takes place during the rainy season. They very often travel with the purpose of helping in the cultivation of peanuts to obtain CFA francs and be able to purchase consumer goods and/or to be able to make bridal gifts. More significantly, so long as opportunities for improving production or productivity are severely constrained in the traditional sector, then permanent rural-urban migration has served and will serve as the principal means for achieving gains in individual or family income.

3.60 In the formal sector, wages are affected by the low investment in human capital formation, which is reinforced by ready access to informal sector labor, which in turn draws upon rural, traditional sector migrants. Migration patterns have been a function of some combination of the supply of jobs in the urban areas (or other countries), relative earning potential, and the presence of extended family members on whom the migrant can rely. It is important to recognize that public policies that create jobs in the modern sector and in widening urban-rural wage differential can be expected to accelerate migration. These shifts will improve welfare for the migrants -- if jobs are available in expanding formal and informal sectors and the social costs of urban life do not outweigh gains by higher income. If job access and urban infrastructure are not adequate then tabancan migrants can expect a net decline in their welfare.

3.61 There is evidence to suggest that rural-to-urban migrations is having a major impact on the productive roles of both men and women who remain in rural areas. For example, in response to expanding opportunities for market-oriented farming and changes in relative returns to different crops, men are increasingly producing crops that had been traditionally left to women. One corollary of these trends is that women in some areas are being pushed out of these activities and on to land of lower productivity. The increasing migration creates a lack of labor force and diminishes the opportunities for productivity growth in smallholder agriculture.

4. Environmental Degradation

3.62 Changing rainfall patterns, decertification, over-population, overgrazing and declining fuelwood supplies are all placing increased pressure on the natural resource base in Guinea-Bissau. Policies pertaining to land tenure, forestry, agriculture and fisheries also have negative impacts on the environment. The country's environmental problems range from deforestation and soil degradation to water availability, water contamination, coastal degradation and fisheries depletion. Biodiversity losses and mangrove losses are associated problems.

3.63 Deforestation, soil degradation and fisheries depletion are the basic environmental problems facing the rural poor. Increasing demand for land by growing populations, clashes between traditional patterns of land tenure and the *ponteiro* concessions, uncontrolled felling of publicly owned trees, and lack of management capacity in government, all place increasing stresses on fragile resources. The country has 1.2 million hectares of arable land and about 2 million hectares of forested land. The cultivated area is approximately 600,000 hectares, of which about 60 percent is in the forest belt. Savannahs cover a similar area. The area of forest cover is believed to have declined by 30,000 to 60,000 hectares per year over the past ten years. Of the approximately 2 million hectares of forest, about 1.1 million hectares is classified as dense forest and 300,000 hectares as mangrove forest. It is estimated that about 500,000 hectares have been degraded through 'slash and burn' agricultural practices.

3.64 The development of charcoal for domestic consumption and export to Senegal and Portugal is one of the causes of deforestation. The yearly log production is reported to be at least 100 percent more than the reproductive capacity of the forest. There are no classified forest reserves in the country. Forestry concessions are often granted for very short durations with the result that they are often immediately cut and abandoned without any attempts at replanting. Traditional land uses have been curtailed by the proliferation of plantations which are utilized far below their productive capacities while forcing smallholders away from traditional livelihoods. Deterioration in the quality of water due to loss of forest catchments, increased salination in coastal areas due to mangrove loss, and over-fishing by mostly foreign vessels all contribute to the depletion of fish stocks in the country.

3.65 Smallholders are major actors in the use of natural resources. They are both contributing to the problem and suffering from the consequences of environmental degradation. The rural poor's exposure to environmental degradation is distinctive for two reasons. First environmental degradation decreases the productivity of those natural resources from which the poor derive their livelihood, thereby perpetuating poverty. Soil degradation and infertility threatens the northern part of Guinea-Bissau, and the savannah areas are endangered by increases in population which are putting additional pressures on peripheral agricultural lands. Subsistence agriculture faces an extra threat because the better land is most often reserved for cash crop production. Second, being poor entails lacking the

means to avoid the impacts of environmental degradation. A lack of resources makes it difficult for the poor to 'buy out' of exposure to environmental risks, or to invest in alleviating the causes of environmental degradation.

3.66 The productivity of natural resources decreases very often through over-use. Pastures may be overgrazed and waters over-fished to an extent that aggregate as well as individual user incomes from these resources decline. The mangrove areas in Guinea-Bissau, which are the natural habitat for many fish are threatened by agricultural expansion in the area. Reducing income earning opportunities and subsistence provisions in coastal and riverine fishing for many poor. In the savannah areas, where rural population growth and the land tenure issue are putting pressure on fertile arable land, fallow periods are shortened. Poverty constrains farmers ability to maintain soil productivity through more intense application of variable inputs.

3.67 Environmental degradation not only lowers the productivity of the natural resources, in addition it can lower the labor productivity of the rural smallholders. Their ability to match subsistence needs and/or the ability to generate income is reduced because environmental degradation forces the poor to spend an increasing portion of their time and labor, especially women, to routine household tasks such as fuel wood collection and fetching water. Where family labor is not abundant, a greater amount of time spent on these tasks, takes away time from other productive activities. Increasing scarcity of fuelwood, further and further distances to be covered, and heavier loads carried - when taken together - reduce the opportunity to invest labor in soil conservation activities.

3.68 Poor smallholders, struggling at the edge of subsistence levels, are preoccupied with survival on a day-to-day basis. The ability to plan ahead is often restricted to a critically short time horizon. Poor farmers' horizons are short partly as a result of their having - in economic terms - a high rate of pure time preference. This lowers the ability to forego consumption today by using savings previously put aside for later consumption purposes. Given the greater value placed on present consumption, resources are 'mined' at a more rapid rate. Similarly, poor farmers are less likely to make natural resources investments that only give positive returns after a number of years. The lack of access to productive resources is at the root of poverty, which in turn exacerbates environmental degradation.

3.69 From a policy perspective, the Government has only just begun to be cognizant of the long-term ramifications of environmental degradation brought about by short-term commercial pursuits and destructive farm practices in the traditional sector. A recent World Bank report has proposed that the Government should assign the highest policy priority to:

- (a) deforestation, forest degradation and soil degradation;
- (b) fisheries depletion;
- (c) water availability (due to salt intrusion and decreased water tables); and
- (d) establishment of protected areas to maintain ecosystem functions, particularly in coastal areas.

CHAPTER IV

HUMAN RESOURCES DEVELOPMENT AND POVERTY REDUCTION

A. Current Status of the Social Sectors

4.1 This chapter provides a brief summary of the more extensive discussion found in Volume II of this report. Most Guineans live in conditions of extreme poverty and social deprivation. The country, not surprisingly, has some of the worst social indicators for health, education and the status of women in the world today. Life expectancy is less than 47 years. A child born in Guinea-Bissau today has one of the lowest life expectancies in the world: 140 children in every 1,000 do not survive the first year of life. Nearly one-third of the country's total mortality is attributed to infants, who represent only 4 percent of the total population. Maternal mortality is also high at 8 per 1,000. Most births are unassisted by any trained medical personnel or traditional midwives. The population growth rate is estimated at 2.5 percent annually. Girls tend to be married young, and begin having children typically while they are still in their early or mid-teens. Family planning awareness is low, with fewer than 80 percent of women recently interviewed having knowledge of contraceptive methods, and probably less than 1 percent actually practicing birth control.

4.2 Endemic diseases are widespread. Approximately 90 percent of the demand on the health system is currently due to a small number of high prevalence diseases such as malaria, respiratory infections, diarrhea and other infections. In 1989 malaria affected more than 11 percent of the total population and 50 percent of the children under age one. An estimated 500,000 days of work and school were lost in Guinea-Bissau because of malaria. Sexually transmitted diseases, especially gonorrhea, have a high prevalence. Estimates indicate that up to 10 percent of Bissau's adult population may be infected with the HIV (AIDS) virus.

4.3 Less than one-third of the adult population is literate, placing the country among the 10 Sub-Saharan countries with the highest illiteracy rates. A complicating factor is that the country is comprised of numerous ethno-linguistic groups. While Portuguese is the country's official language, it is estimated that fewer than 10 percent of the population understand or speak it. Primary school enrollment rates are about 39 percent, and continue a downward trend. Guinea-Bissau is among the 10 countries in the region with the lowest primary enrollment rates, and females represent only about one-third of the total enrolled. The secondary school enrollment rate is only 4.2 percent of the relevant age group with females representing about 36 percent of this total; however, only about 3 percent of girls of secondary school age attend school. Less than 2 percent of all students entering the secondary system actually complete it.

4.4 Women, because of their lack of education and limited access to information and health services, are particularly disadvantaged in Guinea-Bissau. They have very limited opportunities for participating in the formal sector of the economy, and their wage earning opportunities are severely restricted. They are responsible for much of the agricultural work, but have less access to credit, markets, technology and information than do men. A rural woman's life is generally one of long days, drudgery with many tasks and hard work.

B. Issues and Common Themes

4.5 Set within a framework of poverty, common issues and constraints are found within both the health and education sectors. Among these themes, which include the delivery of services, quality of services provided, internal efficiency, effectiveness, equity and access, and social sector financing, inter-linkages are found. Due to this inter-connectedness and the country's early stage of development, a problem in one area acts as a constraint in affecting other areas as well.

1. Effectiveness

4.6 Guinea-Bissau's education and health systems have been unable to respond effectively to the demands of the post-colonial period. The education system has been unable to supply the trainable manpower needed to direct the economy towards sustainable growth. Similarly, the health care system has not been able to improve critical health indicators such as infant and maternal mortality rates.

2. Delivery of Services

4.7 Delivery of health services and basic education are adversely affected by a scarcity of adequately trained teachers and health care personnel. In schools and at some health facilities absenteeism is common. Low salaries and an inadequate career structure diminish motivation and force teachers and health care workers into taking on other jobs simultaneously in order to make a living. Insufficient supervision and monitoring, hindered by a lack of transportation and insufficient numbers of trained inspectors to visit schools and medical personnel to visit remote rural areas, compound service delivery problems. Primary health care (PHC), the centerpiece of the Government's health policy, is not working effectively because of weak links within the system, particularly at the health center level, which has primary responsibility for training and supervising workers at basic health posts at the village level.

4.8 In addition to staffing and supervision constraints, delivery of services is also affected by the generally poor physical state of facilities. There is minimum maintenance of facilities and equipment in both sectors due to a lack of funds and skilled personnel. Many schools and health facilities are in a deteriorating state, without water and sanitation, and most are poorly equipped lacking even basic supplies and materials. In the case of schools, there are generally insufficient textbooks, instructional materials and teaching aids making teaching difficult and, as a result, students must resort to rote learning. Similarly, many health facilities, especially those at the periphery charged with delivering primary health care (PHC) are handicapped by a critical shortage of essential drugs and medical supplies.

3. Quality and Efficiency

4.9 Intertwined with the issue of delivery of services are quality and internal efficiency issues. There is low quality in the education system because of the language problem, inappropriate curricula, poor preparation of teachers, lack of instructional materials, and defective school infrastructure. Low internal efficiency of primary education is due, in part, to schools being closed or teachers being absent. More intensive supervision in the education and health systems is required.

Concerns over Health Care

Pepesseco N. is a 50 year old rice farmer in the outskirts of Bissau. Formerly, Pepesseco was a cashew farmer. He describes why he has turned to rice: "I had a cashew plantation but people came from the city, soldiers cleared a large part of the plantation, occupied the land, and built their houses without paying me any compensation. Since they're members of the military I went to Amura (General Headquarters of the Armed Forces), and I went to the City Council of Bissau to complain, but nothing has been done to date. One of the expropriators promised to help one of my children get a visa to emigrate to Portugal, perhaps to calm me down. But nothing has happened so far."

One of Pepesseco's main problems is that his wife has been ill. This has placed an additional burden on the family, both in terms of health care costs and income forgone. Pepesseco describes what happened: "My wife was dealing in tomatoes and other vegetables, but had to stop because of her health. She was very sick. She had become very swollen. We went to the hospital to see the doctor; he gave us a prescription and to buy the medicine we had to spend all the money we had saved. She's better but can no longer do tiring work." Pepesseco also voices some concern over access to health care: "Another concern arises when people get very sick here in the rural areas of the outskirts of Bissau. It's very hard to get them to the hospital. We go to the primary health care center for small headaches and fevers. But when there are crises things get complicated. You have to get out to catch a taxi - and that's hard where we live."

4.10 It is widely recognized that many teachers and health care workers have low qualifications. Teachers' qualifications, which are closely related to the quality of children's learning, are very inadequate: of all primary school teachers 12.7 percent had only 4-5 years of schooling, and 32.6 percent had 6-8 years. Graduates of the Teachers College are migrating to other countries in search of better salaries and career opportunities. While unpaid community volunteers staff the basic health units at the village level, there are insufficient numbers of trained health center personnel to staff health centers, supervise, and provide training to community workers staffing the health posts. Similar to the case of teachers, the health system is also finding it difficult to recruit individuals into the profession. The number of nursing students has diminished significantly in recent years.

4.11 Combined with declining enrollment rates, nearly 35 percent of primary school students fail their examinations. The repetition rate was 37.6 percent for all grades during 1988-89. Attrition at the primary level during that year was 8.2 percent. The enrollment, repetition and attrition rates found in the system, and the present low student/teacher ratios are further indicators of the education system's low quality and efficiency.

4. Equity and Access

4.12 In addition to the lack of school facilities and low internal efficiency there are socioeconomic factors, such as children's responsibilities for household chores and parents reluctance to educate girls, affecting access and equity. Women and girls have limited access to health and family planning services, education and training. Female illiteracy is greater than 80 percent. Only 40 percent of the relevant age children attend primary school, and of this number only 37.5 percent are girls. Of the 4.2 percent of the school-age children attending secondary school, only 36.4 percent are girls. The participation of women in the delivery of education is even lower than that of females benefiting from education services. While the education system does not actively discriminate against girls and women, from these figures it is obvious that females do not participate equally with males in

the system. Guinean society does discriminate against women in a number of ways: there is a low value assigned to education by parents; early marriage and motherhood is the norm; and low school enrollment and attendance rates may reflect the low relevance of the curriculum as well as the fact that children, especially girls, are taken out of school to help with domestic chores and the care of younger siblings. Poor health care and personal hygiene contribute to high maternal mortality and morbidity. Women's access to basic health services, particularly in rural areas is affected by a shortage of basic village health posts, trained health workers and birth attendants, and by an over-concentration of health resources in the urban areas. The number of nurses and auxiliary midwives is less than 50 percent of the established ratios in almost all areas of the country, except Bissau, which has an excess of nurses by nearly 180 percent of the established ratios.

C. Government Strategy

4.13 An education sectoral strategy that assigned priority to improving primary education was approved in 1988. The goals are to: rationalize the use of education resources in order to achieve maximum impact; improve the quality and efficiency of basic education and produce individuals who can become productive members of society; and strengthen the institutional capacity to administer and plan for the development of the system. A Medium-Term Plan for the system was discussed with major donors in 1990, and another meeting was held with donors in early 1993. To achieve these goals it is necessary for the Ministry of Education to undertake administrative and technical changes within, some of which have been initiated, in order to strengthen its planning and management capabilities.

4.14 The health sector's present management has shown renewed interest in examining health policies, establishing priorities, and in strengthening managerial controls and accountability, including a desire to accelerate the decentralization process and strengthen PHC services. The National Health Plan (NHP) for 1989-95 has the objective of providing PHC for the whole population by the year 2000. Within a PHC framework the focus will be on: essential drugs, training of health personnel, and infrastructure rehabilitation. In early 1993 the Ministry of Public Health further elaborated a revised strategy from the NHP into a Health Policy Implementation Plan, setting forth operational objectives to be attained by 1996. Priority was given to health system development at the central level and initially in three regions which have some of the poorest of the rural poor: Bafata, Biombo and Oio. The system will eventually be expanded to other regions of the country. This Plan emphasizes the utilization of all available health care resources in the country (NGOs, private and traditional health systems) and increasing the managerial and operational capacities of the existing health system. To provide adequate and timely support to the regions, the Ministry also has prepared a plan to improve organization and management at the central level.

D. Priority Areas for a Social Sector Plan of Action

4.15 In order to improve the basic health and education status of the population and provide the most impact for reducing the low social indicators the following recommendations are suggested as priority areas around which to develop a coherent social sector strategy and plan of action:

- (a) Development of Human Resources: (i) In-service training for all levels of health care workers and teachers. Improvement of salaries and/or development of incentive programs to raise the status and career structure of the professions. These actions should have the effect of improving the quality and motivation of personnel. (ii) Continuing to support the

The Demand for Credit and Social Services

Fernando B. is a retired carpenter for the Ministry of Agriculture. As his pension is inadequate, the family depends on his wife's work in vegetable farming for support. He describes his living situation: "In all I am responsible for 13 people: my wife, my children, and two wives of a brother of mine, who also have children. Fortunately we don't pay rent because the house we live in belongs to my youngest brother, now deceased, who was an Armed Forces officer. This was unfortunate for me, because he was a brother who I could count on for renovating this house. He would have been able to help a great deal to get a government loan, among other things. But God determined otherwise. As a result, I've been asking other people outside the family for favors. For example, I had to ask a friend to lend me one million pesos just recently to replace the thatched roof of this house. As you must know, all thatched roof houses need this each year."

Fernando also sees his income level as a constraint on his children's schooling and health: "Everything is in God's hands. I would like them to go on. And I need money. But I don't see any way to get the money I need so that those who are still studying don't have to drop out. Some drop out because I can't even pay the enrollment fee. The oldest is looking for work, but hasn't found any. Medicine is expensive, it's no longer given out at the hospitals."

expansion and improvements in the quality and effectiveness of primary education. (iii) Expanding and promoting the development of basic skills through non-formal education, and technical and vocational training. Effective programs, undertaken by various international organizations and NGOs, could be identified and expanded. Some of these programs might include basic literacy and numeric training to increase the human resource base and productivity.

- (b) Rehabilitation of Facilities: A focus is suggested on rehabilitating existing schools and health care facilities, and ensuring that they are adequately supplied with materials and equipment, rather than considering any physical expansion at this time. Consideration should also be given to ensuring that health facilities and schools slated for rehabilitation include adequate provisions for access to water sources. In connection with the rehabilitation of existing facilities, priority should be given to developing a responsive maintenance system. Spending for normal maintenance must keep pace with new investment. Employing "appropriate technology" and indigenous means of production as well as involving local communities in sharing costs and being responsible for maintenance management for facilities, equipment and vehicles should be explored.
- (c) Provision of Essential Inputs: Focusing on achieving an adequate supply of essential drugs in the health care system, which with expanded immunization coverage could have an immediate impact on improving morbidity and mortality indicators. The cost-recovery measures already adopted, in accordance with the Bamako Initiative, could be expanded to other regions following an analysis of the pilot program underway. Similarly, providing adequate and appropriate textbooks, educational materials and supplies to existing educational facilities, particularly at the primary level, concurrent with in-service training for teachers should improve the quality and effectiveness of education delivery.
- (d) Development of an Information, Education and Communications Campaign: Consolidating and expanding support for some of the on-going programs and developing a targeted campaign to increase the public's awareness about basic health issues and

programs, including nutrition, family planning, hygiene and sanitation, AIDS and other endemic diseases. IEC could be particularly effective if it targets women's health and role in society. It could also be used to change attitudes and behavior regarding education and to sensitize the population about the benefits of education for women.

E. Costs and Returns of Investments for an Action Plan

4.16 Education. Estimates of the social returns from investing in education indicate that the strongest case for public support of education in low-income countries is at the primary level, where investments meet the goals of promoting equity as well as raising economic productivity. Average social returns on investments in education at the primary level are estimated to be 26 percent in Sub-Saharan Africa. Increased investments in primary education can accelerate growth in several ways: educated farmers have been found to achieve higher productivity levels than those who have not gone to school; and, a mother's education enhances the probability of child survival, the family's health and nutrition, her income earning opportunities, and her knowledge of family planning methods resulting in reduced fertility.

4.17 In 1986, non-salary expenditures for elementary education represented only 5 percent of recurrent expenditures in low-income countries, compared to 24 percent in high-income countries. Total unit costs of primary education in Sub-Saharan Africa averaged US\$15 for primary education. Guinea-Bissau's education budget is dominated by salaries (89 percent), and total unit costs for primary education were about US\$13. Countries able to spend only about US\$1 per student on classroom materials are at the lowest level in the quality of their education. In Guinea-Bissau the amount spent on instructional materials at the primary level is even less: only about US\$0.60 per student or approximately 1.1 percent of the education sector's recurrent budget. As indicated in Table A below, in 1989 only 1.6 percent of Guinea-Bissau's GDP was spent on education compared to the Sub-Saharan Africa average in 1985 of 5 percent.

Table A

Selected Resources Allocations to Social Sectors of Some Sub-Saharan Countries

Country	GNP per per Capita (US\$/1989)	Share of Central Budget for 1990			% of GDP (1989)	
		Defense	Health	Education	Health	Education
GUINEA-BISSAU	180	28.0% a/	7.0%	12.9%	1.0%	1.6%
BURKINA FASO	310	17.9%	14.0%	5.2%	..	..
CAPE VERDE	760	..	..	..	..	..
EQ. GUINEA	390	11.3%	5.7%	7.6%	..	..
THE GAMBIA	240	7.6%	9.9%	19.8%	..	..
GHANA b/	390	3.2%	9.0%	25.7%	..	..
MALI	270	19.0%	5.8%	24.9%	..	3.0%
NIGERIA c/	250	4.0%	0.1%	5.0%	7.8%	..
SAO TOME & PRINCIPE	340	..	10.0%	7.8%	..	..
LOW-INCOME COUNTRIES	330				3.0%	..
SUB-SAHARAN AFRICA d/	330				1.2%	5.0%

Source: The World Bank, "Social Indicators of Development". The John Hopkins University Press, 1991.
The World Bank, "World Development Report, 1991; The Challenge of Development. June 1991.
Ministerio da Economia e Financas. Proposes do Orcamento Geral do Estado, 1991.

Note: .. = not available.

a/ Defense expenditures combine military and security.

b/ Figures for the Share of Central Budget are for 1989.

c/ Does not include State and Local Governments Contributions.

d/ Figures for the % of GDP are for 1985.

4.18 Health and nutrition. Health spending is about 3 percent of GDP in low-income countries, 5.5 percent of GDP in middle-income countries, and 7 percent in industrialized countries. In Sub-Saharan Africa the average for health spending was about 1.2 percent in 1989: for the same year Guinea-Bissau's health spending amounted to only 1 percent of the GDP, Table A above. Required spending for critical programs, according to WHO estimates, which would include a package of basic health interventions such as immunizations, pre-natal care, health education, excluding water and sanitation, would cost about US\$10 per capita per year. Similarly, the problem of mass child malnutrition could be overcome at an average annual cost of approximately US\$10 per child. The total cost of immunizing one child against six target diseases--measles, polio, whooping cough, diphtheria, tetanus and tuberculosis is estimated at US\$5. In countries such as Guinea-Bissau, which has a high infant mortality rate, an additional dollar of public health spending per capita could be associated with a decrease of infant mortality rate of 16 per thousand, if the government expenditure were twice as efficient.^{5/} For even the poorest countries with GNP per capita of around US\$200, which also includes Guinea-Bissau, the public expenditure for gradually achieving universal primary health care would be no more than 2 percent of GNP, increasing to 3 percent by 2000, provided measures for improving efficiency are adopted. Guinea-Bissau is coming from a lower starting point than most other countries, and for this reason improvements in health care delivery are contingent on safe-guarding and increasing budgetary allocations to the sector and increasing the efficient use of these resources.

The Disabled

Juliao S. is a former shoemaker who is blind and currently receives a disability pension of 5000 pesos a month. He lives with his wife, a hairdresser and their children in a shack near the airport. Juliao does not see much hope of his wife's business growing to support the family. He states: "money brings in more money. Someone, or the State, has to help us. We were given shelter by a neighbor after the house collapsed. And the priest at Antula gives us eight kilos of rice each month."

4.19 Water and sanitation. Access to safe water, accompanied by improvements in sanitation and personal hygiene, contribute to better health. Economic benefits arising from time savings that improved water supplies have, particularly in easing some of the constraints on women who are the primary water-bearers in Guinea-Bissau, could be considerable. Capital costs of handpumps and simple gravity-fed systems are estimated to be about US\$5 per person. Wherever communities are involved in the design, construction, installation and maintenance of water supplies, water projects have proven to be more efficient, cost-effective and sustainable. With community participation and cost sharing, an expenditure of 0.5 percent of GNP could ensure widespread access to safe water.

4.20 Maternal and Child Health and Family Planning. In 1986 Guinea-Bissau was one of five African countries which were basically pro-natalist or gave little support to family planning. While the Government has not yet issued an official policy statement on family planning, it does now appear

^{5/} World Development Report, 1991, p. 65.

more ready to address the serious consequences unchecked population growth can have on the country's economic development prospects. In addition to putting a check on population growth, family planning efforts in Guinea-Bissau can have a positive impact on the well being of women, children and the family. Better spacing and timing of births as well as fewer births can reduce infant, child and maternal mortality and morbidity. Reducing mortality among children is a necessary step toward reducing fertility. As child survival rates increase, fertility rates decline and parents no longer have as many children to insure against future deaths. A family planning program in Guinea-Bissau is best undertaken in the context of a strengthened PHC and maternal/child health delivery system, as well as education of girls and mothers. Based on recent experience, 0.6 percent-0.8 percent of GNP annually could allow a country to halve its total fertility rate by the year 2010.

F. Roles of Government, Communities, Donors and NGOs in Plan of Action

4.21 Government. The Government could set the tone and demonstrate its commitment to the social sectors through policy direction and reallocation of resources. Guinea-Bissau falls below the social indicators in every case cited for low-income countries in the region and for Sub-Saharan Africa as a whole, as shown in Table B below. It has some of the worst social indicators among those countries in the region with which it was compared. This compares with Guinea-Bissau's 7 percent and 12.9 percent central budget allocation for health and education, respectively, in 1990, as shown in Table A above. Further, as a percentage of GDP the health and education sectors in Guinea-Bissau are below the average for other countries in Sub-Saharan Africa. These data would appear to indicate that the time might be opportune for the Government to reevaluate its priorities and set the direction for the important task of development in the nation's people. Evidence has shown that investing seriously in people makes sense not only in human terms, since expenditures on health care and education expand opportunities for the poor, but also in hard economic and productive terms. In the long run, investing in people is the only way to achieve sustainable growth and lasting progress.

Table B

Selected Social Indicators of Some Sub-Saharan Countries
(1989 Data Unless Stated Otherwise)

	GNP per Capita (US\$)	Under-5 Mortality Rate (Per 1000 Live Birth)	Prevalence of Malnutri- tion (Under-5) (% of Age Group) a/	Pupils Reaching Grade 4 (% of cohort)	Illiteracy Rate:	
					Overall (% of Pop.)	Female (% of Females)
GUINEA-BISSAU	180	230.7	23.4	64.4	68.6	82.7
BURKINA FASO	310	195.6	45.5	83.0	86.8	93.9
CAPE VERDE	760	48.8	14.7	89.8	..	61.4
EQUATORIAL GUINEA	390	196.9	..	..	..	63.0
THE GAMBIA	240	225.2	20.0	92.0	74.9	84.9
GHANA	390	132.1	35.5	75.4	36.0	57.2
MALI	270	221.6	31.0	72.6	83.2	89.0
NIGERIA	250	156.4	28.1	80.8	57.6	68.5
SAO TOME & PRINCIPE	340	49.9	17.0	82.2	33.0	..
LOW-INCOME COUNTRIES	330	161.0	..	67.8	43.4	56.5
SUB-SAHARAN AFRICA	330	157.1	24.0	76.4	53.4	64.0

Source: The World Bank, "Social Indicators of Development". The John Hopkins University Press, 1991.

Note: .. = not available.

a/ Data for Guinea-Bissau (1980) and Nigeria (1986) are taken from: Galloway, Rae. "Global Indicators of Nutritional Risk". February 1991.

Data (1980) from Sub-Saharan Africa is taken from: UNDP. "First Report on the World Nutrition Situation". November 1987.

4.22 In addition to reallocating funds within the central budget to health and education, the Government could review the whole problem of under-funded recurrent costs. There is a temptation in Guinea-Bissau to accept foreign funds, without considering the recurrent cost implications, for buildings, equipment and service systems that cannot be maintained. The Government should consider further efforts that need to be made to reduce costs, such as promoting cost sharing, encouraging people's participation in service management and maintenance, expanding outreach, and raising the efficiency of social services. While more public resources need to be allocated to PHC and primary education, given the prevailing budget constraints there is an urgent need to tap additional private sources of funding, particularly for curative health care and higher education. Equity would also be improved by making better-off citizens pay for their own care and education, and reallocating scarce Government resources and subsidies to rural areas and to the urban poor.

4.23 As well as at the central level, options need to be considered concurrently within the Ministries of Education and Health to better allocate resources and improve the quality and equity of services. The effectiveness of expenditures could be improved by appropriately reallocating resources within each sector, targeting resources toward the most disadvantaged, and rectifying imbalances in urban-rural distribution patterns. In Guinea-Bissau, as in many developing countries, spending on health and education frequently tends to favor the capital area, while 80 percent of the population reside in rural areas, and, as indicated in Chapter II, the rural areas account for about 80 percent of all poverty in the country. In addition to expenditures, poor communication and transportation keep meager services outside the reach of most of the population. Priorities need to be reassessed and coverage of services expanded. Redirecting actions would necessitate an acceleration of the decentralization process in terms of both management and financing to the regions and communities. Decentralization could improve some of the persistent logistical problems in the distribution of drugs, equipment, fuel, textbooks and school supplies. It would also imply implementing cost sharing measures, more efficient use of community-based NGOs, and continuing and expanding cost recovery efforts that have started for essential drugs.

4.24 Communities. Government could also achieve cost savings by considering the willingness of communities to pay for improved services. Mechanisms might be put in place for identifying local demands and priorities with the communities and for recovery of costs from beneficiaries. Community desires and priorities could be expressed through responsible village leaders. Success has been experienced in other countries which have used community-based NGOs and women as lead managers in implementing programs in all areas of human resource development. Services such as primary schools, health clinics, and water pumps are best managed by users or agencies working close to them. Users are more willing to contribute to the cost if they are directly involved in the design, delivery and management of services. This type of arrangement could serve to foster a sense of individual and community responsibility for the delivery of services.

4.25 Donor Assistance. The social sectors are very dependent on donor assistance to carry on routine activities, as well as support specific programs. In 1989, for example, donor assistance was nearly three times greater than the Government's allocation to the health sector, and about 89 percent of the total Government allocation to the education sector. After more than a decade of experience in providing substantial assistance to the social sectors in Guinea-Bissau, and with little, if any, real improvement in the social indicators or the quality of life for the poorest in the country, it is time for the donor community to undertake a critical review and inventory of the entire assistance program. Several pressing questions need to be addressed: How much of the external assistance program is actually reaching those at the grassroots level who need it the most and really making a difference?

How can the large amount of technical assistance flowing into the country be better utilized? How can duplication and waste in programs be minimized, and human and financial resources maximized? How might donor agencies better coordinate among themselves in providing assistance to the social sectors? How might donors assist the Government in better coordinating and managing aid to the sectors?

4.26 NGOs. There are a number of excellent NGOs presently working in the social sectors in Guinea-Bissau. The Government, which is overextended in its planning and administrative resources, might better tap the expertise in these agencies to expand their role in implementing targeted programs, particularly in working at the village-level on the delivery of PHC, family planning, education and skills training. Allowing NGOs to provide services under some programs would enable the Government to broaden access to adequate schooling and health care.

G. A Vision for the Year 2000

4.27 The following matrix presents a list of global goals to be attained by the year 2000,^{6/} which were adopted by the World Summit for Children in September 1990. The Government of Guinea-Bissau participated in the Summit and was in agreement with the goals, which represent the results of widespread consultations among governments and agencies of the United Nations. The goals are in line with many of the recommendations suggested in this report to address the priority issues identified in the social sectors in Guinea-Bissau. While the Summit considered the targets feasible overall during the course of the decade, the question of their feasibility in Guinea-Bissau must be considered within the context of the country's human and financial realities. In addition to the global goals, therefore, the matrix presents Guinea-Bissau's current situation in terms of specific indicators based on the data collected for this report; implied targets for the country for the year 2000 according to the Summit's goals; and a blank column for Government and donors to complete after agreeing on realistic targets for the year 2000 given Guinea-Bissau's starting point.

^{6/} UNICEF, 1991, The State of the World's Children.

SOCIAL SECTORS TARGETS BY YEAR 2000

	WORLD SUMMIT a/ GLOBAL GOALS FOR YEAR 2000	GUINEA-BISSAU		
		1991 ACTUAL SITUATION	TARGETS FOR YEAR 2000 IMPLIED BY WORLD SUMMIT GOALS	REALISTIC TARGETS FOR YEAR 2000 TO BE AGREED BY GOVERNMENT/DONORS
	OVERALL GOALS: -----			
1.	Reducing under-five death rates by one-third	140 per 1,000 (IMR)	93 per 1,000 (IMR)	
2.	Reducing maternal mortality by 50%	8 per 1,000	4 per 1,000	
3.	Reducing severe and moderate malnutrition in the under-five by half	40% moderate 2% severe	20% 1%	
4.	Providing safe water and sanitation	90% fetch water many from unsafe water sources	100% access to clean water and sanitation facilities	
5.	Providing basic education for all children	40% enrollment rate	100% enrollment rate	
6.	Completion of primary education by at least 80%	39% completion rate to Grade 4	Increase by 41% to reach 80% target	
7.	Reducing adult illiteracy rate by 50%	70% illiteracy	35% illiteracy	
8.	Special protection for children in very difficult circumstances, e.g., war			
	WOMEN AND GIRLS: -----			
1.	Providing family planning education and services for all couples	20% unaware of contraceptive methods	Increase awareness by 100% through IEC and MCH/FP programs	
2.	Providing access to pre-natal care and service of a trained attendant during childbirth and referral for high-risk pregnancies to all women	20%-25% unattended births	100% attended births	
3.	Achieving universal recognition of special health and nutritional needs of females during early childhood, adolescence, pregnancy and lactation	Little being done in a systematic manner	IEC campaign; support for MCH program	
	NUTRITION: -----			
1.	Reducing the incidence of low birth weight (2.5 kg. or less) to less than 10%	21% 1984; 18% 1985	Reduce by 10% to reach about 10%	
2.	Reducing iron deficiency anaemia among women by one-third	75%	Reduce to 50%	
3.	Eliminating Vitamin A deficiency and iodine deficiency disorders	Not known to be a significant problem	Continuously monitor situation	
4.	Supporting breast-feeding during early months of child's life, and meeting special feeding needs of a young child through the vulnerable years		Support current practices of wide-spread breastfeeding, initiate IEC campaign on correct weaning practices.	
5.	Promoting growth monitoring	Weight taken at health centers, little follow-up	Support PHC and MCH programs, and include universal growth monitoring, counseling and training.	
6.	Disseminating knowledge to enable all families to ensure household food security		Massive cross-sectoral IEC campaign to reach entire population	

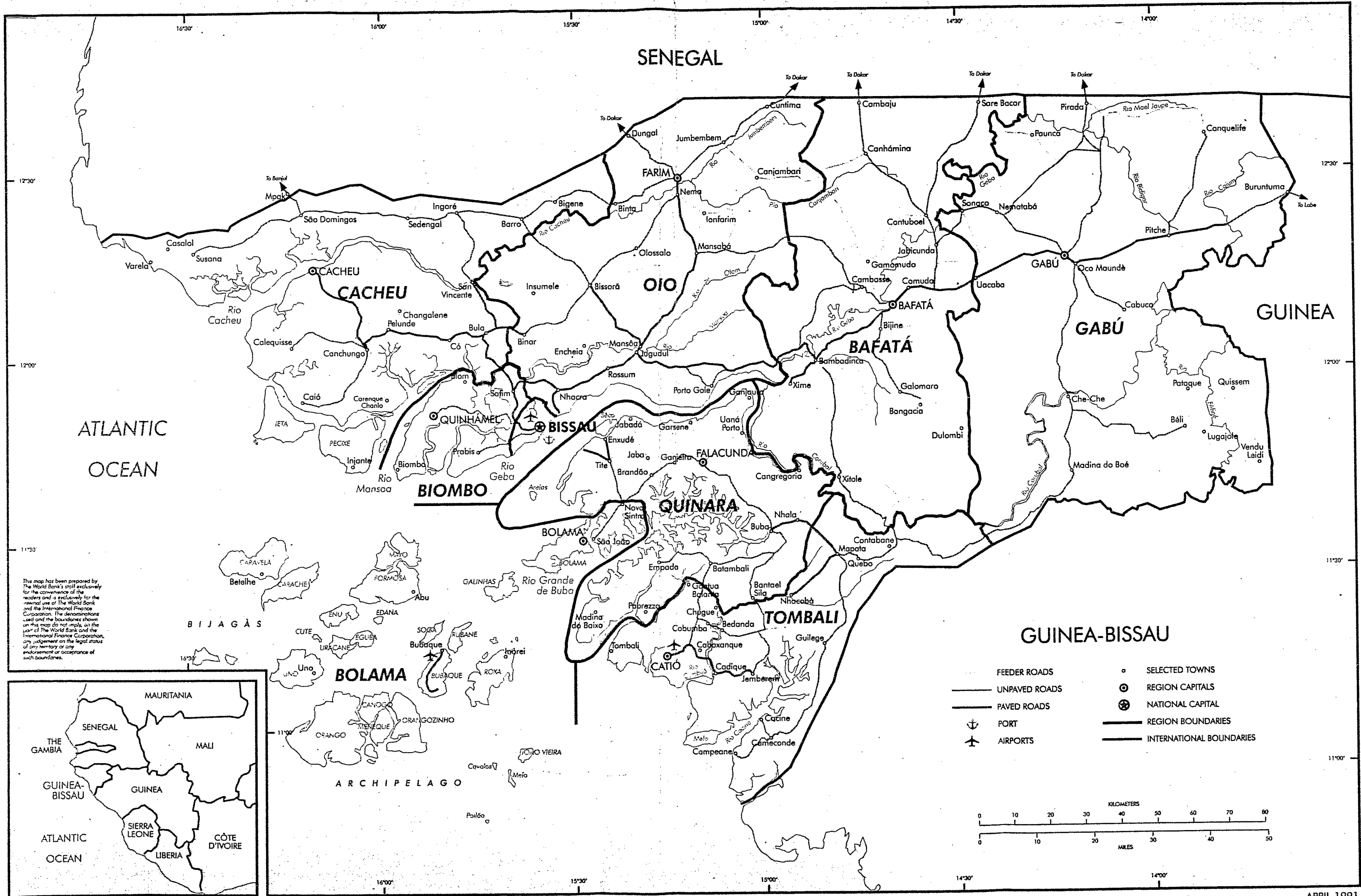
WORLD SUMMIT a/ GLOBAL GOALS FOR YEAR 2000		GUINEA-BISSAU		
		1991 ACTUAL SITUATION	TARGETS FOR YEAR 2000 IMPLIED BY WORLD SUMMIT GOALS	REALISTIC TARGETS FOR YEAR 2000 TO BE AGREED BY GOVERNMENT/DONORS
CHILD HEALTH: -----				
1.	Eradicating polio	1990: 54% OPV coverage	85% plus coverage; no cases coverage.	
2.	Elimination of neonatal tetanus by 1995	1987: 5.7% of infants deaths	Eliminate neonatal tetanus through 85% immunization	
3.	Reducing measles cases (90%) and deaths (95%) compared to pre-immunization levels	1988: 1,103 cases; 1989: 136 cases 1990: 42% immunization	Reduce number of cases by 90% and increase immunization coverage to 85%	
4.	Achieving and maintaining at least 85% immunization coverage of one-year old children and tetanus immunization for women in child-bearing years bearing years	24% of children fully vaccinated by one-year 45%: 12-23 months	Increase coverage to 85%	
5.	Halving of child deaths caused by diarrhoea and reducing the incidence of diarrhoeal diseases by 25%.	1989: 10,000 infant cases; 350 (22%) of infant deaths in 1987	Reduce number of infant cases to 7,000 and deaths to 675	
5.	Reducing child deaths caused by acute respiratory infections by one-third	At least 900 deaths in 1989	Reduce deaths to 600	
6.	Eliminating guinea worm disease	n.a.	Monitor situation	
EDUCATION: -----				
1.	Expanding primary school education	40% enrollment	Increase enrollment to reach 100% target	
2.	Mobilizing today's communications capacity to disseminate essential knowledge and "facts of life" skills to all families	n.a.	Massive IEC campaign to reach entire population	

a/ UNICEF. The state of the World's Children. 1991.

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4.28 Coordination. In the context of focusing on actions to address the most urgent issues in the social sectors, it is a prerequisite that the Government, international agencies, donors and non-government organizations supporting the social sectors make every effort to increase and foster aid coordination so that scarce financial and human resources are maximized to realize the greatest benefits. In facilitating aid coordination and strategy formulation, a first social sectors consultative conference was held in February 1992. It is suggested that there is a need for future such conferences to be held, perhaps on a yearly basis, for the purpose of discussing and working out a plan to deal with priority issues, coordination aspects, funding, and developing a program to achieve specific realistic goals be considered to discuss and work out a plan to deal with priority issues, coordination aspects, funding, and developing a program to achieve specific realistic goals in the social sectors by the year 2000. In this spirit Government and donors might consider the following options:

- (a) developing social policy and a strategy framework for the social sectors inclusive of: health, nutrition and population; education and training; and women-in-development which are realistic, directed and focused, and prioritize goals within the resource constraints and parameters of the country; (see attached matrix depicting global goals agreed to at the World Summit for Children, Guinea-Bissau's present situation, and room for Government and donors to set reachable goals within the country's context);
- (b) reaching agreements between Government targets and donors on defining the various donor agencies comparative advantages in supporting/leading specific programs, which should be restricted to those included within the agreed policy framework and investment program;
- (c) holding regular social sector donor conferences to work out mechanisms to promote improved coordination for external assistance and agree on priority areas for assistance; and
- (d) creating a body, such as a social sectors council, comprised of Government, primary donor agencies and NGOs which would hold periodic meetings to discuss and monitor the progress in meeting the goals set out and agreed upon in the strategy framework developed for the social sectors, and the aspects of investment coordination.



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- FEEDER ROADS
- UNPAVED ROADS
- PAVED ROADS
- ⚓ PORT
- ✈ AIRPORTS
- SELECTED TOWNS
- ⊙ REGION CAPITALS
- ⊕ NATIONAL CAPITAL
- REGION BOUNDARIES
- INTERNATIONAL BOUNDARIES

