

PD-ABA-867

66080

66080

Bohlf
66054

JAN 6 1976 2057

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: ES

FROM: AA/AFR, Stanley S. Scott

SUBJECT: Zaire Loan 660-T-014 - Water Transport Engineering Services

Problem: The Conditions Precedent for Loan 014 will not be met by the scheduled terminal date of January 23, 1976.

Discussion: The Zaire Water Transport Loan, (\$637,000), which was signed on June 23, 1975, provides engineering design services for improvement of the port at Bumba and the rehabilitation of the shipyard at Boyera. From the outset, unforeseen delays have plagued the project. For example, the GOZ Director General of the National Transportation Office and the Commissioner of Transport had been only recently appointed at the time the Loan Agreement was signed and almost immediately they became preoccupied with the negotiation and subsequent initiation of a \$28 million IBRD Rail and River Transport Loan. Their relative inexperience and the need to meet the differing requirements of separate donor programs, in addition to coping with their normal daily workload, contributed to implementation slippage. A further factor contributing to GOZ delays has been Zaire's severe financial crisis; for several months all projects were delayed pending a review of their priority for access to scarce GOZ funding.

Communication and travel delays between the AID Regional Office in Abidjan, which is responsible for loan implementation, and the USAID Mission in Kinshasa have also contributed to the implementation problem. In addition, AID has had difficulty in getting timely French language translations of all pertinent documents.

Consequently, the original Terminal Date for meeting Conditions Precedent (TDCP) of October 23, 1975 was extended by the Acting AA/AFR to January 23, 1976. However, a significant Condition Precedent (CP), the signing of an engineering services contract acceptable to AID, will not be met by January 23, 1976. Meeting this CP requires that the GOZ request proposals from a preselected list of qualified U.S. firms, receive and evaluate the proposals, select a firm and negotiate and sign a contract which then must be submitted to AID for approval. Letters requesting proposals were mailed on November 28, 1975, and replies were requested by January 10, 1976. Although AID considered this timing to be overly optimistic, delays in mail delivery have now made this date unrealistic. It is essential that the TDCP be extended if the project is to proceed. We believe that the contract negotiation process will require 2 to 3 months and the AID approval process at least another month.

In addition, another related project issue is involved. During the belt tightening exercise necessitated by Zaire's financial difficulties, the GOZ indicated that they planned to delete the Bumba Port element of the Project. They felt that major improvements at the Port were not sufficiently urgent to justify its implementation at this time. We anticipate receiving a formal request to this effect shortly. This problem should not be difficult to handle, however, since the elements of the project, i.e., the Bumba Port and Boyera Shipyard, are independent of each other and constitute viable undertakings taken either together or separately. We view the GOZ action as encouraging, since it demonstrates the sort of responsible, hard-headed reevaluation and restructuring of financial priorities which are needed to put Zaire on the road to economic recovery.

In view of the delays and modification of the project described above, we believe it is necessary that the TDCP be extended from January 23, 1976 to May 30, 1976. Given the state of progress described above, and the confirmed desire of the GOZ to move ahead with the project, USAID Kinshasa and REDSO/W believe that this four month extension will be adequate. As the Terminal Date for Requesting Disbursing Authorizations and Terminal Disbursement date are set by the terms of the loan agreement at 12 months and 15 months respectively from the TDCP, the requested extension of the TDCP will automatically extend these date by four months.

Following your approval of the TDCP extension, we will amend the loan when the engineering contract is signed to delete the Bumba Port element and deobligate all unneeded funds resulting from this change in the project's purpose.

Recommendation: That you approve the extension of the TDCP for Zaire Loan 660-T-014 to May 30, 1976.

APPROVED: 15/ JEM *

DISAPPROVED: _____

AFR/CWA/Z:MWiseman:ed/12/29/75

DATE: JAN 1976

Clearance:

AFR/CWA:DAGriffith (Draft)

ENGR/OPNS/TR:RHenrikson (Draft)

GC/AFR:STisa (Draft)

PPC/DPRE:NCohen (Draft)

DAA/AFR:DSBrown

* Until June 30, 1976, 15/ JEM