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INFO ASTR-03 ASDR-01 ASMS-01 BIFA-01 FAPB-02 POSP-01 POID-01
GC-01 GCCM-01 RDAA-01 ASFP-02 PVC-02 OFDA-02 PRPC-02
AAID-01 FHAA-01 STAG-02 ENGY-02 SEOP-01 SERP-01 SECS-02
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PRIO-01 /046 AD 02/1116Z

FINANCING OF DOLS 40 MILLION BY THE WORLD BANK. A FEBRUARY 1965 PROJECT AMENDMENT ADDED THE CWM COMPONENT AND INCREASED THE AUTHORIZATION BY DOLS 25 MILLION. THE WORLD BANK'S CONTRIBUTION WAS INCREASED BY DOLS 46.5 MILLION FOR CWM. THE ISM-II PROJECT AMENDMENT IN 1988 EXTENDED THE PROJECT BY THREE YEARS TO A NEW TEN-YEAR PACD OF JUNE 4, 1993, AND INCREASED AUTHORIZED FUNDING TO DOLS 205 MILLION. THE WORLD BANK CORRESPONDINGLY INCREASED ITS FUNDING TO DOLS 166.5 MILLION, AND THE NETHERLANDS GOVERNMENT ADDED DOLS 2.5 MILLION. TOTAL ACTUAL USAID OBLIGATIONS TO THE PROJECT WERE CONSIDERABLY LESS THAN AUTHORIZED, I.E., DOLS 122.9 MILLION, DUE TO A COMBINATION OF INADEQUATE FUNDS AVAILABLE FOR OBLIGATION WHEN NEEDED AND THE PRESSLER AMENDMENT-MANDATED FUNDING REDUCTIONS.

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FOR ACTING DAA/ASIA; ASIA/SA, S. CHERNEKHOFF;
ASIA/DR/PD, J. DEMPSEY; ASIA/DR/TR, T. ATWOOD
E.O. 12356: N/A

SUBJECT: EXTENSION BEYOND TEN YEARS OF IRRIGATION
SYSTEMS MANAGEMENT PROJECT - 391-0467

(B) PROJECT PURPOSE AND ACTIVITIES: THE OVERALL GOAL OF THE PROJECT IS TO INCREASE AND SUSTAIN THE AGRICULTURAL PRODUCTION OF PAKISTAN THROUGH MORE EFFICIENT, RELIABLE, AND EQUITABLE DISTRIBUTION OF WATER. THE PURPOSE (PER THE ISM-II AMENDMENT) IS "TO ASSIST THE FOUR PROVINCIAL IRRIGATION DEPARTMENTS... TO DEVELOP THE CAPACITY FOR SUSTAINED AND PROPER OPERATION, MAINTENANCE AND MANAGEMENT OF THE REHABILITATED IRRIGATION SYSTEM."

1. SUMMARY: MISSION REQUESTS APPROVAL OF A NO COST EXTENSION OF THE IRRIGATION SYSTEMS MANAGEMENT (ISM) PROJECT ASSISTANCE COMPLETION DATE (PACD) FROM JUNE 4, 1993, TO DECEMBER 31, 1993. THIS EXTENSION, WHICH WOULD TAKE THE PROJECT BEYOND TEN YEARS, IS REQUIRED TO COMPLETE THE DELIVERY AND INSTALLATION OF FIVE LARGE U.S.-MANUFACTURED ELECTRIC PUMP MOTORS AND ALLIED ELECTRICAL EQUIPMENT AT A COST OF DOLS 2.8 MILLION. THE PROCUREMENT CONTRACT FOR THIS EQUIPMENT WAS AWARDED TO A FLORIDA BASED FIRM, AND THE MOTORS WERE TO HAVE

- OF THE THREE SUBPROJECTS, CWM FOCUSED ON IMPROVING WATER MANAGEMENT AT THE LOWER ENDS OF THE SYSTEM IN SEVEN EXPERIMENTAL COMMAND AREAS. IT BUILT USERS ORGANIZATIONS, LINED WATERCOURSES, USED AN INTERAGENCY PROJECT MANAGEMENT STRUCTURE, AND TRIED VARIOUS FARM

BEEN MANUFACTURED, DELIVERED, AND INSTALLED BY THE PRESENT PACD. HOWEVER, THE LATE AUGUST 1992 HURRICANE IN SOUTH FLORIDA SERIOUSLY DISRUPTED THE SUPPLY SCHEDULE OF THE MANUFACTURER AND ITS SUBCONTRACTORS. SHIPMENT AND INSTALLATION OF THE MOTORS IS NOW PROJECTED TO BE DELAYED AT LEAST FOUR MONTHS. THE EXTENSION WOULD REQUIRE NO NEW FUNDING. END SUMMARY.

AND COMMAND LEVEL WATER MANAGEMENT TECHNIQUES. THE PUMP MOTORS BEING PROCURED ARE CRITICAL TO ONE OF THESE SEVEN COMMAND AREAS.

2. FOLLOWING IS THE TEXT OF THE PROPOSED ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR. QUOTE:

- THE REHABILITATION AND INSTITUTIONAL DEVELOPMENT SUBPROJECT (USUALLY REFERRED TO AS ISM-1 AND ISM-2) REHABILITATED VARIOUS ELEMENTS OF THE IRRIGATION AND DRAINAGE INFRASTRUCTURE (DURING THE LATER PHASES MOSTLY DRAINAGE SYSTEMS, BARRAGE GATES, AND SMALL STRUCTURES VS THE WORLD BANK FOCUS ON REHABILITATING CANALS) AND FOCUSED ON INSTITUTIONAL DEVELOPMENT OF THE PROVINCIAL IRRIGATION DEPARTMENTS (PIDS), WHICH MANAGE THAT SYSTEM. THE TWO MAIN INSTITUTIONAL DEVELOPMENT COMPONENTS HAVE A VARIETY OF ACTIVITIES TO IMPROVE IRRIGATION SYSTEM OPERATIONS AND MAINTENANCE, AND TO IMPROVE EQUIPMENT AND MECHANICAL WORKSHOP UTILIZATION AND MANAGEMENT. USAID SUPPLIED THE TECHNICAL ASSISTANCE, EXTENSIVE IN-COUNTRY AND OVERSEAS TRAINING, AS WELL AS MOST OF THE COMMODITIES FOR INSTITUTIONAL DEVELOPMENT, FOR THE MULTI-DONOR EFFORT.

3. PURPOSE: TO OBTAIN APPROVAL FOR AN AD-HOC DELEGATION OF AUTHORITY TO THE USAID/PAKISTAN MISSION DIRECTOR TO EXTEND THE IRRIGATION SYSTEMS MANAGEMENT PROJECT (ISM, 391-0467) FROM THE CURRENT PACD OF JUNE 4, 1993, TO DECEMBER 31, 1993. IF APPROVED, THE TOTAL LIFE OF PROJECT (LOP) WILL BE TEN YEARS AND SEVEN MONTHS.

- THE THIRD SUBPROJECT, ISM/RESEARCH, HAS BUILT UP A NETWORK OF IRRIGATION RESEARCHERS AND SUPPORTED THE INCREASE AND IMPROVEMENT OF IRRIGATION AND DRAINAGE RESEARCH, PARTICULARLY THAT WHICH IS MANAGEMENT AND FIELD-ORIENTED. IT INCLUDES A COOPERATIVE AGREEMENT WITH THE INTERNATIONAL IRRIGATION MANAGEMENT INSTITUTE (IIMI), SUPPORT FOR INSTITUTIONAL DEVELOPMENT AND RESEARCH TO TEN NATIONAL RESEARCH INSTITUTIONS OR PROGRAMS, AND THIRTY COMPETITIVE SMALL RESEARCH GRANTS TO INDIVIDUAL RESEARCHERS.

4. BACKGROUND (PROJECT OVERVIEW): THE ISM PROJECT IS AN UMBRELLA PROJECT COMPRISING THREE SEPARATELY MANAGED SUBPROJECTS: (1) REHABILITATION AND INSTITUTIONAL DEVELOPMENT, (2) COMMAND WATER MANAGEMENT (CWM), AND (3) IRRIGATION SYSTEMS MANAGEMENT RESEARCH (ISM/R). IT HAS BEEN PART OF A COORDINATED MULTI-DONOR PROJECT AND POLICY EFFORT WITH THE WORLD BANK AND THE NETHERLANDS GOVERNMENT, WITH CONSIDERABLE DIVISION OF LABOR AMONG DONORS. THE SPECIFIC PROCUREMENT FOR WHICH EXTENSION IS REQUIRED, INVOLVES THE FIRST TWO SUBPROJECTS.

(C) PROJECT STATUS AND WIND-UP. THE KEY PROJECT ACTIVITIES IN ALL THREE SUBPROJECTS ARE EITHER COMPLETED, ARE IN A PHASE-DOWN MODE, OR ARE EXPECTED TO BE COMPLETED BY THE CURRENT PACD. THE CWM TECHNICAL ASSISTANCE (TA) CONTRACT WITH ARD, INC., WAS TERMINATED EARLY (1991) DUE TO PRESSLER BUDGET CUTS; THE

(A) PROJECT FUNDING: ISM WAS INITIALLY AUTHORIZED IN JUNE 1983 FOR DOLS 65 MILLION AND SEVEN YEARS, WITH CO-

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INSTITUTIONAL DEVELOPMENT TA CONTRACT WITH HARZA ENGINEERING IS ALREADY REDUCED TO ONLY TWO EXPATRIATES, AND WILL END IN MAY; AND THE COOPERATIVE AGREEMENT WITH IIMI/PAKISTAN WILL END, AS SCHEDULED, BY JUNE.

- THE LAST BATCH OF SMALL CWM WATERCOURSE LINING SCHEMES UNDER FIXED AMOUNT REIMBURSEMENT (F.A.R.) SHOULD BE COMPLETED BY APRIL. SOME LARGER, CIVIL WORKS OF REHABILITATING DRAINS, GATES, AND BARRAGES UNDER F.A.R. ARE STILL UNDERWAY AND WILL CONTINUE UNTIL THE END OF MAY. A FEW SUCH SCHEMES MAY NOT BE COMPLETED BY THAT TIME, AND THUS WOULD NOT BE REIMBURSED.

- IN-COUNTRY TRAINING WILL END IN MAY. ALL OVERSEAS PARTICIPANTS ARE EXPECTED TO HAVE RETURNED TO PAKISTAN BY JUNE 4. THE TRIAL OF LIGHT CSM EQUIPMENT IS COMPLETED, AND THE DATA IS TO BE ANALYZED AND PUBLISHED DURING THE NEXT THREE MONTHS. A NATIONAL DRAINAGE MANUAL AND AN O&M MANUAL FOR SINDH PROVINCE ARE BEING PROOFREAD AND WILL GO TO PRINTERS SOON. THE HEAVY EQUIPMENT OVERHAUL PROGRAM WILL CONTINUE AFTER THE PACD WITHOUT FURTHER USAID SUPPORT; THE FINAL USAID-SUPPLIED SPARE PARTS FOR THAT PROGRAM HAVE BEEN ORDERED AND WILL BE DELIVERED BEFORE THE PRESENT PACD. A FEW RELATIVELY MINOR COMMODITY PROCUREMENTS FOR UPGRADING ONE MECHANICAL WORKSHOP, IMPROVING HYDRAULIC MONITORING AND

SURVEY CAPACITY, AND PROVIDING RESEARCH EQUIPMENT, WILL BE DELIVERED BEFORE THE CURRENT PACD. A MULTI-YEAR STUDY OF THE IMPACT OF REHABILITATING CANALS AND DRAINS IS A YEAR BEHIND THE ORIGINAL SCHEDULE AND WILL NOT BE COMPLETED BY THE PACD; SOME PORTIONS MAY BE TERMINATED AND THE BALANCE FUNDED BY THE MISSION'S PROJECT DESIGN AND IMPLEMENTATION FUND (PDIF) PROJECT. ALL SUPPORT FUNDING TO INDIVIDUAL PROJECTS AND IRRIGATION RESEARCH INSTITUTIONS UNDER ISM/RESEARCH WILL TERMINATE ON OR BEFORE JUNE 4, THOUGH SOME RESEARCH ACTIVITIES (BY EITHER DELAY OR DESIGN) WILL CONTINUE AFTER THE END OF USAID FUNDING; A FINAL WRAP-UP SYMPOSIUM WILL BE HELD IN APRIL.

5. THE WARSAK PUMP MOTOR PROCUREMENT: THERE IS ONLY ONE MAJOR INCOMPLETE PROJECT ACTIVITY FOR WHICH THE EXTENSION IS CRITICAL: THE PROCUREMENT OF LARGE, SPECIALLY MANUFACTURED PUMP MOTORS FOR THE WARSAK LEFT CANAL SYSTEM. THIS SYSTEM IN THE NORTHWEST FRONTIER PROVINCE (NWFP) IS ONE OF SEVEN CWM SUB-PROJECT AREAS SELECTED IN PAKISTAN. IN SOME RESPECTS, IT WAS ONE OF THE MOST SUCCESSFUL SUB-PROJECT AREAS, PARTICULARLY FOR FARMER PARTICIPATION AND ORGANIZATIONS.

- HOWEVER, THIS SYSTEM HAS A CRITICAL HARDWARE PROBLEM WHICH NOW RESTRICTS THE WATER SUPPLY TO A LARGE PORTION OF THE MANY FARMS/FARMERS IN THE SYSTEM. USAID'S COMMITMENT TO HELP ADDRESS THIS PROBLEM THROUGH PROCUREMENT AND INSTALLATION OF NEW PUMP MOTORS WAS SET IN MOTION SOME TIME AGO. HOWEVER, COMPLETION BY THE PACD HAS BEEN MADE IMPOSSIBLE, NOT BY EVENTS IN

PAKISTAN, BUT BY THE AUGUST 1992 HURRICANE IN FLORIDA.

- THE WATER FOR THIS CANAL SYSTEM IS LIFTED FROM AN OFFTAKE OF THE KABUL RIVER BY A PUMPING STATION, WHICH HAS FIVE LARGE ELECTRIC-MOTOR-DRIVEN PUMPS, EACH OF 50 CUBIC FEET PER SECOND CAPACITY. THE EQUIPMENT OF THE

PUMPING STATION WAS 20 YEARS OLD WHEN THE PROJECT STARTED. THEREFORE, THE PUMPS WERE TO BE REPLACED BY THE USAID COMPONENT OF THE MULTI-DONOR CWM SUBPROJECT. FIVE PUMPS FROM THE U.S. WERE PROVIDED DURING THE FIRST FIVE YEARS OF THE PROJECT AT AN EXPENSE OF NEARLY DOLS 3 MILLION. AT THE BEGINNING OF THE PROJECT,

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CONSULTANTS ADVISED THAT THE MOTORS DID NOT YET REQUIRE REPLACEMENT. BY THE TIME THE PUMPS WERE MANUFACTURED AND DELIVERED (WHICH TOOK UNUSUALLY LONG WHILE A MANUFACTURING-CASTING PROBLEM WAS RESOLVED), SEVERAL OF THE ELECTRIC MOTORS IN THE PUMPING STATION WERE TOO OLD TO WITHSTAND THE FULL-LOAD WORKING REQUIREMENTS OF THE PUMPS. ACCORDINGLY, THE INSTALLATION OF THE REMAINING THREE PUMPS WAS POSTPONED AND THE EFFORT TO PROCURE NEW ELECTRIC MOTORS AS REPLACEMENTS, WAS INITIATED. ONLY TWO OF THE FIVE PUMPS ARE NOW IN SERVICE AND THE CONDITION OF THEIR MOTORS IS NOT CONSIDERED RELIABLE.

- THE SIZE-ABLE MOTORS REQUIRED CUSTOM MANUFACTURE. THE DEVELOPMENT OF SPECIFICATIONS, THEIR APPROVAL BY USAID/WASHINGTON AND THE PROCUREMENT PROCESS WERE QUITE LENGTHY. THE GULF WAR FURTHER DELAYED ACTIONS, AS DID THE UNCERTAINTIES AND RADICAL FUNDING CHANGES FOR THE PROJECT CONNECTED WITH THE PRESSLER PHASEDOWN. HOWEVER, THE PROCUREMENT CONTRACT WAS FINALLY AWARDED

IN MID-AUGUST AND EXECUTED ON AUGUST 25, 1992, WITH A U.S. SUPPLIER, WHO IS HAVING THE MOTORS AND COMPONENTS MANUFACTURED BY SUBCONTRACTS WITH SEVERAL U.S. FIRMS IN FLORIDA. THE SUPPLIER AND SUBCONTRACTORS HAD MADE A FIRM COMMITMENT TO DELIVER AND INSTALL THE EQUIPMENT BY APRIL 27, 1993.

- HOWEVER, THE HURRICANE IN FLORIDA WHICH OCCURED ALMOST AT THE SAME TIME AS EXECUTION OF THE CONTRACT REQUIRED MANUFACTURERS TO IMMEDIATELY DIVERT THEIR EFFORTS TO MEET U.S. HURRICANE REHABILITATION DEMANDS. THIS DISRUPTED THE SUPPLY SCHEDULE OF THE COMPONENTS TO BE MANUFACTURED FOR THIS PROCUREMENT. IN LATE NOVEMBER 1992 AND SUBSEQUENT COMMUNICATIONS, THE SUPPLIER INVOKED THE FORCE MAJEURE CLAUSE OF THE CONTRACT, CLAIMING THAT IT WOULD BE IMPOSSIBLE TO MAKE UP FOR THE LOST TIME. HIS PROJECTED DELAY IS JUST OVER FOUR MONTHS, BUT PLACES INSTALLATION WELL BEYOND THE PACD.

6. DISCUSSION/BACKGROUND FOR EXTENSION:

(A) AS LITTLE AS THREE MONTHS AGO, EXTENSION OF THE ISM PROJECT WAS VIEWED AS UNNECESSARY. VIRTUALLY ALL PROJECT ACTIVITIES WERE ON A SATISFACTORY PHASEDOWN TRAJECTORY. THE SEVERAL MINOR ACTIVITIES WHICH MIGHT NOT BE COMPLETED WERE NOT CONSIDERED TO BE SUFFICIENT TO WARRANT AN EXTENSION. THE WARSAK PUMP MOTOR PROCUREMENT WAS RECOGNIZED AS CRITICAL, AND NEEDED CLOSE MONITORING, BUT IT SEEMED TO BE ON SCHEDULE.

(B) SINCE EARLY 1992, COMPLETION OF THIS PROCUREMENT HAS BEEN GIVEN THE HIGHEST PRIORITY WITHIN THE MISSION.

FAILURE TO PROCURE THE MOTORS WOULD HAVE A NUMBER OF SERIOUS CONSEQUENCES:

- (1) IF THIS 3.8 MILLION DOLLAR PROCUREMENT FAILS, IT WILL REPRESENT THE LOSS OF A MAJOR CONTRACT TO A DOMESTIC U.S. SUPPLIER AND ITS SUBCONTRACTORS, WHOSE INABILITY TO MEET THEIR CONTRACTED DELIVERY SCHEDULE GENUINELY APPEARS TO HAVE BEEN DUE TO FORCE MAJEURE.

- (2) CANCELLATION OF THE CONTRACT WOULD RESULT IN SIGNIFICANT CLAIMS AGAINST THE PROJECT.

- (3) IT WOULD BE CATASTROPHIC FOR A LARGE NUMBER OF FARMERS IN A LARGE AREA; IT WOULD MEAN THE DIFFERENCE BETWEEN WHETHER THEY CAN OR CANNOT FARM THEIR LAND!

- (4) IT WOULD MAKE "WHITE ELEPHANTS" OUT OF THE PUMPS PROCURED AT CONSIDERABLE COST EARLIER IN THE PROJECT BY LEAVING THEM UNUTILIZED. THIS HAS ALREADY BEEN HIGHLIGHTED BY TWO MISSION AUDITS (INCLUDING LAST YEAR'S EQUIPMENT UTILIZATION AUDIT), EVEN THOUGH THE

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AUDITS ACKNOWLEDGED THE FACTORS BEYOND MISSION CONTROL WHICH HAD JEOPARDIZED THE FINAL CRITICAL PROCUREMENT OF MOTORS.

- (5) IT WOULD LEAVE THE LARGER DEVELOPMENT WORK IN THE WARSAK CANAL COMMAND AREA BY THE WORLD BANK AND USAID INCOMPLETE, BY FAILING TO RESTORE NORMAL WATER SUPPLY TO THE CANAL.

- (6) IT WOULD RESULT IN CONSIDERABLE ILL WILL TOWARD THE USG FOR INITIATING A VITAL DEVELOPMENT ACTIVITY AND ABANDONING IT WITHOUT COMPLETION, LEAVING TENS OF THOUSANDS OF FARMERS IN A PRECARIOUS PREDICAMENT. THIS COULD BE EXPECTED TO RESULT IN BOTH SHORT AND LONG-TERM NEGATIVE FOREIGN POLICY

CONSEQUENCES, SUCH AS NEGATIVE PRESS COVERAGE FOR THE

- (7) IF THE PROCUREMENT FAILS, IT IS VIRTUALLY IMPOSSIBLE THAT ANY OTHER DONOR WOULD BE ABLE TO ASSUME THE FINANCING IN AN EFFECTIVE TIME FRAME, AS THEIR COMPANION PROJECTS HAVE ALREADY ENDED. THE GOHWFF DOES NOT HAVE THE RESOURCES TO SELF-FINANCE THE WHOLE PROCUREMENT, EVEN THOUGH IT IS OF EXTREMELY HIGH PRIORITY TO THEM AND IS IN A POLITICALLY SENSITIVE AND HIGHLY VISIBLE LOCATION.

C. UNDER THE PRESSLER PHASEOUT, THE MISSION (AND THE ISM PROJECT) WAS LARGELY RESTRICTED FROM INITIATING NEW ACTIVITIES. IT WAS AUTHORIZED TO COMPLETE CERTAIN "USEFUL DEVELOPMENT UNITS", INCLUDING THE COMPLETION OF REHABILITATION OF PORTIONS OF THE IRRIGATION SYSTEM WHERE WORK HAD ALREADY BEEN DONE, SUCH AS THE WARSAK CANAL SYSTEM. THE PROCUREMENT AND INSTALLATION OF THE ELECTRIC MOTORS AND ALLIED ACCESSORIES IS AN ESSENTIAL PART OF THE REHABILITATION OF THAT SYSTEM.

D. THE SUPPLIER OF THE EQUIPMENT HAS REQUESTED EXTENSION OF THE CONTRACT PERIOD TILL AUGUST 30, 1993. HOWEVER, THE MISSION FEELS THAT TO COVER ANY UNFORESEEN ADDITIONAL DELAYS WHICH COULD OCCUR IN THIS COMPLEX ACTIVITY, A MARGIN OF SAFETY IN THE EXTENSION OF THE PACD IS APPROPRIATE. SUCH AN EXTENSION, THOUGH SIGNIFICANT FOR THE ACHIEVEMENT OF PROJECT PURPOSES, WOULD BE OF LITTLE SIGNIFICANCE TO PRESSLER

REQUIREMENTS AS IT NEITHER INVOLVES ADDITIONAL FUNDS NOR ANY CHANGE IN THE MISSION'S PHASEOUT PLAN.

7. AUTHORITY: UNDER IDCA DELEGATION OF AUTHORITY NO. 1, DATED OCTOBER 1, 1979, AS AMENDED, YOU ARE AUTHORIZED, INTER ALIA, TO APPROVE PROJECT EXTENSIONS WITHOUT LIMITATION AS TO TIME.

6. RECOMMENDATION: THAT YOU APPROVE THE PROPOSED AD-HOC DELEGATION OF AUTHORITY TO THE USAID/PAKISTAN MISSION DIRECTOR TO EXTEND THE ISM PROJECT PACD TO DECEMBER 31, 1993, WITHOUT INCREASING CURRENT LOP FUNDING. UNQUOTE.

9. CLOSING: EXTENSION OF THE ISM PROJECT SPECIFICALLY TO COMPLETE THIS PROCUREMENT IS OF HIGHEST PRIORITY TO THE MISSION. IT IS NECESSITATED BY FACTORS IN THE U.S. TOTALLY OUTSIDE THE CONTROL OF THE PAKISTAN GOVERNMENT AND USAID/PAKISTAN. FAILURE TO COMPLETE THE PROCUREMENT AND INSTALLATION OF THESE MOTORS WILL, WE BELIEVE, HAVE SERIOUS AND HIGHLY VISIBLE CONSEQUENCES NOT JUST FOR THE BENEFICIARIES, BUT FOR THE USG AND A US SUPPLIER. THE PROJECT IS OTHERWISE MOVING TOWARD COMPLETION ON THE ORIGINAL SCHEDULE. WE URGE A

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