

PD-AAA-639
 ISN 1171

279-0023/43 213/14

Attachment A to H.O. 1025.1
 (TL 9:172)

FINANCIAL PROJECT PAPER (FORM)

PAGE 1 OF 2 PAGES

I. PROJECT IDENTIFICATION

1. PROJECT TITLE: **PRE-DEVELOPMENT STUDIES**

2. RECIPIENT (official): **Yemen Arab Republic**

3. COUNTRY: **Yemen Arab Republic**

4. LIFE OF PROJECT: **73** (begins FY) - **76** (ends FY)

5. SUBMISSION: ORIGINAL

6. PROJECT NO. (H.O. 1025.1): **279-11-995-023**

7. CONTR./PASA NO.:

II. FUNDING (\$1000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY (DATE: 10/1/73)		
		III \$	III MM	III \$	III MM			III \$	III MM	III U.S. GRANT LOAN	III JOINT	III OTHER COUNTRY
1. FUNDING ACTUAL FY												
2. FUNDING FY 73	410	360	42			26	24	360	42			20
3. FUNDING FY 74	585	100	36	20	12	365	100	100	36			50
4. FUNDING FY 75	285	100	42	20	12	55	110	100	42			50
5. FUNDING FY 76	180	50	10	20	12	70	40	50	10			20
6. FUNDING FY												
7. ALL FUND. FY												
8. GRAND TOTAL	1460	610		60		516	274	610				160

9. OTHER DONOR CONTRIBUTIONS

10. NAME OF DONOR	11. KIND OF GOODS/SERVICES	12. AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER: **Stanley Romington** (TITLE: **SER/ENGR ASIA/TECH**) DATE: **2/7/73**

2. CLEARANCE OFFICER: **Bradshaw Longmaid, Jr.** (TITLE: **Director, ASIA/NE**) DATE: **2/14/73**

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

BEST AVAILABLE DOCUMENT

1. APPROVALS

DIV./OFF.	SIGNATURE	DATE	DIV./OFF.	SIGNATURE	DATE
ASIA/TECH	J Dalton		SER/ENGR	E. ROBERTS	
ASIA/CD	J Stephenson		PPG/RC	K Solem	
ASIA/PR	H Blumberg		AAO/Yemen		2/14/73

2. APPROVAL AAO OR OFFICE DIRECTORS: **ASIA, Assistant Administrator**

3. APPROVAL AAO (see H.O. 1025.1 VI C):

Pre-Development Studies PROP

A. The Project Goal

1. Statement of Goal

To help the YARG recognize the most promising areas of economic development for the investment of its own and external resources, with particular emphasis on infrastructure and agriculture. This will be accomplished in the form of a series of A.I.D. financed economic and technical analyses, feasibility studies, and pilot projects of varying magnitude. In each case, the study will indicate what the YARG can most profitably do as a next step. Priority will be given to activities that might be expected to attract resources from private sources or from other foreign aid programs.

The YARG wants to direct its efforts intelligently for economic development and desires to have such studies, and analyses, but it does not have the financial resources nor expertise to conduct them. Assistance in conducting such analysis is requested in the YARG priorities.

2. Measurement of Goal Achievement

(a) Increase in investments from private, public, and foreign donor sources in development projects covered by studies undertaken herein.

(b) Increase in employment opportunities.

3. Basic Assumptions of Goal Achievement

The proposed studies should serve as tools or catalysts to promote economic development and private investments that might not otherwise occur. Also they should serve to encourage other donors to increase their project assistance in areas having highest developmental priority.

B. The Project Purpose

1. Statement of the Purpose

The purpose of this project is to support the interest of the YARG in priority areas by assisting the Central Planning Organization to select and perform the basic analyses and technical studies needed to make good judgments regarding overall economic policies and the feasibility of given developmental activities, (economic priorities and/or the financial return which could be realized from certain investments). There is insufficient expertise in Yemen to undertake such analyses and ascertain the specific costs and benefits of a project proposal or show the feasibility of proceeding with it. YARG ministries are universally weak and the government as a whole is devoid of administrative capacities in the social and economic areas.

2. Conditions Expected at End of Project

(a) Greater opportunities for investment in development activities from private, governmental, and foreign donor sources,

(b) Studies financed under this project being used by the YARG, other foreign donors, and private enterprise, to undertake projects.

3. Basic Assumption

(a) There is insufficient expertise in Yemen to ascertain the specific costs and benefits of a project proposal or show the feasibility of proceeding with it. This project will provide the YARG with the facility for obtaining the analyses and necessary information needed for more rational decision making.

(b) The YARG will have the capabilities for activating project proposals that have been analysed, or of persuading investors or donors to activate them.

C. Project Outputs

1. Statement of Project Outputs

The project is intended to provide for specific studies, as the need arises, and as definite interest on the part of the YARG is demonstrated. Priority will be given to studies directed toward investment in agriculture and infrastructure. At this time the following studies are proposed for financing:

TABLE A

Pre-Development Studies Proposed for Yemen

<u>Project Title</u>	<u>FY 1973</u> \$	<u>FY 1974</u> \$	<u>FY 1975</u> \$	<u>FY 1976</u> \$
1. <u>Agriculture</u>	\$			
a. Dairy production		10,000		
b. Virginia tobacco curing	6,000			
c. Tropical Horticulture		10,000		
2. <u>Kennedy Memorial Water System</u>				
<u>For Taiz</u>				
a. Feasibility Study for extension of water and sewerage works	350,000			
3. <u>Taiz Airport Feasibility Study</u>		14,000		
4. <u>Water & Mineral Survey of North Yemen</u>	40,000	565,000	285,000	180,000

D. Project Inputs:

1. Kind of Inputs

Technical Services
(foreign & Local)

2. Magnitude of Inputs

See Table A

E. Rationale:

The studies proposed for the YARG were developed along the lines of a request for assistance presented by the Minister of Development, the Chief of Central Planning, the Deputy Foreign Minister, and representatives from the Ministries of Public Works, Education and Agriculture. (See page 6) All requested activities were consistent with a nascent development plan which the Central Planning Office is now formulating and which the Government hopes to announce in May 1973. The presentation hinged on three concepts:

1. More attention should be devoted to activities which are directly related to production and which will generate revenue for the government;

2. Yemen's near-term economic future will mostly be in agriculture; and

3. Very little can be done to improve the economic situation until Yemenis themselves have acquired the talents and skills to begin to manage complex development programs. Through an "intensive program in education and training", the presentation put emphasis on both creating a government cadre and establishing training institutions that would develop the human resources of the society as a whole.

It is neither practical nor responsive to suggest that development await the conclusion of such a training effort. This project attempts to short-circuit the process by providing the YARG with the facility for conducting project and policy analyses. The practical limits of such an approach are recognized, and, for this reason, activities

under this project will be closely coordinated with the IBRD's technical assistance to the nascent YARG planning ministry. To insure coordination all requests for studies by YARG offices will be channeled through the Central Planning Organization (CPO). In making its request to A.I.D., it is expected that the CPO will outline the relationship of the requested study to YARG developmental priorities. Furthermore, A.I.D.'s experience has been that there is a large "dropout" rate with such studies, and only a small percent actually lead to active projects or programs. To minimize this large rate, we will expect the YAR to indicate the potential user of the study (that is, the implementing agent and the source of funds for project implementation or interested potential donor).

The project itself is simply a facility for conducting studies and analyses of widely varying types. It is not a level-of-effort activity, as each project is expected to be approved case by case. Therefore, justification is in terms of the merits and priority of the individual studies. As new studies are proposed, letters of amendment to this PROP will be submitted and individually approved.

REVIEW OF THE YEMEN SITUATION

Priority 1

1. Agriculture
 - a. Underground Water Survey (North of Sana'a)
 - b. Increasing Cereal Production in the Central Plateau
 - c. Virginia Tobacco Processing
 - d. Poultry Production
 - e. Dairy Survey

Priority 2

2. Massive Crash Program in Education and Training
 - a. Participation in IBRD projects
 - b. Scholarships for:
 - (i) Training Government Staff
 - (ii) Post - Graduate Training

Priority 3

3. Procurement of Highway Equipment and Spare Parts for Taiz
(Public Works Department)

Priority 4

4. Taiz Water Supply
 - (i) Putting Water System into Operation
 - (ii) Feasibility of Extension and Adding a Sewer System

Priority 5

5. Taiz Airport
Feasibility Study

Priority 6

6. Rural Water Supply
7. Capital and Equipment Component for Up-to-Date Statistical Department
8. Geological and Mineral Survey
9. Food Supplies
10. Feasibility for North to South Highway along Valleys between
Western Ridge of Mountains and Central Plateaus

F. Course of Action:

Upon notification of approval by AID/W of this PROP, USAID/Yemen will proceed to conclude a Memorandum of Agreement with the YARG to cover each study that is firmly programmed. The Memoranda of Agreement will provide the specific implementation plans and timing, and will describe the specific plan of action for each sub-project. Implementation of project may be through personal services contracts, TDY direct-hire services, FASAs or contracts.

Subsequent requests for studies will be submitted to the AAO by the Central Planning Organization. In consultation with the Central Planning Organization, a project proposal will be prepared and forwarded for AID/W action.

G. Evaluation and Reports:

Monthly meetings will be held to evaluate the progress of the project. Representatives from the Ministry of State and Development Planning, the Central Planning Organization, the Ministries responsible for project implementation, and the AAO will attend. The Central Planning Organization will prepare quarterly reports which will be forwarded to AID/W with an evaluation by the AAO. Each study task order will include periodic progress reporting as appropriate.

FEASIBILITY STUDIES

AGRICULTURE

1. DAIRY PRODUCTION:

Background:

Dairying is an important but virtually neglected industry in Yemen. The indigenous cattle are small to medium-sized, of the zebu type. Many of the farmers find it necessary to maintain two oxen for power and two cows for their small supply of milk. Under normal conditions of good range grazing, average milk production is estimated at four to six liters per day. However, due to drought and disease, present production is more in the area of one to three liters per day.

A fairly large dairy in Hodeida, a 19-cow herd with the Ministry of Agriculture and a few milk cows introduced by the U.A.R.'s mission to Yemen, represent the only imported breeds in the YAR. Other than produce from these animals all milk consumed is either from indigenous animals or imported powdered milk. The powdered milk after mixing with water costs approximately \$2.50 per gallon.

This study will serve as a basis for the YARG to determine the feasibility of improving the cattle industry or introducing plants to reconstitute milk, either by the government or private enterprise.

Proposal:

Two dairy specialists, one production and one marketing, would spend two weeks in the Summer of CY 1973 and study the dairy industry of Yemen. Their report would include desirable future action by the YARG.

2. VIRGINIA TOBACCO:Background:

The production of water-pipe-type tobacco in Yemen in 1971 was estimated at 4,800 tons. The value of imported cigarettes in 1968/69

was estimated at over two million dollars. In 1971 a local company started manufacturing cigarettes using a blend of imported leaf and locally-produced Virginia tobacco. The product is of such poor quality it cannot compete with imported cigarettes. Imported U.S. cigarettes cost approximately 30¢ per package, compared to 27¢ per package for Yemeni cigarettes.

An adequate amount of research has been done under the UN projects in the Tihama and foothills to determine varieties of Virginia tobacco which will yield quite well under local conditions. Experience in, or knowledge of, curing this type of tobacco is apparently non-existent in the production areas.

Proposal:

Arrange for a tobacco-curing expert to visit Yemen for two to three weeks in late March or April. His major duty will be to advise the YARG on solutions to the curing problems. This is an urgent request for assistance on the part of the YARG, and, other than the above-mentioned activity, no USAID program or project is anticipated.

This study will be used by the YARG to determine the feasibility of improving its tobacco processing industry.

3. TROPICAL HORTICULTURE:

Background:

There are no reported programs to improve or increase tropical horticultural crops, except for coffee. This type of agriculture is of growing importance in the YAR.

Coffee will not be considered at this time due to work currently being done by the FAO and the coffee industry.

Banana is a crop currently important in the YAR. The considerable acreage now in banana plantations is apparently increasing rapidly, with no effort at introducing improved varieties or improving cultural practices.

Citrus is readily available in market places. However, it apparently is all imported. With the variety of climatic conditions and the obvious demand, citrus production in the Yemen Arab Republic could and should be a major industry.

Date Palms are present in the YAR at a reported 370,000 trees. Other than numbers, little is known of this crop, its use, quality, type or potential.

Other possible crops for the country could be avocado, figs, mango, papaya and pomegranate.

Two tropical horticulturalists, one production and one research, would spend approximately two weeks in the YAR and study the possibilities in this area.

Studies under this program will be used by the YARG to undertake projects for the improvement of its tropical horticulture sector and encourage other donors and private enterprise to undertake projects.

APPENDIX "B"

Kennedy Memorial Water System for Taiz Feasibility Study for Extension & Sewerage Works

The present John F. Kennedy Memorial Taiz Water Supply System was designed in the early 1960's to supply a population of 20,000. The System was completed in 1967. After cessation in 1967 of diplomatic relations between the YARG and the U.S., the System slowly deteriorated for a number of reasons--lack of spare parts and civil war, to name two. Plans are under way to rehabilitate the System to bring it up to its original design potential. Since 1967 the population of Taiz has increased from 20,000 to 80,000 inhabitants. Therefore, the System will be inadequate to supply Taiz's present population even after its rehabilitation is completed.

With this large increase in population, several problems have arisen. No sewerage system exists in Taiz. All sewage disposal in the city is by means of individual septic tanks constructed at each residence or building. Water distribution lines in the city are frequently near and sometimes over and under septic tanks. Because of the failure of pressure-reducing valves in the water distribution lines, excessive pressure often breaks the lines. When the water is turned off, raw sewage is sucked into the lines where they are broken. When the water is resumed, a mixture of water and raw sewage gets pumped into the roof tanks supplying individual residences. This results in severe and continued contamination

of Taiz's water supply.

Because of continuous pumping from the aquifers supplying the System, coupled with a year or two of deficient rainfall, a water-level drop has occurred, especially in the Howban area where most of the water supplies are obtained. A drop of 35 feet has been reported. As a result some of the wells have become dry. Additional wells have been drilled in the Howla area where there is, apparently, a large aquifer system.

Upon the rehabilitation of the System to its original design capacity, it is anticipated that pumping will continue 24 hours a day, resulting in a continuous pressure in the distribution pipes. This will preclude raw sewage from entering into the pipes. However, it will not provide the additional water required for the increase in population.

It is proposed that a feasibility study be conducted to determine the inputs required to supply Taiz's present population with an adequate, potable, and safe water supply, and also to investigate the practicability of constructing a sewerage system for Taiz. This would involve:

- (1) a ground water investigation and assessment study on the present known aquifers of Taiz, and an investigation to determine new sources,
- (2) a survey to determine the best and most economical sewerage disposal system for Taiz, and
- (3) new designs for an expanded water supply system.

The U.S. input will be the foreign exchange costs required to bring in a U.S. consulting firm to conduct the feasibility study. The YARG input will be to provide local labor and materials within its capabilities.

The feasibility study documents will be used by the YARG to solicit assistance from other donors to undertake the final design and construction.

APPENDIX "C"
FEASIBILITY STUDY FOR
IMPROVEMENTS TO TAIZ AIRPORT - YEMEN

Background:

In 1968 when the YARG feared that the Royalists might close the Hodeidah Airport, a 2,800-meter runway was constructed some 14 kilometers north of Taiz. The plans of the airport show that this runway was to be an alternative runway and that a longer cross runway was to be constructed. After the YARG had expended an estimated 7 to 8 million rials (\$1.5 million), it ran out of money. The airport currently has a good terminal building, the 2,800-meter runway, and the base course has been constructed for the longer cross runway. The present runway is subject to very severe cross winds and the approaches are endangered by high hills or small mountains.

Proposal:

As noted above, the Taiz Airport has been partially constructed, and the YARG gives high priority to completing the airport. At this point, it is proposed that we respond to the Government's request by funding the trip of three airport experts for a TDY inspection of the facilities. Four areas of investigation are proposed. These are:

1. Analysis of current and future traffic and general economic appraisal.
2. Adequacy of existing geometric layout of runways, taxiways and aprons, and recommendations for changes, if required.
3. Adequacy of existing structural condition of runways, taxiways and aprons, and recommendation for required structural improvements.
4. Determination of requirements for communication airport control equipment.

It is proposed that the work of construction be done with local contractors. The TDY representatives would either indicate the need for a thorough feasibility study or recommend the implementation of the project. If the latter course is recommended, it is estimated that in FY 74 and FY 75, \$500,000, including \$300,000 for the purchase of local currency, will be required.

Feasibility Study Team

<u>Expertise</u>	<u>Origin</u>	<u>Time Required</u>	<u>Cost</u>
Airport Engr/Economist	AID/W	2 weeks	\$ 3,500
Airport Engineer	AID/W	2 weeks	3,500
Air Traffic Control/Comm.	FAA	2 weeks	<u>5,000</u>
			\$12,000

Total Cost of Study

3 TDY Experts (Salary, Per Diem, Travel)	12,000
Local Soil Testing Services	1,500
Report Printing and Preparation	<u>500</u>
	\$14,000

The feasibility study documents will be used by the YARG to solicit further assistance from other donors.

APPENDIX "D"
WATER AND MINERAL SURVEY OF
NORTH YEMEN

Introduction

The northern Yemen (north of Sana'a, about 15° N. Latitude) is made of three distinct physiographic forms. They are, (1) the mountainous regions, usually composed of volcanic, granitic, or sedimentary rocks, (2) intermountain alluvial valleys, and (3) an eastern plateau composed of alluvial and sedimentary deposits.

Good quality ground water exists in the alluvial valleys in unknown quantities. Typical of these valleys are Sana'a and Imran, 50 kms. northwest of Sana'a. In the Sana'a valley considerable development of the ground water has already occurred. Italconsult has completed a one year study in the immediate area of the city of Sana'a for the sole purpose of supplying water to the city. They estimated a total recharge of 22 million cubic meters of water annually to these local aquifers. Imran Valley is a long, fairly narrow valley where several wells have been dug and are presently being used for domestic and irrigation uses. The total quantity of water available for development is unknown.

Ground water of unknown quality and quantity exists throughout the easterly, gently dipping plateau northeast of Sana'a. Ground water is believed to occur in several wadi gravels, and in the sedimentary rocks underlying the wadi gravels and adjacent to them. The eastern edge of the plateau marks the western edge of the Rub-al-khali (the empty quarter) of the Arabian peninsula.

In the mountainous-regions intrusive masses including ultramafic bodies may have substantial mineral potential. In addition, regional structural features (folds and fractures) and alteration zones (halos of contact metamorphism) that may be related to mineralization should be evident in the Yemen geologic environment.

The proposal for this study will be divided into three sub-projects. They are (1) a ground-water survey of the area north of Sana'a for a duration of three years north of 15° N. Latitude, (2) an ERTS-B survey, (3) a reconnaissance mineral survey for one year covering the same area as the ground-water survey.

1. Ground Water Survey

(a) Institute pilot studies in five or six intermountain valleys and two or three areas on the eastern plateau to determine their ground water potentials.

(b) To the extent possible assist in creating a Department of Hydrology attached to either the Ministry of Agriculture or the proposed Petroleum and Minerals Authority.

(c) Conduct on-the-job training and training abroad in reconnaissance, detailed geologic and hydrologic mapping, quantitative assessment and drilling techniques. Classroom type instruction in hydrogeologic principals and techniques would be provided by TDY specialists when available.

A.I.D. will provide (1) one hydrologist who will be familiar with ground-water, surface-water and meteorological techniques required for assessing the total water resource of any given area, (2) a TCN

well driller from an adjacent Arab country (Lebanon or Jordan) who will be an expert in both cable tool and rotary drilling techniques, (3) all transportation, drilling, casing, test pumps and scientific equipment not available on the local market, (4) out-of-country practical and academic training for a select few near the end of the project for periods of six to eight months, and (5) three TDY experts for three-month periods, one each year, in such specialized fields as water chemistry, surface water hydrology, and ground water hydrology.

It is envisaged that local contract well drilling will be used initially during the ordering and delivery of U.S. drilling equipment (one cable tool and one small rotary with auxiliary equipment, casing and test pumps).

The YAR will provide (a) the site for project operational activities (b) all necessary assistance in clearing commodities through customs, and the required permits and licenses (c) all right-of-way (d) professional counterparts and (e) all available reports, topographical maps and aerial photographs that will be useful in the project implementation.

2. ERTS -B

Geological and geographic information is almost non-existent in Yemen. Reliable geographic and geological information is a basic requirement for most resources development projects as well as for systematic mineral exploration and is often of great value in hydrological evaluations. It is often very important for ground water assessments, especially in areas where geological structures control the permeabilities of aquifers, e.g. limestone. Such information is usually available on geologic maps at suitable scales with accompanying texts or reports.

The only published geologic map covering the Yemen Arab Republic is the southwestern part of the Geologic Map of the Arabian Peninsula, which was published in 1963 at 1:2 million scale. A preliminary tectonic map of the same region and at 1:4 million scale currently is being prepared by the USGS. The Yemen portion of the geologic map was compiled largely from the published results of scattered, non-coordinated geological studies, some of which are of questionable reliability. Therefore, as a source of basic geographic, hydrological, and geologic data and information, the map has limited value. It should be corrected and refined to make it a more reliable guide for more detailed study of potential mineralized areas as well as basic information for planning hydrologic and other development programs.

The technical proposal to NASA will request seasonal ERTS-B coverage of the entire country (approximately 75,000 square miles). The principal objective of the project would be to recompile existing information (supplemented by study of satellite imagery supported by field checks) into a new base and photo-geologic map of the Yemen Arab Republic. Depending on available funds, and available imagery and imagery quality, scales in the range of 1/250,000 are possible. In addition, at least two reports would be prepared; one to elaborate on new geologic information, and a second to describe the results of the hydrologic studies.

Other ongoing uses of the satellite imagery, although beyond the scope of the ERTS-B proposal to NASA--but which should be covered in subsequent work--include various thematic studies and resultant maps and report products such as: land classification and land use maps, soils maps, vegetation maps, and maps delineating areas favorable for mineral search.

3. Mineral Survey

The mineral survey would consist of a one year reconnaissance north of 15° N. Latitude. This survey will be in conjunction with an ERTS-B Proposal. The reconnaissance will consist of field checks of favorable areas indicated from the ERTS-B satellite coverage and interpretation.

A.I.D. will provide (a) one economic geologist for a period of one year (PASA or private contractor), (b) one TDY consultant for one month, (c) commodities, (d) scientific equipment, and (e) training (on-the-job and abroad).

The YARG will provide (a) the site for project operation activities (b) all necessary assistance in clearing commodities through customs, and the required permits and licenses (c) all right-of-way (d) professional counterparts and (e) all available reports, topographical maps and aerial photographs that may be useful in the implementation of the project.

In the reconnaissance, mineral targets of opportunity will be investigated to the extent possible. In any case, areas favorable for commercial development or economic mineral investigation will be indicated.

The results from this survey will be used by YARG and to undertake developmental projects and/or to attract private investors from within the YAR and abroad to develop the private sector.

The project will require the following:

(A)	<u>Personnel</u>		
	<u>Number Type</u>	<u>Man Months</u>	<u>Total Cost</u>
(a)	1 Hydrologist (PASA or contract)	36	\$150,000.00
(b)	1 Economic Geologist (PASA or Contract)	12	50,000.00
(c)	1 TCN Well Driller (Contract)	24	45,000.00
(d)	TDY Experts (as required)	10	<u>35,000.00</u>
		Sub-Total	280,000.00
(B)	<u>Equipment</u>		
(e)	2 Drilling rigs (Trailer mounted)		\$150,000.00
(f)	Drilling Casing and ancillary equipment		85,000.00
(g)	Scientific equipment		100,000.00
(h)	Trucks & Jeeps		50,000.00
(i)	Publications		15,000.00
	Training		60,000.00
	Local Costs		170,000.00
	Diamond Core Drilling		<u>75,000.00</u>
		Sub-Total	705,000.00
(C)	ERTS-B - Proposal		<u>85,000.00</u>
		Grand Total	\$1,070,000.00

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR

FROM : ASIA/NS, Bradshaw Langford, Jr.

SUBJECT: PROOP Approval - Pre-Development Studies - Yemen Arab Republic
279-11-995-023

Funding

The PROOP proposes a TA grant of \$1,460,000 to fund all project elements from FY 1973 through FY 1976.

Background

Following the resumption of diplomatic relations in July 1972 between the Yemen Arab Republic (YAR) and the United States, a program evaluation team visited the YAR. The YARG presented to the team a list of projects consistent with the development plan now being formulated by the Central Planning Office. The six projects presented by this PROOP were included in the YAR priority list for U.S. assistance. The YARG wants to direct its development efforts intelligently, but does not have the expertise to undertake analyses and ascertain the costs and benefits of a project proposal, or show the feasibility of proceeding with it. Activities under this PROOP will be closely coordinated with the DMRD's technical assistance to the Ministry of State and Development Planning.

Goal and Strategy

The PROOP proposes a series of economic and technical analyses, feasibility studies, and pilot activities of varying magnitude to help the YARG recognize the most promising activities for economic development for the investment of its own and external resources. These A.I.D.-financed studies will focus on infrastructure and agriculture, indicating what the YARG can most profitably do as the next step, and will be made available to the YARG. The proposed studies should serve to promote economic development by stimulating increased investments from private and public sources, as well as from other donors. The PROOP

makes the assumption that the YARG will have the capabilities for activating project proposals that have been analyzed, or of persuading investors or donors to activate them. The following pre-development studies are proposed for financing of technical services:

<u>Project Title</u>	<u>Total Dollar Input</u>
Dairy Production	10,000
Virginia Tobacco Curing	6,000
Tropical Horticulture	10,000
JFK Memorial Water System, Taiz -- Feasibility Study for Extension of Water and Sewerage Works	350,000

Taiz Airport Feasibility Study	14,000
Water & Mineral Survey of North Yemon	1,070,000

Each study is expected to be approved case by case on its merits and priority. For each study, the AAO will conclude a Memorandum of Agreement with the YARG which will provide the specific implementation plans and timing. The studies may be effected through personal services contracts, TDY services, or PASAs. Subsequent requests by the YARG for studies will be submitted to the AAO by the Central Planning Organization; project proposals will be prepared and forwarded for AID/W action.

Monthly meetings will be held to evaluate the progress of the project as a whole. Concerned YARG officials and the AAO will attend. The Central Planning Organization will be required to submit quarterly reports to be forwarded to AID/W with an evaluation by the AAO.

Recommendation

That you approve the attached PROP and sign the Project Authorization.

Approved: _____
Disapproved: _____
Date: _____

Attachments: Project Authorization form
PROP

Clearances: ASIA/CD: JStephenson _____
ASIA/TECH: JDalton _____
PPC/RC: RSolem _____
SER/ENGR: TThompson _____
ASIA/PR: RBirnberg _____

Drafted: ASIA/NE: JTucker: sh: 2/12/73

PROJECT AUTHORIZATION

1. PROJECT NUMBER 279-11-995-023	3. COUNTRY Yemen Arab Republic	4. AUTHORIZATION NUMBER
2. PROJECT TITLE Pre-Development Studies		5. AUTHORIZATION DATE
		6. PROP DATED

7. LIFE OF PROJECT

a. Number of Years of Funding: 4
Starting FY 1973; Terminal FY 1976

b. Estimated Duration of Physical Work
After Last Year of Funding (in Months): 12

FUNDING BY FISCAL YEAR (in U.S. \$ or \$ equivalent)	DOLLARS		P.L. 480 CCC + FREIGHT	LOCAL CURRENCY Exchange Rate: \$1 =			
	GRANT	LOAN		U.S. OWNED		HOST COUNTRY	
				GRANT	LOAN	JOINTLY PROGRAMMED	OTHER
Prior through Actual FY							
Operational FY 73	380						
Budget FY 74	605						
B + 1 FY 75	285						
B + 2 FY 76	150						
B + 3 FY							
All Subsequent FY's							
TOTAL	1,420						

9. DESCRIBE SPECIAL FUNDING CONDITIONS OR RECOMMENDATIONS FOR IMPLEMENTATION, AND LIST KINDS AND QUANTITIES OF ANY P.L. 480 COMMODITIES

10. CONDITIONS OF APPROVAL OF PROJECT

(Use continuation sheet if necessary)

11. Approved in substance for the life of the project as described in the PROP, subject to the conditions cited in Block 10 above, and the availability of funds. Detailed planning with cooperating country and drafting of implementation documents is authorized.

This authorization is contingent upon timely completion of the self-help and other conditions listed in the PROP or attached thereto.

This authorization will be reviewed at such time as the objectives, scope and nature of the project and/or the magnitudes and scheduling of any inputs or outputs deviate so significantly from the project as originally authorized as to warrant submission of a new or revised PROP.

A.I.D. APPROVAL	CLEARANCES	DATE
SIGNATURE AAASIA, Assistant Administrator	ASIA/CD, JStophenson	
	SER/ENGR, TThompson	
	ASIA/TECH, JDalton	
	A/CONT	

AAO/Yemen, ARuiz PPC/RC, RSolem

ASIA/PR, RBirnberg