

ACTION MEMORANDUM FOR THE MISSION DIRECTOR, USAID/SENEGAL

DATE: 26 November 1990

FROM: PRM:  Gillson

SUBJECT: Amendment to the Complementary Program Grant Agreement for Budgetary Support Under the FY 1987 Economic Support Fund Structural Adjustment Program Grant (ESF-V) (the "Complementary Agreement"): Extension of Program Assistance Completion Date (PACD).

REF: Complementary Program Grant Agreement for Budgetary Support Under the FY 1987 Economic Support Fund Structural Program Grant (ESF-V) 685-K-606A/685-0289, dated May 6, 1987

1. Problem: Your approval is requested for a 18-month, no-cost extension of the ESF V Complementary Agreement from the current PACD of December 31, 1991 to a new PACD of June 30, 1993.

2. Discussion: Under ESF V, an amount of \$500,000 was budgeted under the following three categories: studies; technical assistance; and other. A series of studies referred to in the Agreement have been carried out, but at a cost less than initially estimated. The financial accounting situation as of September 30, 1990 is as follows (in dollars):

	<u>Obligated</u>	<u>Earmarked</u>	<u>Unearmarked</u>	<u>Committed</u>	<u>Accrued/ Expenditures</u>	<u>Pipeline</u>
Studies	250,000	143,548	106,452	143,548	143,548	106,452
TA	150,000	57,040	92,960	39,840	39,840	110,160
Other	100,000	33,308	66,692	33,308	33,308	66,692
Total	500,000	233,896	266,104	216,696	216,696	283,304

The Program Office and the Agricultural Development Office have mutually agreed to use the unearmarked funds by June 30, 1993, 18 months beyond the current PACD (December 31, 1991), to continue technical assistance through extension of the existing PASA agreement with a USDA agricultural policy advisor. No additional funding is proposed or anticipated under ESF-V. Up to \$200,000 of unearmarked funds under the ESF-VI Technical Assistance component will be also provided to complete the funding requirements under this contract. Pending approval of this extension, an amendment of the PASA No. AFR-0970-9025-00, dated 4/24/89 with USDA for the continuation of the services of the long-term agricultural policy advisor will be requested.

The studies and conditionality under ESF-V addressed a number of important policy questions including: identification of measures to reduce rice imports; analysis of producer price relationships between cereals and peanut; analysis of peanut producer price differentials with the Gambia; and identification and analysis of constraints limiting the effectiveness of the banking system to support small and medium-scale enterprises. These and related questions on structural adjustment of the agricultural sector continue to be important to the development of the Senegalese economy. Unearmarked ESF V technical assistance funds of \$266,104 are available and will be used entirely to fund the services of the agricultural policy advisor to assist the Mission in the development of policy dialogue options and thus permit the U.S. Mission to continue to play an important role in defining issues, advancing solutions and monitoring results of GOS policy decisions and actions.

At the rate of expenditure experienced under the project to date, an extension of some 52 months would normally be required to effectively utilize all project funds. The Program and Agricultural Development Offices propose an 18-month extension with a one-time use of remaining project funds through an amendment of the general USDA PASA by extending the services of the agricultural policy advisor with an increased emphasis on implementing policy changes leading to increased liberalization of cereal trade, reduction of government parastatal organizations and increased competitiveness in the agricultural sector. This will require in-depth analysis and a continuing in-house capacity to review and maintain dialogue on these important emerging agricultural policy issues. The Mission does not have the staff time to conduct this intensive review by itself and has hired a USDA agricultural policy advisor to assist in the development of policy dialogue options. U.S. support for the TA under this Project would allow this help to continue, giving the Mission the capacity it needs to monitor and analyse progress of reforms under the Structural Adjustment Program in agriculture. All project funds would be effectively utilized by June 30, 1993, 18 months beyond the current PACD of December 31, 1991.

No PAAD Amendment is contemplated because the technical assistance envisioned will be within the objectives, scope and range of those contemplated in the initial design of the program: "to finance studies and technical assistance related to structural adjustment measures proposed or being implemented". Furthermore, the TA services contemplated under the extension and being provided through an amendment of the USDA agricultural policy advisor's PASA will be focused on: (1) identifying policy issues of salient interest to the Mission's overall objectives in the agricultural sector; (2) providing leadership in defining and guiding policy dialogue on cereal price liberalization, reduction of subsidies, parastatal reform, and agricultural marketing; (3) formulating policy recommendations relevant to the USAID agricultural development portfolio, food assistance and development strategy; (4) participating as required in the U.S. Mission's policy dialogue with the Government of Senegal (GOS) on these and related policy issues; and (5) monitoring and reporting upon GOS compliance with and progress of reforms under the Structural Adjustment Program in agriculture with particular attention to (i) policy decisions to improve agricultural competitiveness; (ii) reduction of the financial and human resources devoted to agricultural-based parastatal organizations; and (iii) agricultural marketing issues and price policy for imported cereals.

3. Authority: A.I.D. Africa Bureau Delegation of Authority No. 551, as revised, provides that the Mission Director has the authority to grant an extension of life of a project provided that the extension is within a ten-year LOP limit. The ESF-V Complementary Agreement has been extended before and your approval for this 18-month extension of the PACD for this Project is within this delegation.

4. Recommendation: That you approve a 18-month, no-cost extension of the ESF-V Complementary Agreement from December 31, 1991 through June 30, 1993 by signing both the space below and the attached Amendment Two to the Complementary Program Grant Agreement (685-K-606A/685-0289).

Approved: Julius E. Glez

Disapproved: _____

Date: 1/8/1990

Attachment: As Stated

Drafted by: PRM:MBeye:mb:11/26/90

Clearances: PRM:CCowey: CC
PDO:TMyers T
RLA:AAdams A Adams
ADO:DDelgado DD
CONT: TWalsh T
DDIR:GNelson N