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MEMORANDUM TO THE A.I.D. REPRESENTATIVE

From: *William Deese*
William Deese, PDO

Subject: Project Paper Supplement No. 2 and Project
Authorization Amendment No. 3 for the Strengthening
Road Maintenance Project (677-0050)

Problem

You are requested to approve this PP Supplement No. 2 and Project Authorization Amendment No. 3 to increase the life-of-project funding for the Strengthening Road Maintenance Project to \$33,105,000 and to extend the life of the project to September 30, 1993.

Justification

Justification of the need to increase funding and to extend the life of the project for the subject activity was put forth in N'Djamena 1484. The foremost reason was the coup on December 1, 1990 and the voluntary evacuation, which slowed implementation but did not lower costs. Four members of the six-person technical assistance team departed in the voluntary evacuation, but contract costs were still incurred during this period. During the month following the coup, OFNAR personnel were unable to go into the field to perform scheduled maintenance. After this time, workers returned to the field, but because much insecurity remained, work did not progress at the same pace. Team members who evacuated returned after approximately six weeks, but the momentum and details of work in progress at the time of the coup were lost and had to be reconstituted.

A new technical assistance contractor was selected in 1989. However, this firm did not field the team as quickly as expected, and the planned overlap with the previous team resulted in a gap. Transfer meetings were missed, which meant that the new contractor spent longer than anticipated in becoming productive in accomplishing project objectives. The contractor was also unable to furnish a road maintenance engineer in the initial mobilization, and this key position has only recently been filled. As a result of the slow commencement and the coup, the technical assistance team is considerably behind in accomplishing the objectives for this phase of the project.

As a result of the coup, the financial position of OFNAR has deteriorated. OFNAR's own budget is entirely financed from receipts of the fuel tax collected by the customs agency. Following the coup, the customs agency ceased to function and is still not operating in a comprehensive professional manner. Thus, overall revenues of the Chadian Government (GOC) have markedly decreased, while expenses have remained constant. To compensate for its severe budget shortfall, the GOC has reduced

the percentage of fuel tax that is destined for OFNAR from 19 to 16 percent. As a result, OFNAR is encountering more financial stress than at any other time during the Project.

An evaluation had been scheduled for April 1991 as a prelude for designing a second phase project. Because of these delays, however, not enough substantive work has been accomplished to make an evaluation meaningful. Therefore, it makes sense to delay the evaluation and also the design of the second phase project. The evaluation has now been tentatively rescheduled for September 1991.

The World Bank through its Transport Sector Adjustment Program is providing significant support to Chad for road rehabilitation and is also funding a technical assistance team at OFNAR. This activity is currently scheduled through 1993, so that by delaying a year USAID and the Bank can be on similar planning horizons, which will facilitate possible joint or co-financing.

Washington's acceptance of the justification of the need to extend the project was conveyed in the memorandum signed June 5, 1991 by the Assistant Administrator for Africa, which delegated an ad hoc authority to you to approve the increase in project funding to \$33,105,000 and to extend the project assistance completion date to September 30, 1993.

Description of Continuing Activities

The Project will continue with the same purpose and outputs as before. It will support activities in the central workshop, the OFNAR front office, and the N'Djamena Road Maintenance Agency. Efforts will be undertaken to make operations of the N'Djamena agency more cost-effective. Options for involving the private sector will be studied with the intent of expanding the use of the private sector under contract. OFNAR will increasingly rent equipment and contract for repair services from the private sector. Formalizing operating procedures through the generation and approval of manuals is included in the work plan.

Financial Aspects

OFNAR, despite the general financial difficulties of the GOC, has made a significant financial contribution to the project. This consists primarily of salaries and other "recurrent costs" as defined in project implementation letter no. 18 with assistance from the Sahel Regional Financial Management Project. Consistent with the condition precedent, OFNAR has contributed an increasing share of these costs each year since the project's inception. (Starting at 10 percent, OFNAR's share increases by 10 percent each year. This year OFNAR's share is 60

percent.) OFNAR also pays salaries, which are not included in PIL 18's definition of recurrent costs, of employees in areas supported by the project. For the first three years, USAID supported all of OFNAR, and salaries for the entire organization are counted as OFNAR's contribution to the project. Since then, assistance has been limited to the central shops and the N'Djamena Road Agency, and salaries starting in 1989 forward were limited to these areas. The recurrent costs and salaries paid by OFNAR are shown in table one.

Given the initial discussion of the GOC's financial position, OFNAR may have difficulty meeting its financial commitment for recurrent costs in the out years of the project. USAID will still seek to require this contribution according to the previous schedule. If it becomes completely apparent that OFNAR cannot meet this obligation, you have authority to waive the requirement.

Table One: OFNAR's Contribution (US\$ *)		
Year	Recurrent Costs	Salaries
1986	12,710	365,000
1987	20,725	810,000
1988	1,186,793	1,000,000
1989	1,236,353	350,000
1990	1,636,364	370,000
1991 (estimate)	1,862,069	315,000
1992 (estimate)	2,000,000	370,000
1993 (estimate)	1,700,000	270,000
TOTAL	9,655,014	3,850,000
Total OFNAR Contribution		13,505,014
* CFA francs were converted to US\$ at the prevailing rate.		

OFNAR's total contribution of \$13,505,014 amounts to 40 percent of the A.I.D. contribution; thus the requirement of Section 110 of the Foreign Assistance Act for a 25 percent contribution by the host government is met. (The combined OFNAR and USAID contribution now totals \$46,610,014.) The Amendment to the Project Grant Agreement pursuant to this amendment will contain an additional covenant whereby the Grantee agrees to maintain auditable records of its contribution of resources to

the Project and to submit to A.I.D. an annual report, with supporting documentation on the extent of such contributions. As table one shows, the GOC should be able to meet the 25 percent requirement in any event, even if it has more difficulty meeting the recurrent cost obligation.

A summary table of the addition to the financial plan as a result of this supplement is shown in table two. The technical assistance item is considered as dollar costs, while commodities and operations items are counted as local currency. A detailed financial plan that allocates the USAID grant to budget line items is attached to the end of this memorandum.

Table Two: Summary Financial Plan			
Line Item	Current Budget	Additions	New LOP Funding
Technical Assistance	9,316,426	1,875,000	11,191,426
Commodities	7,605,871	120,000	7,725,871
Construction	6,940,000	50,000	6,990,000
Operations	5,638,703	1,250,000	6,888,703
Audit & Evaluations	259,000	50,000	309,000
TOTAL	29,760,000	3,345,000	33,105,000

Recommendation

The project committee recommends that you sign the attached Project Data Sheet and Project Authorization Amendment No. 3.

Approved

Disapproved []

Bernard D. Wilder

Bernard D. Wilder
A.I.D. Representative

14 June '91
Date

Project Committee: ME:HVan de Pol *[Signature]* 6/13/91
 PDO:WDeese *[Signature]*
 ACONT:BYazdani *[Signature]* 6/13/91
 AARP:CSPalma *[Signature]*



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

N'DJAMENA

UNITED STATES ADDRESS
N'DJAMENA (AID)
DEPARTMENT OF STATE
WASHINGTON, D.C. 20520

INTERNATIONAL ADDRESS
USAID
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N'DJAMENA - TCHAD
TEL. : 30-23

PROJECT AUTHORIZATION

AMENDMENT NO. 3

Country: Chad
Project Name: **Strengthening Road Maintenance**
Project No.: 677-0050

The Strengthening Road Maintenance Project was originally authorized on June 24, 1985, and amended on June 2, 1988 and July 6, 1989. Pursuant to the ad hoc delegation of authority granted to the Chad A.I.D. Representative by the Assistant Administrator of the Bureau for Africa in an Action Memorandum signed June 5, 1991, that authorization is hereby further amended as follows:

Delete the first paragraph and substitute the following:

1. Pursuant to the Foreign Assistance Act of 1961, as amended, I hereby authorize the Strengthening Road Maintenance Project for the Republic of Chad (Cooperating Country), involving planned obligations not to exceed \$33,105,000 in grant funds over a period of eight years and three months from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. Except as A.I.D. may otherwise agree in writing, the planned life of the project is eight years and three months from the date of initial obligation.

Except as herein amended, the Authorization cited above is unchanged and remains in full force and effect.

14 June '91
Date

Bernard D. Wilder
Bernard D. Wilder
A.I.D. Representative
N'Djamena

drafted by RLA MAlexander 5/17/91

clearance

PDO:WDeese WD
ME:HVan de Pol HV
CONT:CJohnson CJ 6/12/91
AARP:CSPalma CS

1'

BUDGET REVISION TO ADD FUNDS FOR NEW PACD OF 30 SEPT 1993

2

***** BUDGET REVISION AMENDMENT NO 1 *****						
ITEM DESCRIPTION	PREVIOUS LOP BUDGET	THIS AMENDMENT	REVISED LIFE OF PROJECT BUDGET	PREVIOUS OBLIGATIONS	THIS AMENDMENT	TOTAL OBLIGATIONS TO DATE
1. LONG TERM ADVISOR. CLOSED TA	\$441,647.65	\$0.00	\$441,647.65	\$441,647.65	\$0.00	\$441,647.65
2. TA CONTRACT TA	\$8,519,778.26	\$1,875,000.00	\$10,394,778.26	\$8,519,778.26	\$1,875,000.00	\$10,394,778.26
3. SHORT TERM TA. CLOSED TA	\$355,000.00	\$0.00	\$355,000.00	\$355,000.00	\$0.00	\$355,000.00
4. HEAVY EQUIPMENT COM	\$3,716,000.00	\$50,000.00	\$3,766,000.00	\$3,716,000.00	\$50,000.00	\$3,766,000.00
5. VEHICLES COM	\$325,000.00	\$70,000.00	\$395,000.00	\$325,000.00	\$70,000.00	\$395,000.00
6. MACHINE & HANDTOOLS COM	\$941,000.00	\$0.00	\$941,000.00	\$941,000.00	\$0.00	\$941,000.00
7. SPARE PARTS COM	\$1,950,000.00	\$0.00	\$1,950,000.00	\$1,950,000.00	\$0.00	\$1,950,000.00
8. ROAD MAINT. MAT. CLOSED COM	\$253,870.72	CLOSED	\$253,870.72	\$253,870.72	\$0.00	\$253,870.72
9. FURN/OFFICE EQUIPMENT COM	\$420,000.00	\$0.00	\$420,000.00	\$420,000.00	\$0.00	\$420,000.00
10. BUILDING REHABILITATION CON	\$1,000,000.00	\$0.00	\$1,000,000.00	\$1,000,000.00	\$0.00	\$1,000,000.00
11. ROAD REHABILITATION CON	\$5,600,000.00	\$0.00	\$5,600,000.00	\$5,600,000.00	\$0.00	\$5,600,000.00
12. EQUIPM. RECOV. CLOSED OPR	\$108,748.91	\$0.00	\$108,748.91	\$108,748.91	\$0.00	\$108,748.91
13. ADMIN. SUPPORT SERVICE OPR	\$696,000.00	\$0.00	\$696,000.00	\$696,000.00	\$0.00	\$696,000.00
14. RENTS/UTILITIES CLOSED OPR	\$31,374.08	\$0.00	\$31,374.08	\$31,374.08	\$0.00	\$31,374.08
15. TRAINING (HC) OPR	\$203,795.82	\$0.00	\$203,795.82	\$203,795.82	\$0.00	\$203,795.82
16. VEHICLE O&M. CLOSED OPR	\$260,550.77	\$0.00	\$260,550.77	\$260,550.77	\$0.00	\$260,550.77
17. TRAINING BRIG. CLOSED OPR	\$526,204.18	\$0.00	\$526,204.18	\$526,204.18	\$0.00	\$526,204.18
18. WATER WELLS CON	\$340,000.00	\$50,000.00	\$390,000.00	\$340,000.00	\$50,000.00	\$390,000.00
19. N'DJAMENA SUBDIVISION OPR	\$3,812,029.61	\$1,250,000.00	\$5,062,029.61	\$3,812,029.61	\$1,250,000.00	\$5,062,029.61
20. EVALUATION & AUDITS AUD	\$259,000.00	\$50,000.00	\$309,000.00	\$259,000.00	\$50,000.00	\$309,000.00
TOTAL	\$29,760,000.00	\$3,345,000.00	\$33,105,000.00	\$29,760,000.00	\$3,345,000.00	\$33,105,000.00

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>2</u>	DOCUMENT CODE <u>3</u>
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2. COUNTRY/ENTITY Chad	3. PROJECT NUMBER <u>677-0050</u>
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4. BUREAU/OFFICE <u>06</u>	5. PROJECT TITLE (maximum 40 characters) <u>Strengthenin Road Maintenance</u>
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>09/30/93</u>	7. ESTIMATED DATE OF OBLIGATION (Under 'B:' below, enter 1, 2, 3, or 4) A. Initial FY <u>85</u> B. Quarter <u>3</u> C. Final FY <u>91</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	7,000	3,000	10,000	16,250	16,855	33,105
(Grant)	(7,000)	(3,000)	(10,000)	(16,250)	()	(33,105)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
Other U.S. 2.						
Host Country		378	378		13,505	13,505
Other Donor(s)						
TOTALS	7,000	3,378	10,378	16,250	30,360	46,610

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESE				19,540				19,540	
(2) SDP				5,000				5,000	
(3) DEA				5,220		3,345		8,565	
(4)									
TOTALS				29,760		3,345		33,105	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) <u>061</u>	11. SECONDARY PURPOSE CODE
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)			
A. Code	BR	BL	BS
B. Amount			

15. PROJECT PURPOSE (maximum 480 characters)

Develop a technically competent and financially responsible organization for the maintenance of the road network in Chad.

14. SCHEDULED EVALUATIONS Interim MM YY <u>06/8/8</u> Final MM YY <u>10/9/1</u>	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) <u>935</u>
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 1 page PP Amendment)

17. APPROVED BY	Signature <u>Bernard D. Wilder</u> Title <u>Bernard D. Wilder</u> <u>AID Representative to Chad</u>	Date Signed MM DD YY <u>01/01/91</u>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
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