

AGENCY FOR INTERNATIONAL DEVELOPMENT
 PROJECT DATA SHEET

1. TRANSACTION CODE
 A: Add Amendment Number
 C: Change
 D: Delete 1

DOCUMENT CODE
 3

COUNTRY/ENTITY
 MADAGASCAR

3. PROJECT NUMBER
687-0102

4. BUREAU/OFFICE
 AFR 06

5. PROJECT TITLE (maximum 40 characters)
Madagascar Agricultural Export Liberalization Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
 M M D D Y Y
0 8 3 1 9 5

7. ESTIMATED DATE OF OBLIGATION
 (Under "B." below, enter 1, 2, 3 or 4)
 A. Initial FY 8 8 B. Quarter C. Final FY 9 2

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 88			LIFE OF PROJECT		
	B. FX	C. C/L	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	2735		2735	6410		6410
(Grant)	(2735)	()	(2735)	(6410)	()	(6410)
(Loan)						
Other 1.						
U.S. 2.						
Host Country GOM	-	145	145	-	350	350
Other Donor(s) (Private Sector)	-	50	50	-	1020	1020
TOTALS ➔	2735	195	2930	6410	1370	7780

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) DFA	220B	010		2735	-	3675	-	6410	-
(2)									
(3)									
(4)									
TOTALS ➔				2735		3675		6410	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 840 650

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 400 characters)

To reduce policy and procedural impediments to Liberalized Malagasy External Markets and to increase Private Sector Exports of "Non-Traditional" Agricultural Products.

14. SCHEDULED EVALUATIONS

Interim 0 3 9 1 Final 1 2 9 4

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY

Signature George Carnet
 Title Director USAID/Madagascar

Date signed 0 4 2 8 9 2

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

M M D D Y Y

AGENCY FOR INTERNATIONAL DEVELOPMENT PPC/CDIE/DI REPORT PROCESSING FORM

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number <div style="border: 1px solid black; padding: 2px; text-align: center;">687-102</div>	2. Contract/Grant Number <div style="border: 1px solid black; height: 20px;"></div>	3. Publication Date <div style="border: 1px solid black; padding: 2px; text-align: center;">04/28/92</div>
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4. Document Title/Translated Title

Madagascar Agricultural Export Liberalization Support PP Supplement

5. Author(s)

1.	
2.	
3.	

6. Contributing Organization(s)

USAID/Madagascar

7. Pagination <div style="border: 1px solid black; padding: 2px; text-align: center;">139p.</div>	8. Report Number <div style="border: 1px solid black; height: 20px;"></div>	9. Sponsoring A.I.D. Office <div style="border: 1px solid black; padding: 2px; text-align: center;">AFR</div>
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10. Abstract (optional - 250 word limit)

The scope of the technical support project MAELSP is to reduce policy and procedural impediments to liberalized Malagasy External Markets and to increase Private Sector Exports of "Non-Traditional" Agricultural Products. Now, in its "action phase", the challenge to the project is to take concrete steps in field work with commodity groups and businesses to take advantage of the liberalized environment for the promotion of agricultural exports.

11. Subject Keywords (optional)

1. Agricultural Export Promotion	4. Export Business Development
2. Liberalization	5.
3. Technical Assistance to Export Marketing	6.

12. Supplementary Notes

13. Submitting Official <div style="border: 1px solid black; padding: 2px;">Frank D. Martin, Economist</div>	14. Telephone Number <div style="border: 1px solid black; padding: 2px; text-align: center;">261-2-254-89</div>	15. Today's Date <div style="border: 1px solid black; padding: 2px; text-align: center;">11/17/93</div>
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16. DOCID <div style="border: 1px solid black; height: 20px;"></div>	17. Document Disposition <div style="border: 1px solid black; padding: 2px; text-align: center;">DOCRD [] INV [] DUPLICATE []</div>
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The restructured MAELSP will employ a commodity subsector analytical approach to more systematically identify bottlenecks and opportunities for intervention in the vertical marketing channels for specific products. Thus, the project will develop an applied method to identify project interventions which will have the greatest impact on increasing exports of specific commodities or groups of commodities.

There are three components for implementation of this action-oriented project strategy:

Export Commodity Subsector Development: MAELSP field work will emphasize diagnoses of subsector constraints and implementation of applied pilot activities to increase the export of agricultural products.

Human Resource Development for Export Business Development: This will involve selectively continuing some of the project's current training activities and reorienting others so they directly support the project's applied export development thrust.

Identification of Impediments to Continued Malagasy Private Sector Development: This component will continue to identify policy and regulatory constraints to increased agribusiness exports; explore the need for private and public institutions to assist individual firms in their efforts to expand in export markets; and refine methods of working with the Malagasy private sector.

In order to carry out these activities, 34 additional months are to be added to the present Project Assistance Completion Date (PACD), thus extending it from October 1992 to August 1995. Also, an additional \$3.675 million is requested, for a new total Life-of-Project funding level of \$7.780 million which includes the A.I.D contribution of \$6.410 million and the Host Country contribution of \$1.370 million. USAID/Madagascar will carry out these activities through the following:

- A eight month "buy-in" from a centrally funded AID/W project for start-up activities
- An evaluation of the training component in April, 1992 to consider a modification of the current focus of the human resources component of MAELSP
- Contract for local and U.S. based short-term technical assistance to conduct necessary development work and special studies through a competitively selected contractor or a buy-in to a centrally funded AID/W project if available.

In addition to carrying out these activities, USAID/Madagascar will hire a U.S. based policy research and training coordinator who will be a personal services contractor (PSC) and a Malagasy agribusiness PSC as well as extend the existing long-term technical assistance contract and directly contract for project evaluations.

The following is the breakdown of anticipated costs by project component:

Technical Assistance	
Contract/Buy-in	\$1,167,000
Personal Services Contract	919,000
Other direct costs	1,071,000
Marketing development trips	152,000
Training	450,000
Evaluation	200,000
Audit	30,000
Contingency	321,000
Subtotal	4,310,000
Less carry-over	635,000
Total additional MAELSP funding provided by this PP Supplement	\$3,675,000

IV. DESIGN ISSUES:

A Mission review was held on May 10, 1991. Because political unrest prevented project approval until FY 1992, Mission management reviewed the Project again in February, 1992. Each of the following issues presented during the reviews has been resolved and they are included in the attached PP Supplement.

A. Defining the Project Advisory Committee (PAC): The draft PP Supplement did not adequately discuss the roles and responsibilities of the PAC in its relationship with revised MAELSP. Section 4.b. has been amended to clarify its role.

B. Commodity Selection and Approach: A discussion of selection criteria and the approach to be pursued in working with the commodities has also been included in Section 4.c. of the Administrative Analysis.

C. Detailed Budget: A detailed budget has been prepared and has been included in the PP Supplement as Annex C.

D. Mission Management Burden: The Project Committee consisting of the Project Development Office, the Agriculture Development Office and the MAELSP PSC Coordinator, was asked to re-examine the management burden that would be placed on the Mission as a result of the additional technical assistance contracted under the revised MAELSP. The Project Committee determined that a long-term U.S.-based Agribusiness Advisor was not needed to carry out the revised MAELSP. Therefore, this position was eliminated from the PP Supplement which in turn will reduce Mission support requirements.

E. Host Country Contribution. The host country contribution under the draft PP Supplement was reduced during the design process from \$1,900,000 to \$1,370,000 which meets the required 25 percent host country contribution. Of the total \$1,370,000 that the host country must contribute, \$195,000 was contributed under the original MAELSP. Therefore, \$1,175,000 remains to be contributed under this PP Supplement. Given the recent political unrest experienced in Madagascar and the resulting negative impact on the economy, the Mission decided to reduce the required host country contribution so as to lessen the burden this requirement would place on the GOM.

F. Lack of Baseline Data. The original design of MAELSP envisaged a rural household income and expenditure survey, which would establish the baseline and later be used to measure performance. At the time the implementation of MAELSP was beginning in 1990, the World Bank was preparing a major rural household income and expenditure survey. The results of this study would have provided the desired MAELSP baseline information. This study subsequently was delayed several times and did not start until 1992. Therefore, the Mission has not had the necessary baseline data to measure performance to date during implementation of MAELSP. Thus, an important design consideration for the PP Supplement has been the need to gather baseline information to provide adequate impact monitoring.

V. SPECIAL CONSIDERATIONS:

A. WAIVERS: The original MAELSP Project Agreement indicated that the U.S. was to be the source and origin for the goods and services to be procured under the project. However, under the restructured MAELSP procurement of a limited amount of goods and/or services from not only Madagascar but also from other countries on AID's Geographic Code 935 is contemplated. There may also be a requirement to finance certain special training programs and perhaps some Study Tours in European countries included in AID's Geographic Code 935.

Because of the procurement authority specific to DFA, no "waivers" will be required. However, in support of "Buy America" and the desire to maximize U.S. procurement, we do not intend to modify the Project Agreement provisions on source/origin. Instead, the Mission will "otherwise agree" on a case-by-case basis to selected non-U.S. procurement as permitted by the Project Agreement and applicable DFA procurement authorities.

B. COVENANT & CONDITIONS PRECEDENT TO DISBURSEMENT OF FUNDS:

Conditions precedent: All of the Covenants and Conditions Precedent to Disbursement of Funds in the original Project Agreement have been met. In that recent political disturbances in Madagascar disrupted normal GOM operations and there is now an interim government, the following condition precedent has been added: the GOM will be required prior to the first disbursement of funds to provide a written opinion of legal counsel, in form and substance satisfactory to A.I.D., that the First Amendment to the Agreement has been duly authorized and/or ratified by, and executed on behalf of, the GOM, and that it constitutes a valid and binding obligation of the GOM, in accordance with all of its terms.

Special Covenants: Local Currency. In addition to the Grantee resources identified in Section 3.2(b) of this Agreement, the Grantee covenants to disburse local currency funds which have been generated pursuant to the MAELP Program and have not been specifically designated or programmed for particular purposes under the Program Agreement for activities in the Public Investment Program (PIP) for promotion of agribusiness exports and in the amount and for the particular purposes to be agreed upon with A.I.D.

C. CONGRESSIONAL NOTIFICATION: A Technical Notification (Annex F) was submitted and expired without objection on December 26, 1991.

D. AUTHORITY: In accordance with the terms of DOA 551, as amended, the Assistant Administrator of the Africa Bureau has delegated to the USAID/Madagascar Director the authority to (a) amend program or project authorizations unless the Amendment will result in total Life-of-Project Funding of \$30 million and (b) approve extensions of the Life-of-Project, provided that the extension does not result in a new total Life-of-Project of more than ten years. In the case instant, total LOP funding will increase from \$2,735,000 to \$6,410,000 which is within your delegated authority. Extending the PACD by 34 months will result in a total LOP of 7 years 2 months, also within the delegated authority. In addition, there are no policy issues, no deviations from original project purpose and no waivers requiring Assistant Administrator approval which preclude you from exercising these delegated authorities.

RECOMMENDATION: It is recommended that you sign the attached Project Paper Facesheet Amendment and the attached Authorization Amendment No. 2 thus indicating your approval of the Project Paper Supplement, and the Project Authorization Amendment No. 2 which increases total LOP A.I.D. contribution by \$3,675,000 to a new level of \$6,410,000 and extends the PACD from October 31, 1992 to August 31, 1995.

ATTACHMENT: - PP Facesheet
- PP Supplement

CLEARANCE:

PROG: J. Johnson J.J.
ADO : J. Thomas J.T.
DDIR: D. Mackenzie DM
RLA : P. Shapiro Phone (Draft)

Date: 4/23/92
Date: 4-27-92
Date: 4/23/92
Date: 4/27/92

I have reviewed the proposed methods of implementation and financing for this project, and find them to be appropriate. Where necessary, adequate provisions have been made for detailed assessments of financial management capacities. I therefore recommend that you approve this proposed Project Paper.

Shirley A. Hunter
Shirley Hunter, Controller

Date: 4/24/92

OFFICE OF THE CONTROLLER
USAID/MADAGASCAR
FUNDS
AVAILABLE
BY: CAMILLE / DATE: 4/24/92

Drafted by: SFREUNDLICH, 4/21/91; LBROWN, 6/12/91, 4/14/92: Doc.Draft Memo

PROJECT NUMBER : 687-0102
APPROPRIATION : 72-112/31014
BUDGET PLAN CODE : GSS2-92-21687-KG13

PROJECT AUTHORIZATION AMENDMENT No. 2

Name of Country : Madagascar
Name of Project : Madagascar Agricultural Export Liberalization
Support
Number of Project : 687-0102

1. **Background:** The Madagascar Agricultural Export Liberalization Support Project was initially authorized by the Assistant Administrator for Africa on July 21, 1988, with a Life of Project funding of Two Million Seven Hundred and Thirty-Five Thousand United State Dollars (U.S. \$2,735,000) over a three year period from authorization. The authorization was amended on October 15, 1990 by the Director of USAID/Madagascar to extend the Life of Project from three years to four years and four months from date of initial authorization. The purpose of this Amendment No. 2 is to further extend the Life of Project for a new Project Assistance Completion Date ("PACD") of August 31, 1995, to add additional U.S. Dollar funding to the project, and to modify the Conditions Precedent and include an additional covenant by the Grantee. This action is justified based on the project's progress to date and the good prospects offered by further development impact in promoting agribusiness and private agricultural export .

2. **Additional Funding/LOP Extension:** Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize an additional Three Million, Six Hundred Seventy Five Thousand United States Dollars (U.S. \$3,675,000) for the Madagascar Agricultural Export Liberalization Support Project, which shall have a revised planned PACD of August 31, 1995. The revised total Life of Project funding shall be Six Million, Four Hundred and Ten Thousand United States Dollars (U.S. \$6,410,000). Under this Amendment, the Grantee will be contributing additional resources (which may be contributed in kind) in an amount equivalent to One Million, One Hundred Seventy Five Thousand United States Dollars (U.S. \$1,175,000).

3. **Conditions Precedent and Special Covenants:**

Conditions Precedent: Prior to any disbursement under the First Amendment to the Agreement, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) the name of the person holding or acting in the office of the Grantee specified in Section 8.2 and of any additional representatives, together with a specimen signature of each person so specified; and

(b) a written opinion of legal counsel, in form and substance satisfactory to A.I.D., that the First Amendment to the Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and binding obligation of the Grantee, in accordance with all of its terms."

Special Covenants: In addition to the Grantee resources identified in Section 3.2(b) of the Project Agreement, the Grantee covenants to disburse local currency funds which have been generated pursuant to the MAELP Program and have not been specifically designated or programmed for particular purposes under the Program Agreement for activities in the Public Investment Program (PIP) for promotion of agribusiness exports and in the amount and for the particular purposes to be agreed upon with A.I.D.

4. Status of Original Authorization: Except as modified above, the original Authorization shall remain in full force and effect.



George Carner
Mission Director
USAID Madagascar

Date: 4/28/92

Cleared by: Pat Shapiro; REDSO/RLA: FAX 2/14/92

GLOSSARY

ADO	Agricultural Development Office
A.I.D.	Agency for International Development
A.I.D./W	A.I.D./Washington
AMIS	Agricultural Marketing Improvement Strategies
CPA	Centre de Perfectionnement des Affaires (Continuing Business Education Center)
EOPS	End Of Project Status
FY	Fiscal Year
FIVMPAMA	Fivondronan'ny Mpandraharaha Malagasy (Association of Malagasy Businesses)
GDRM	Government of the Democratic Republic of Madagascar
GEM	Groupement des Entreprises Malgaches (Association of Malagasy Enterprises)
GEMINI	Growth and Equity through Microenterprise Investments and Institution
HC	Host Country
IESC	International Executive Service Corps
IIE/DAI	Institute of International Education/Development Alternative Incorporated
INSCAE	Institute National des Sciences Comptables et de l'Administration d'Entreprise (National Institute of Business Administration)
IO	Indian Ocean
IOC	Indian Ocean Committee
IQC	Indefinite Quantity Contract
LOGFRAME	Logical Framework
LOP	Life-Of-Project
MBA	Master of Business Administration
MAELSP	Madagascar Agricultural Export Liberalization Support Project
MTAP	Market and Technology Access Project
GO	Non Governmental Organization
PA	Non-Project Assistance
PAAD	Program Assistance Approval Document
PAC	Project Advisory Committee
PACD	Project Assistance Completion Date
PDO	Project Development Office
PIL	Project Implementation Letter
PIO/Ps	Project Implementation Order/Participants
PIO/Ts	Project Implementation Order/Technical Services
PM	Person Months
PROAG	Project Agreement
PP	Project Paper
PSC	Personal Services Contractor
REDSO/ESA	Regional Development Economic Support Office/East and Southern Africa Division
SDA	Subsector Diagnostic Approach
SME	Small and Medium Enterprises
TA	Technical Assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USPSC	United States Personal Services Contractor

EXECUTIVE SUMMARY

Strategy for the MAELSP Extension:

The Madagascar Agricultural Export Liberalization Support Project (MAELSP) is an agricultural export promotion support project that was embedded in a much larger Non-Project Assistance (NPA) Madagascar Agricultural Export Liberalization (MAELP) program, initiated in 1988. Under the NPA all capital transfers to the Government of Madagascar (GOM) were completed in late 1990. The technical support project, MAELSP, now is ready to move more aggressively into an "action phase". The challenge is to take concrete steps in field work with commodity groups and businesses to take advantage of the liberalized environment for the promotion of agricultural exports.

The restructured project will add resources and focus to the commodity subsector development component (otherwise referred to as "technical assistance to export marketing") of the project and, to a lesser extent, enhance elements of the studies/policy reform and human resource development/institutional strengthening components. The restructured MAELSP will employ the commodity subsector analytical approach to more systematically identify bottlenecks and opportunities for intervention in the vertical marketing channels for specific products. In other words, this project will develop an applied method which helps identify those project interventions which are going to have the greatest impact on increasing exports of a specific commodity product or group of products.

The restructured MAELSP adds 34 months to the present Project Assistance Completion Date (PACD) thus extending it from October 1992 to August 1995 and provides additional resources, \$3.675 million, for a new total Life of Project (LOP) funding level of \$7.780 million which includes the host country contribution.

Components of the MAELSP Extension:

Putting the above "action strategy" into practice requires well-selected project interventions that will lead to an increase in exports of at least five specific groups of agricultural products. The project's goal and purpose statements remain the same as those of the original project. However, the anticipated project outputs of the restructured project can serve as models for future, larger-scale projects in the sector. There are three components for implementation of this project strategy:

1. Export Commodity Subsector Development: MAELSP field work will emphasize diagnoses of subsector constraints (using the Subsector Diagnostic Approach) and implementation of applied pilot actions to increase the export of agricultural products exports. This "action program" will be different for different target commodity groups and may include:

- Foreign market prospecting in the Indian Ocean Committee (IOC) region and elsewhere;
 - Technology experimentation and demonstration;
 - Selected use of a research and development (R&D) grant fund;
- Investment feasibility assessment;

- Business partnership promotion;
- Product development, and trial shipments; and
- Other means that will continue and expand the work that the original project has begun in studying arabica coffee, dried beans, and essential oils.

In addition, it will diagnose and begin applied promotional work in at least two other commodity MAELSP subsectors to be identified. Other components of the program will be refocused to contribute to reinforcing and deepening this action-oriented, export promotion component.

2. Human Resource Development for Export Business Development: This will involve selectively continuing some of the project's current National Institute of Business Administration (INSCAE) training actions and reorienting others so they directly support the project's applied export development thrust. A major part of this component will be to provide continued assistance to INSCAE's CPA (Continuing Business Education Center), to improve its continuing business education outreach facility. There will also be a program of public workshops undertaken by the project on the commodity subsector development approach, key policy issues, the development of producer and trade associations, etc.

3. Identification of Impediments to Continued Malagasy Private Sector Development: Through applied development work and special studies this component will do three related things:

- a.) Continue to identify policy and regulatory constraints to increased agribusiness exports.** MAELSP will concentrate on the identification of practical procedural and regulatory constraints which hinder smooth expansion of at least five well-defined groups of agricultural exports. In addition, provision is made to undertake a number of "cross-cutting" policy studies of critical constraints (such as transport industry monopolization, or access to rural credit) which may affect many agricultural export subsectors.
- b.) Explore the need for new or rehabilitated private and public institutions to assist and complement the efforts of individual firms to expand in traditional or new export markets.** There are many opportunities in Madagascar for institutional strengthening that will contribute to the development of a more supportive business climate. For MAELSP this will involve small contributions of technical and commodity assistance to activities such as:
 - Improving public and private market information acquisition and dissemination;
 - Exploring the potential development of an export development organization; and

- Development of both Producers and Trade Associations within some of the five targeted commodity subsectors.
- c.) **Refine Methods of Working with the Malagasy Private Sector.** The extension of MAELSP is intended to explore and identify successful approaches to working with the private sector to expand agricultural exports. The MAELSP extension will assist future interventions in these two sectors in the following ways:
- In working with at least five commodity subsectors, MAELSP will refine methods for both diagnosing subsector constraints and intervening with concrete actions to alleviate those constraints; and,
 - It will further develop a screening mechanism (which will incorporate elements of technical comparative advantage, economic profitability, socio-cultural dimensions, practical concerns for a possible regional focus of development efforts, and other relevant concerns such as equity, Small and Medium Enterprises (SME) development, etc.) for helping the mission to decide to focus its future private sector efforts.

Recommended Strategy for Project Implementation

In order to meet mission concerns about the need for continued implementation of MAELSP while reducing the administrative burden for the mission Agricultural Development Office, the following plan has been devised for a pragmatic implementation of MAELSP using different contracting vehicles (Total new funding: \$3.675 Million):

- Use a buy-in to provide 8 person months (PM) of short-term technical assistance (short-term TA) from a centrally funded AID/W project to get critical commodity development field work underway by March, 1992 for start-up activities;
- Evaluate the current Institute National des Sciences Comptables et de l'Administration d'Entreprise (INSCAE) training component (and plans for future program development) in June, 1992, and, as a consequence of the evaluation, consider a modification of current focus for this component;

Access local and U.S. based short-term TA to conduct necessary development work and special studies. These services will be procured through a competitively selected contractor or a buy-in to an existing centrally funded AID/W project. Procurement of commodities needed for the development work, the provision of research and development (R&D) grants and any local costs incurred will also be financed under this method.

- USAID Madagascar will undertake the above three activities and will hire a policy research and training coordinator which will be a personal services contractor (PSC) and a Malagasy agribusiness PSC by November, 1992 and will directly contract other residual functions such as the extension of the existing long-term TA contract and project evaluations.

1. Project Background

1.a. MAELP (NPA) and Link to MAELSP¹

In 1988 USAID Madagascar initiated a program of Non-Project Assistance (NPA) with the Government of Madagascar (GOM), entitled the Madagascar Agricultural Export Liberalization Program (MAELP). The purpose of MAELP was to remove policy and procedural impediments constraining the level of Madagascar's export of agricultural commodities, as part of a larger, multi-donor program of economic liberalization. Because the original program design recognized that the proposed program of policy reform was a necessary but not sufficient condition for achieving the desired growth in agricultural production for export, program designers incorporated into MAELP a technical assistance and training support project, the Madagascar Agricultural Export Liberalization Support Project (MAELSP) to address the first steps necessary to increase agricultural exports. MAELSP components in the areas of studies, training and technical assistance were designed to:

- Develop further knowledge and understanding of the original reform program and the need for further follow-up reforms as private sector experience with the liberalized environment evolved; and
- Give specific training and technical assistance to private sector groups to enhance their capability to take practical advantage of the improved business climate.

MAELP was authorized in July, 1988, for a period of three years. By December, 1990, the GOM had met the prescribed Conditions Precedent to Disbursement of funds and the final tranche in program payments, totaling \$28.0 million, was made to the Central Bank. Up until that point, monitoring and reporting requirements associated with the NPA program, and meeting contracting requirements for undertaking initial project studies and training activities with INSCAE had absorbed a substantial portion of the time of the first technical advisor working under the MAELSP. This advisor arrived in Madagascar only in March 1990, over a year and a half after project authorization.

Three groups of activities in support of the liberalization program were part of the MAELSP design:

- A series of policy and technical studies (with several of the studies required as conditions for program payments to the GOM under MAELP);
- Technical and commodity assistance to INSCAE allowing it to expand its business management and marketing training programs; and

¹ There has been substantial confusion observed due to the similarity between the names of the program (MAELP) and the component project (MAELSP). While it is tempting to suggest a change in name for MAELSP, that probably would add even more confusion at this point in the project cycle.

- Technical assistance to selected groups of industries to assist them in beginning to take advantage of new export opportunities.

1.b. MAELSP Project Goal and Purpose

The original combined MAELP/MAELSP project goal statement and project purpose statement remain unchanged in the revised LOGFRAME of the restructured project. The LOGFRAME has been changed, however, through the addition of a set of sub-purpose objectives and other, related changes in the inputs/outputs section. In addition, when MAELSP was amended for the first time in October, 1990 (to extend the PACD from June, 1991 to October, 1992), a Project Implementation Letter (PIL) was issued which contained revisions to the end of project status -- mostly describing a reorientation of project focus toward activities focused on enhancing the direct impact of the project on the Malagasy private sector. These revisions have been incorporated in this Project Paper Supplement.

As shown in the revised LOGFRAME, the combined MAELP/MAELSP program/project goal and purpose are:

Goal: To increase rural incomes.

Purpose: To reduce policy and procedural impediments to liberalized Malagasy external markets (MAELP); and

To increase private sector exports of "non-traditional" agricultural products (MAELSP).

Note: the second purpose statement is subdivided into four outputs in the LOGFRAME.

2. Rationale for Project Restructuring

Summary: In a little more than a year of active implementation, MAELSP has realized significant accomplishments in its three original components: **training, studies, and the beginning of an action program in export commodity promotion** (reviewed in section 2.a. below). It has encountered a number of implementation problems (listed in section 2.b) that the proposed strategy for the expanded project addresses (section 3). Essentially, the revised MAELSP will focus much of the new resources on an expanded action program to work directly with at least five export commodity product lines to promote expanded exports.

2.a. Present Status of MAELSP

December 1990 saw the ending of the MAELP NPA phase of the program and the beginning of most of the implementation activities under MAELSP. As part of the redesign effort, an indepth evaluation assessment of current project status was conducted in March 1991 by a design team consisting of a technical contractor and assistance from

the A.I.D. Regional Economic Development Support Office/East and Southern Africa Division (REDSO/ESA). As a result of this evaluation, the following is a summary statement of the current status of the three components of the MAELSP project.

Training:

The original MAELP/MAELSP PAAD/PP had designed a program of work with INSCAE, the national business training school, in operation since 1983, which was focused initially on assistance to the development of a U.S.-style Master of Business Administration (MBA) program. This component of MAELSP has rapidly and appropriately moved in somewhat different directions once actual implementation began.

INSCAE is an appropriate institution for MAELSP intervention since its charter and mandate are to train students and engage in other activities which are exclusively directed to the development of private sector business in Madagascar. Only the Director General is a state civil servant who is appointed by the GOM to his position. The President of the INSCAE board is from the private sector as are the majority of its members. At the current time only about 10 percent of INSCAE's overall budget comes from the GOM, with about 60 percent coming from the World Bank, 20 percent from the French and Canadian governments, and about 10 percent from new efforts at self-financing (such as the current business workshop program under MAELSP sponsorship).

USAID/Madagascar signed a direct contract in early 1990 with the U.S. based Institute of International Education (IIE) to begin to implement this component of the project. During the process of beginning to work with INSCAE, the program of activities has shifted towards helping this young institution begin its outreach program into the Madagascar private sector. A business English training program has been initiated for Malagasy business personnel selected for training in the U.S.; two groups of trainees have left for their business training in the U.S.; three week-long, fee-based business development workshops have been given; and consulting work has been done on the development of INSCAE's "outreach" business education and development arm, the CPA ("Centre de Perfectionnement aux Affaires" or the Continuing Business Education Center) which should move into new, separate facilities by mid-summer 1991. In addition, INSCAE has contracted with MAELSP to conduct a survey/census of existing and new agricultural exporters and their problems in increasing exports.

Policy Reform and other Studies:

Impact Assessments: Two policy reform impact studies have been completed to date under the project:

- (1) Elliot Berg, Ann McDermott, and Michael Cullen, "The Impact of Economic Liberalization on Madagascar's Agricultural Sector and Implications for USAID Strategy", DAI, Bethesda, November, 1990; and
- (2) RINDRA, "Report on the Impact of Liberalization Reform on Prices and Quality of Products", Antananarivo, July, 1990.

In addition, funding was provided to an US consultant to collect data on rural incomes in October, 1990 in three coffee-growing regions. An initial draft report containing preliminary findings of this study was received in March, 1991 during the redesign mission. This was in partial substitution for a major rural incomes baseline survey called for in the original project paper. The need for baseline information for impact analysis of liberalization will probably also be met through the future availability of data from a large rural incomes survey being funded by the World Bank and executed by the national GOM Bureau of Statistics.

There are three areas where impact assessments can be conducted within MAELSP:

- General impact of liberalization on Madagascar's agricultural economy, partially met as described above and by other studies such as the Rural Markets Study launched by the Agriculture Office in April, 1991. A final summary macro-economic, agricultural sector impact assessment should be conducted in 1995 under expanded MAELSP;
- Impact of the INSCAE business development and training component: this will be done in June 1992 as part of the evaluation of the INSCAE component; and,
- Impact of the direct promotional activities with subsector commodities: by June 1994 it should be possible to directly evaluate the actual and future impact of the commodity development work undertaken with arabica coffee, dry beans, essential oils, and at least two other commodity subsectors to be chosen. The data for this exercise can come from field interviews in major producing areas and through export statistics.

Other Policy and General Business Development/Agricultural Institution Studies:

Since 1990, there has been an explosion of studies under MAELSP sponsorship. A very constructive, cooperative relationship has developed between USAID Madagascar, the World Bank, the United Nations Development Program (UNDP), and the GOM in the context of agricultural sector planning. MAELSP is undertaking a series of commodity-specific technical studies listed in the following section. As part of the cooperative relationship with other donors, MAELSP sponsored the following six agricultural studies:

- **Producer Associations;**
- **Commodity (Trade) Associations (or "Associations Professionnelles");**
- **Agricultural Marketing Information Systems;**
- **Survey of Exporters;**
- **Credit for Export Intermediaries; and**
- **Rural Revenue Study.**

Action Program in Export Commodity Promotion

When the first MAELSP long-term advisor arrived in March 1990, initial steps to develop this part of the project began. A substantial role in the implementation of this component was foreseen for the International Executive Service Corps (IESC) but this did not materialize, and the form of the relationship between MAELSP and IESC is still to be determined.

During his first year on the job the long-term advisor initiated a series of contacts and pilot activities in three export-oriented commodity subsectors: arabica coffee, dry beans, and essential oils. He has provided a concise summary of these activities and recommended possible future directions for MAELSP interventions.

Overall, these initial contacts with commodity groups having export potential, while largely undocumented, seem to have been well chosen and sensible. However, there wasn't any detailed analysis that justifies the types of interventions proposed. These seem to have come largely from informal, common sense analyses of marketing channels which, in general, make good intuitive sense. This approach to identifying commodity development constraints and the need and opportunities for applied intervention was essentially informal, and, when applied to other potential commodity choices, might be more seriously flawed by a lack of *a priori* foreign market potential analysis (see the section 2.b below for more on this point).

Export commodity production is the part of MAELSP with the greatest potential for making rapid progress toward meeting expanded, private sector-oriented project objectives and it is here that the project extension will place a major portion of new resources to be used in the coming two to three years.

2.b. Synopsis of Implementation Problems

MAELSP, as a project, has been operating for 2 years and, generally, is performing quite well. However certain observations related to the implementation history of the project can be noted and learned from. The following points should be thought of as "implementation concerns" that will be addressed under the restructured MAELSP:

- (1) **Use of Technical Assistance** - The slow and partial mobilization of technical assistance available under the initial MAELSP funding meant that little time was spent on the more applied business development parts of the project until well into 1990;
- (2) **Administrative Procedures for MAELSP Spending** - Until the signing of the IIE contract to work with the INSCAE component of the project, all of MAELSP activities have been directly contracted by USAID Madagascar through a swarm of individual PIO/Ts, PIO/Ps and Purchase Orders. This has taken up too much time of the advisor and other mission staff;

- (3) **Informal Approach to the Selection of Target Commodities and MAELSP Interventions** - As noted above, the approach to choosing target commodities, diagnosing key constraints, and justifying project interventions was generally informal. Thus, while the initial choices for investigation and intervention seem to have been well made, one criticism is pertinent:
- The lack of an initial intensive, descriptive diagnostic study when working with commodity groups:
 - does not permit documentation of why implementation choices were made;
 - makes impact assessment difficult due to lack of baseline data;
 - risks overlooking simple interventions that might have major payoffs; and
 - lacks an explanation of what the project is doing or why.
- (4) **To date, there are signs that MAELSP may be trying to do too many things at once, perhaps risking spreading resources too thinly to be able to have much impact in any one area; and**
- (5) **Appropriate connections with the GOM** - To date the project's relationship with the GOM has been informal, although clear and effective. In order to facilitate the transfer of technology that is at the core of the proposed approach of the restructured MAELSP as well as to strengthen the sustainability of the entire process, the PP Supplement proposes that a Project Advisory Committee (PAC) made up of representatives of the concerned ministries of the GOM and the private sector be formed. An explanation of the roles and responsibilities of the PAC is presented in Section 4.b.

2.c. Restructured Project will Facilitate the Achievement of Original and Revised Project Objectives

The original MAELP PAAD placed most of its emphasis on the program of policy reform. While some project activities were sketched out in a preliminary way in the PAAD, these have turned out to be substantially different in actual implementation. The restructured project will concentrate on increasing private business capacity to take advantage of the liberalized environment by directly interacting with specific commodity subsectors; particularly, identification and solution of bottlenecks to increasing levels of exports. The restructured MAELSP will continue human resource development activities at INSCAE and a program of further identification of impediments to private sector agribusiness development (short-term studies of policy and institutional development issues). This action-oriented approach to export promotion will allow further identification of policy, regulatory, procedural, and structural constraints to expanding agricultural exports by assisting in pilot shipments, product improvement and quality

standards, solution of technology problems, etc. The real barriers will be identified in a "learning by doing" approach. Thus, while the objectives and outputs are consistent with the original purpose statement, the project will now be oriented to more specifically defined objectives and outputs, and the greatest part of the restructured project resources will be devoted to the "action portion" of MAELSP.

2.d. Link to Proposed Future Assistance in the Private and Agricultural Sectors

As a "bridge" project, between a period emphasizing policy reform and one in which donors can concentrate on applied development work in different sectors, the restructured MAELSP is developing approaches that will be useful to future interventions within the private and agricultural sectors. The MAELSP extension is designed to assist in the development of these future activities in the following ways:

- In working with five or more commodity subsectors, MAELSP will refine methods for both diagnosing subsector constraints and intervening with concrete actions to alleviate those constraints;
- It will further develop a screening mechanism (which will incorporate elements of technical comparative advantage, economic profitability, socio-cultural dimensions, practical concerns for a possible regional focus of development efforts, and other relevant concerns such as equity, etc) for helping to decide future project efforts.

2.e. Requirement for Additional Time

The PACD of the project is being extended a total of 34 months from October 1992 to August 1995. This additional time will enable USAID Madagascar to put in place a new two year management and institutional contract or buy-in to an AID/W centrally funded project if available, that will run to the end of October, 1994. This contract/buy-in will facilitate and expedite the achievement of project outputs in a timely manner and provide the management and operational support needed to free up the long-term advisors to do more of the technical assistance that is essential to the implementation of the project. The additional time will allow adequate time for final policy reform impact assessment and final overall project evaluation. Upon completion of the extended PACD the total Life Of Project will have been seven years and two months from the signature of the original PROAG.

3. Summary Description of Project Supplement

3.a. Project Components

Three groups of activities in support of the original MAELP liberalization program were part of the MAELSP design:

- A series of policy and technical studies (with several of the studies required as conditions for program payments to the GOM under MAELP);

- Technical and commodity assistance to INSCAE allowing it to expand its business management and marketing training programs; and,
- Technical assistance to selected groups of industries to assist them in beginning to take advantage of new export opportunities.

These activities were reviewed in Section 2.a. MAELSP is now ready to move more aggressively into an "action phase" now that policy reforms have been completed and there is a freer legal business environment in Madagascar. The challenge is to begin to take concrete steps to take advantage of the liberalized environment. In practice, this means making well-selected interventions in specific commodity subsectors which will lead to an increase in exports of specific crop or livestock products.

The activities under expanded MAELSP are grouped under three project components:

- **Export Commodity Subsector Development:** MAELSP field work will emphasize diagnoses of subsector constraints and design and implementation of applied pilot actions to increase the export of non-traditional agricultural products. This will be the major focus of the MAELSP extension and will make use of a substantial portion of the additional funding added to the project.

This "action program" will continue and expand the work begun in the promotion of increased exports of arabica coffee, dried beans, and essential oils. It will diagnose and begin applied promotional work in at least two other commodity subsectors to be identified. In addition outside the principal commodity subsectors, a small percentage of project funds will be used to assist a selected number of innovative export projects from other commodity subsectors. These projects will be characterized by new products, new markets or sustainable use of natural resources. Other components of the program will be refocused to contribute to reinforcing and deepening this action-oriented, export promotion component. None of the commodities to be supported under MAELSP will be in competition with exports from the United States.

In addition, this component will include funds for Research and Development (R&D). Some anticipated R&D activities are described below:

- Technology transfer and improvement to buy coffee-processing equipment for training of small farmers in preparation of Arabica coffee for export or improvement of fumigation installations used by grain-exporters.
- Training for acquisition of special skills by exporters (e.g. training in chemical analysis of essential oils)

- Training provided by NGO's to new producer associations of export crops in organization management and technology.
- Pilot shipments of non-traditional commodities
- Production of illustrated catalogs and other promotional literature on Madagascar's exportable commodities
- Support for promotion by specialized firms in foreign target markets of Madagascar's non-traditional export products (e.g. for gourmet-quality coffee in the U.S.A., for cut flowers in Europe, etc.)
- Support for launching an agricultural marketing information system with private-sector participation in that operation.
- A feasibility study on establishing a loan-guarantee fund which would encourage financial institutions to finance operations at greater risk than normal.
- If the feasibility study is positive, this component will also include a loan-guarantee fund.

The role of a loan-guarantee fund is to encourage private financial institutions to finance operations which, constitute a greater risk than conventional loans.

The encouragement will be provided by guaranteeing a significant part of the loan. For example, if a bank normally charges 20 percent interest on risky loans and expects that one tenth of borrowers will not repay their loans, the bank's earnings will be only 8 percent which is not a very attractive operation for the bank. However, in the case of loan guarantees, USAID will guarantee that up to 10 percent of the total amount of loans advanced will be reimbursed by the guarantee fund to the bank in cases of default.

Coordination and management of this component fund be under the MAELSP Commodity Development Unit (Figure 1) and will be supported by short-term TA through the institutional contract or buy-in mechanism. Funding for R&D grants will also be provided through this mechanism.

- **Human Resource Development for Export Business Promotion:** This will involve selectively continuing some of the project's current INSCAE training actions and reorienting others so they are consistent with the project's applied export development thrust. There will also be a program of public workshops undertaken by the project on commodity subsector

development approach, key policy issues, the development of producer and trade associations, etc. Some of the Project's current training activities which may be strengthened or reoriented, based on the outcome of the training component evaluation in June 1992, are:

- **Business Training in the U.S.:** Sending business persons to the U.S for a combination of academic business training and an applied apprenticeship was implemented by IIE in the first year of implementation. The buy-in or institutional contract will continue to administer it, to the extent that this activity is continued. The selection of persons to be trained and the type of training they receive will be geared to the five plus commodity subsectors that the project will be focusing on (For example, three "fresh fruit export business trainees" might get the standard business and marketing training, then be guided to apprenticeships with fruit wholesaler/importers in major U.S. markets or a combination of U.S. and European markets.)
- **Business English:** The intention is, over a six-month to one-year period, to convert INSCAE's specialized business English program (set up to prepare trainees to go to the U.S.) into a commercially-viable, largely self-supporting business English program open to all qualified, business-sponsored students. This would be carried out by providing additional English teaching training in the U.S. to two INSCAE teachers and using six person months of the current training coordinator's time to assist the conversion.
- **Business Development Workshops:** This has been a major project activity at INSCAE and one of the first visible outputs of the new CPA (Continuing Business Education Center). The three workshops which have already taken place, are described in more detail in Annex C and in the reports by Guenette (April, 1991).
- **Other Support to the CPA:** The CPA, as it moves into new quarters, is just beginning to diversify its outreach activities and this seems to be one of the more promising avenues for MAELSP assistance. Guenette (April, 1991) has explored some of the current ideas for expanding the CPA's program and ideas on how these might be supported by MAELSP under expanded funding. This should be a major focus of the June 1992 evaluation.
- **Identification, Analysis and Solutions to Further Impediments to Agribusiness Development:** This is a set of related activities which are grouped under the theme of finding the more detailed, commodity-specific reasons why exports may not increase and developing methods for analyzing these problems and then doing something about them. This will be done in three ways:

- i) **Identification of Practical Impediments to Expanded Exports:** Practical constraints will be identified in the subsector diagnostic studies and, most importantly, through practical work of actually sponsoring trial shipments (e.g., this year's planned trial shipments of arabica coffee). Also, cross-cutting policy and regulatory constraints (e.g., air transport monopolies) will be addressed by specific studies. This effort at drawing out lessons on "the real constraints" will be coordinated and managed by the new MAELSP PSC;
- ii) **Strengthening Public and Private Institutions for Export Promotion:** MAELSP will finance feasibility studies of public market information systems and the potential for a private sector export promotion council or authority extension-type activity focused on assisting the establishment of viable producer and trade associations in some of the five export commodity subsectors. This is a complicated activity and will have to be done in conjunction with the MAELSP Commodity Development Unit;
- iii) **Refinement of Methods of Working with the Malagasy Private Sector:** The extension of MAELSP is intended to explore and identify successful approaches to private sector development and promotion of agricultural exports. The MAELSP extension is designed to assist by:
 - Working with five commodity subsectors, which will refine methods for both diagnosing subsector constraints and intervening with concrete actions to alleviate those constraints;
 - Further developing a screening mechanism which will incorporate elements of technical comparative advantage, economic profitability, socio-cultural dimensions, practical concerns for a possible regional focus of development efforts, and other relevant concerns such as equity, etc.

Implementation of this component will be by the new U.S. PSC Policy Research and Training Coordinator advisor who will identify study objectives and modes of interventions. This will be accomplished with full coordination of the Project Advisory Committee (PAC) and the other two components of the project. The funding for these studies will be under the institutional contract or buy-in mechanism.

3.b. Financial Analysis

Financial Analysis of the Original MAELSP

The MAELSP project was obligated in July of 1988 for a Life-of-Project (LOP) funding level of \$2,735,000. The original PACD was June 30, 1991. However this was extended to the present PACD of October 31, 1992 for a total LOP of 4 years and 3 months. The extension was approved in order to compensate for an initial delay in contracting for required technical assistance. An analysis of the present financial status of the project leads to a number of conclusions related to the present implementation/contracting modalities of the project and how any additional project funding can best be utilized during the extension period.

Expenditure and Commitment Rate of the Project Funds: The project's overall rate of expenditure of committed funds has been relatively slow. After completion of approximately 3 years and 4 months or almost three-quarters of the LOP, only 32 percent of the total available funds in the project have been disbursed, as reflected in the current Mission accounts for the MAELSP. Therefore, unless the implementation/contracting modalities employed in the project are revised there will be insufficient time, even in an expanded project, to utilize the balance of undisbursed committed and uncommitted funding.

The implementation of the technical assistance component of the project has been extremely slow in that only 52 percent of the obligated amount has been committed to any specific contract. In addition, it should be noted that not all of the originally anticipated technical assistance has been put in place, e.g., the original PAAD/PP budget indicated that a "Program Management" element of the project costing approximately \$240,000 was to be contracted. This provides additional rationale for the choice of the contracting vehicles proposed in the restructured MAELSP.

The original obligation of funding for the Training component of the project was \$1,325,000, however a total of \$1,333,000 has been earmarked under the line item. Of this earmarked amount \$1,250,000 has been committed for a major contract under this component. Therefore, the scheduled evaluation for June, 1992 of the training component should assess options for contracting for expanded implementation of this component of the project.

While the earmarking of the funds in the Studies component of the project appears to have moved fairly well - e.g., 85 percent of original obligation (\$375,000) has been earmarked (\$351,000) - the actual commitment or contracting of funds has been slow (\$100,000) - e.g. only 28 per cent of the earmarked funds have been committed. Much of the apparent delay may be attributed to the fact that contracting for this component appears to have been accomplished in a piece meal manner with each study seen as an individual action. Thus, each of these relatively low cost activities requires as much management attention as a major contracting action might. This is an extremely management intensive mode of operation. The methodology for contracting for the remaining required studies under the project has been revised so as to facilitate initiation and completion of the remaining activities within a reasonable time frame.

The Unearmarked Balance under the original MAELSP: An estimated \$635,000 of the original MAELSP funding remains unearmarked for the purpose of budgeting funding in this PP Supplement. These unearmarked funds have been incorporated in the budget estimates that follow in section 3.c below.

Uses for the Additional Funding in the Restructured Project: As the Tables in Section 3.c. indicate, \$3.675 million in additional funding will be required in order to provide the inputs and outputs listed in the revised LOGFRAME in ANNEX A of the PP Supplement.

Host Country Contribution: The original PAAD and all subsequent documentation indicated that there was to be a contribution of \$145,000 and \$50,000 from the GOM and the private sector, respectively, with respect to the Project. As of April 1992, the equivalent of approximately \$100,000 has been contributed by the GOM and \$50,000 from the private sector. By the end of October 1992, the GOM will have contributed the equivalent of the required \$145,000.

For purposes of Section 110(a) of the Foreign Assistance Act, i.e., the required 25% host country contribution, the above amounts were combined with a host country contribution in local currency generations for agricultural sector support for the program side of \$10,295,000. The total Program and Project budget was initially \$41,805,000, including both A.I.D., GOM and Private Sector contributions, of which the host country contribution of \$10,490,000 (10,295,000 plus 145,000 plus 50,000) was in excess of the required 25%.

This Amendment increases the GOM contribution from \$145,000 to \$350,000 and the private sector contribution from \$50,000 to \$1,020,000. When combined with the initial GOM contribution for agricultural sector support as part of the MAELP Program, the revised figures show a total program/project budget of \$46,655,000, of which \$34,990,000 comes from A.I.D., \$10,645,000 from the GOM, and \$1,020,000 from the private sector.

Host country contributions will be to a large extent, but not exclusively, in-kind contributions.

The following are contributions expected under the revised MAELSP:

● **GOVERNMENT CONTRIBUTIONS:**

-- **IN-KIND: INSCAE Programs**

Continuing Business Education Center (CPA) - full logistics and personnel support for workshops and seminars organized under MAELSP such as personnel costs (professional and administrative), office and classroom rental costs, utilities, transport, audiovisual aids, printing of materials for workshops.

- Support of AID U.S. based training programs for export executives such as administrative support, preparatory courses in business English involving similar logistics support as continuing business education.

- Telecommunication costs with IIE & DAI for training courses, workshops, etc
- Promotion trip costs to provincial towns for recruitment for workshops
- Office and audiovisual supplies costs

- Ministry of Finance
 - Recruitment costs of candidates for training courses (newspapers, radio, telex to provincial towns, etc.)
 - Payment of salaries of additional INSCAE personnel engaged for teaching English, support for workshops and seminars, etc.
 - Equipment and supply costs for MAELSP Project
 - Telecommunication costs for INSCAE events and for participant training

- **PRIVATE-SECTOR CONTRIBUTIONS**
 - Salaries of business executives during the periods when they participate in training in the USA;
 - Cost of market-development trips, observations tours, etc.;
 - Financial institutions' loans based on the leverage of MAELSP credit-guarantee funds.
 - Contributions to pilot projects

3.c. Budget for Restructured Project

On the following five pages are Tables which summarize the budget for restructured MAELSP. These budgets were constructed to include some overlap with the funding in the original MAELSP. With the \$635,000 of unearmarked funds for components such as unused technical assistance and project evaluations, the overall restructured MAELSP will require \$3.675 million in additional funding during the period covering Fiscal Year 1992 to 1995.

MAELSP BUDGET TABLE No. 1
BUDGET SUMMARY BY LINE ITEM

PROJECT INPUTS	AID CONTRIBUTION (\$000)	QUANTITY of OUTPUTS
A. TECHNICAL ASSISTANCE Contract/Buy-In Personal Services Contracts	\$1,167 919	143 PM 96 PM
B. OTHER DIRECT COSTS	1,071	(See Table 5 for detail)
C. MKT DEVELOPMENT TRIPS	152	24 trips to region, Europe, U.S.
D. TRAINING	450	22 Training Trips; Local Training 4 seminars
E. EVALUATION	200	
F. AUDIT	30	
G. CONTINGENCY	321	
SUBTOTAL	4,310	
LESS CARRY-OVER	635	
TOTAL ADDITIONAL MAELSP FUNDING	\$3,675	

MAELSP BUDGET TABLE No. 2

SUMMARY COST ESTIMATE AND FINANCIAL PLAN (\$000)
FOR PP SUPPLEMENT

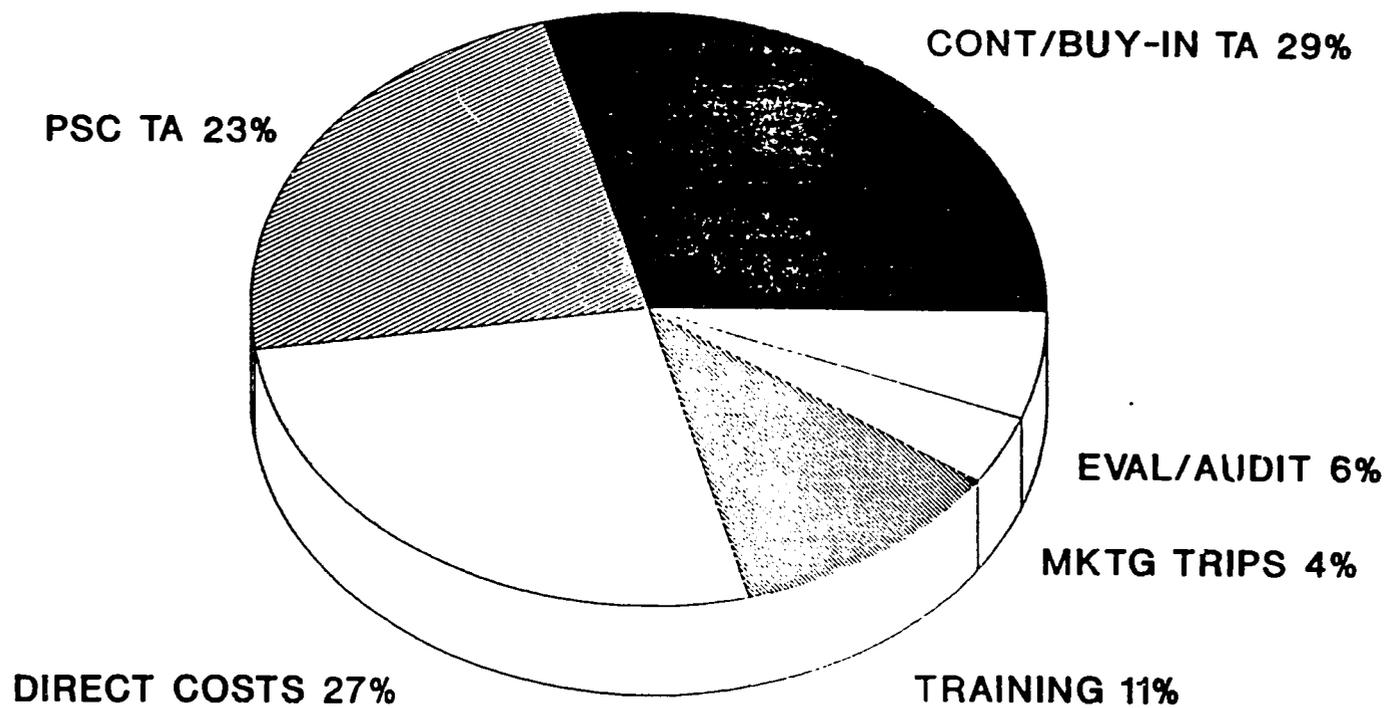
PROJECT INPUTS	AID	HC GOV	HC PRIV. SEC	TOTALS
A. TECHNICAL ASSISTANCE	\$2,086	\$100		\$2,186
B. OTHER DIRECT COSTS	1,071	60	800	1,931
C. MKT DEVELOPMENT TRIPS	152	10	100	262
D. TRAINING (U.S.)	450	35	70	555
E. EVALUATION	200			200
F. AUDIT	30			30
G. CONTINGENCY	321			321
SUBTOTAL	4,310	205	970	5,485
LESS CARRY-OVER	635			635
TOTAL	\$3,675	\$205	\$970	\$4,850

MAELSP BUDGET TABLE NO. 3
 CUMMULATIVE COST ESTIMATE AND FINANCIAL PLAN
 (IN 000'S)

EXPENSE CATEGORY	ORIGINAL PP		PP SUPPLEMENT		LIFE OF PROJECT		TOTAL LDP
	AID	GOM/PRIV	AID	GOM/PRIV	AID	GOM/PRIV	
TECHNICAL ASSISTANCE	\$895	\$70	\$2,086	\$100	\$2,981	\$170	\$3,151
TRAINING	1,326	90	602	215	1,928	305	2,233
OTHER DIRECT COSTS	375	25	1,071	860	1,446	885	2,331
EVALUATION/AUDIT	100	10	200	0	300	10	310
AUDIT			30		30		30
CONTINGENCY	39		321	0	360		360
LESS CARRY OVER			635		635		635
TOTAL	\$2,735	\$195	\$3,675	\$1,175	\$6,410	\$1,870	\$7,780

MAJOR BUDGET CATEGORIES

CHART 1



MAELSP BUDGET TABLE No. 4
PROJECTION OF EXPENDITURES BY FISCAL YEAR
(\$000)

FISCAL YEAR	AID	HOST COUNTRY	TOTALS
FY 92	\$660	.	\$660
FY 93	1,408	240	1,648
FY 94	1,600	600	2,200
FY 95	642	335	977
TOTALS	\$4,310	\$1,175	\$5,485
LESS CARRY-OVER	635		635
TOTAL NEW FUNDS	\$3,675	\$1,175	\$4,850

**MAELSP BUDGET TABLE No. 5
BREAKDOWN OF OTHER DIRECT COSTS BY FISCAL YEAR
(\$'000)**

OTHER DIRECT COSTS	PROJECT COMPONENTS				TOTALS
	FY 92	FY 93	FY 94	FY 95	
1. COMMODITIES	\$70	\$125	\$50	\$0	\$245
2. LOCAL COSTS	56	105	85	0	246
3. R & D GRANTS	50	75	125	0	250
4. LOAN GUARANTY FUNDS	50	100	150	0	300
5. LOCAL TRIPS	10	10	10	0	30
TOTAL OTHER DIRECT COSTS	\$236	\$415	\$420	\$0	\$1,071

Notes on Other Direct Cost Categories:

1. **Commodities:** a project vehicle, motorbikes, and equipment for pilot projects will be procured under institutional contract/buy-in mechanism.
2. **Local Costs:** This category will cover necessary miscellaneous local expenses (such as renting meeting halls), etc.
3. **R&D:** R & D grants are described on page 11. Note that they may be used to cover expenses similar to those covered by the other three categories if warranted.
4. **Loan Guaranty:** The actual realization of the Loan Guaranty Fund will depend on the results of a short-term study which will be executed by specialized consultants. If put in practice, the guaranty would serve to encourage private-sector financial institutions to extend credit to small and medium size enterprises for operations of agricultural production and processing for export.
5. **Local Trips:** This category will cover domestic road and air travel and per diem.

4. Administrative Analysis

4.a. USAID/Madagascar Management

As noted above, two of the weaknesses in MAELSP implementation to date have been: (1) the lack of sufficient personnel to fully implement all project components; and (2) excessive use of the technical coordinator to develop and clear many small PIO/T's, PIO/P's and Purchase Orders. Both of these problems are addressed in the implementation plan for the restructured MAELSP project. Two additional professional project staff will be added to the MAELSP implementation team, i.e., a U.S. Policy Research and Training Coordinator PSC; and a Malagasy agribusiness advisor. In addition, there will be substantial short-term consulting services provided, through a competitively selected direct USAID/Madagascar contractor or buy-in mechanism. It is anticipated that by placing the majority of project funding and procurement under the institutional contract or buy-in mechanism, the Mission will reduce the amount of official USAID involvement while substantially speeding overall project implementation.

4.b. GOM Coordination/Management

To date, the MAELSP project has worked with two technical ministries, Agriculture and Commerce. Dating from the policy reform emphasis of MAELP, the project has continued to be managed by the Direction de Controle of the Ministry of Finance. The project has therefore not formed any other formal contacts with the other technical GOM ministries that are involved in the expansion of either agricultural production or export promotion. Although numerous working relationships, a result of the applied commodity development work, have been developed these have not been part of any formal intergovernmental working group. Since even more resources than originally envisioned will now be going into such activities, the restructured project will focus attention on broadening official contacts with both the GOM and the Malagasy private sector through the creation of a Project Advisory Committee (PAC). In addition, with the restructured project providing lessons for future agribusiness development activities, it is necessary to establish closer working relationships with the other Ministries involved in the agriculture sector. This PAC will include appropriate representatives from the GOM (primarily the technical ministries) and the private sector.

The MAELSP team has already made some preliminary moves to constitute a MAELSP PAC and these will be pursued until a functioning committee is constituted and a pattern of involvement is established. The likely PAC membership will be made up of representation from the Ministries of Finances, Agriculture and, Commerce and Industry and from four "permanent" members from the private sector. Examples of the latter are Groupements des Entreprises de Madagascar (GEM) and Fivondronan'ny Mpandraharaha Malagasy (FIVMPAMA) which represent an organized employers groups and then two additional members from trade associations or individual firms. As applied work develops with particular commodity groups, representatives of those groups may be invited to attend specific session of the PAC. The PAC will meet at least twice a year and that the operational guidelines for the PAC and the membership makeup be incorporated into a PIL as soon as these have been formalized.

The main reason for forming the PAC is to facilitate involvement of all the Government ministries and private sector operators involved in the promotion of agricultural exports. The PAC's main responsibility is to review and advise on the implementation and evaluation of MAELSP and in doing so, provide a mechanism for discussion in which to resolve noted constraints. In carrying out this responsibility, the functions of PAC will be as follows:

- Advise on the selection of commodity subsectors
- Review commodity subsector diagnostics studies and plans of action for promotion of commodity subsectors
- Review cross-industry constraint studies and proposals to remove constraints
- Advise on general issues concerning the agricultural sector
- Advise MAELSP project management on which entities, Government branches, private firms and individuals would be useful contacts in the implementation of MAELSP.

4.c. Illustrative Approach of Working with Specific Industries and Commodities

Step one - Selection of Commodities: Very early in project implementation and as soon as the PAC is operational, the PAC and the MAELSP advisor will develop criteria for screening commodities for project selection. In developing these criteria, the following factors will be taken into account (Refer to Annex B for more detailed description):

- Natural Comparative Advantage
- Market Opportunities (including transport and handling costs)
- Structure of the Subsector
- Vertical Coordination within the Subsector (including flow of information concerning prices and products)
- Current Role of the Government in the Subsector
- Socio-Economic Considerations such as employment opportunity
- Positive/Negative Environmental Impact of Subsector
- Potential for Development of Producer Associations

Once a target commodity subsector has been selected based on the identified criteria, work in the target subsector will proceed as summarized below (Refer to Annex B for a more detailed description):

Step Two - Contact with the Commodity Subsector: The MAELSP TA team will assemble and review existing information on the target commodity subsector and make initial visits to sample producers, processors, exporters, as well as to existing national and regional trade associations.

These initial contacts will be used to develop the terms of reference for subsector diagnostic studies (Annex D).

Step Three - Subsector Diagnostic Study (one to two months): The diagnostic study is conducted which includes a final presentation of recommendations for the subsector action plan for consideration by industry representatives.

Step Four - Development of Subsector Action Plan (to be completed within one month of the end of the diagnostic study): The PAC and the MAELSP TA will help establish an advisory committee for that commodity that initially reviews the diagnostic study report and recommendations for the commodity development action plan. The strategy for intervention will be for a two to three year period, but with clear identification of the MAELSP actions to be undertaken in the first year following the study.

Step Five - Begin Implementation of the Action Plan on an Annual Cycle: The MAELSP TA will begin to implement the actions agreed to for the first year of the action plan. This will include the use of the commodity advisory committee to evaluate progress, provide feedback and review, and plan for year two.

4.d. MAELSP Organization Chart

Relationships among USAID Madagascar, the GOM, the Malagasy private sector, the PAC and the three major components of the project (the Commodity Development Unit, the INSCAE training component, and the studies/impediment identification component are shown in the organizational chart of the restructured MAELSP [Figure 1]). In the chart we notice the following salient features:

- The new MAELSP Policy Research and Training Coordinator PSC will have a key role in the implementation coordination of the MAELSP project including the supervision of the impediment identification (studies/policy reform) component, and training component;
- The existing long-term TA PSC will coordinate the export commodity development unit and will work in a team with the additional personnel to be provided by the new institutional contractor. This person will have overall responsibility for project coordination;

- The institutional contractor or buy-in mechanism will hire the support staff and local consultants as well as procure all necessary commodities and contract for U.S. Based short-term TA; and
- All three MAELSP components should be linked "horizontally" implying substantial cooperation and interaction among the three.

4.e. Contracting Requirement and Plan for Restructured Project

Status of Existing Contracts: There are two existing contracts that are involved: the existing LT advisor contract and the IIE/DAI contract with the INSCAE component. The long-term TA contract will be extended by USAID Madagascar after February 1992 which is the present expiration date. This will allow the LT advisor to work in tandem with the personnel of the new institutional contract. Because of the evolution of this project the project design team has suggested that there be a series of additional contracting mechanisms in order to keep the project operating on the fast track; and to reduce the administrative burdens on the ADO and the LTTA PSC.

The IIE contract will be evaluated in June 1992. The evaluation will assess options for contracting for expanded implementation of this component of the project.

- **English Language Program:** Over a six month period (2/92-7/92) additional help will be provided to convert this program into a commercially viable business English program that will be open to all qualified business-sponsored students;
- **Business Workshops and other work with the CPA:** there will be continued commodity and technical assistance to the CPA in INSCAE to help it expand its business development seminar program, to expand its business consulting activities, and other priority functions; and
- **Continued administration of all participant training in the United States,** including all market development and specialized training trips to the U.S. (market development and study tours to other countries -- IO region, India, European markets will be handled directly by MAELSP personnel or could draw on other mission-run training activities).

Additional Long-Term and Short-Term TA: Additional long-term personnel will be provided through the following contract vehicles:

- A second MAELSP PSC, a Policy Research and Training Coordinator will be hired and in place in Madagascar by the second quarter of FY 1993. His responsibility is to implement the components of (1) identification, analysis and solutions to further Impediments to Agribusiness Development (2) Human Resource Development for export business promotion

- A long term local agribusiness professional specialist will be hired by the third quarter of FY 92 to assist with the Commodity Subsector Development Component.

Additional short-term manpower will be provided by two mechanisms:

- Eight person months of U.S. TA will be provided through a buy-in to an AID/W centrally-funded contract (see draft terms of reference in Annex H to this supplement), in order to quickly start-up activities under the revised MAELSP. These start-up activities will include contracting for 10 PM of local short-term technical assistance to work with the U.S. team and to conduct the INSCAE component evaluation.
- An institutional contractor or buy-in mechanism will contract for the balance of the STTA (35 PM local and 30 PM U.S. expat).

Management Services: Four types of management and coordination services will be provided under the MAELSP extension (refer again to Figure 1):

- The new PSC position will provide liaison to the programs of the Mission's Agriculture and Private Sector Offices, and have a direct role in the supervision and management of the "impediments identification" (studies and lessons) and training components of MAELSP;
- The existing long-term advisor will provide coordination for the substantially expanded export commodity development unit, and overall Project Coordination;
- A competitively selected institutional contractor or buy-in mechanism will be responsible for the management of most of the new MAELSP short term technical assistance including commodity procurement once that the contracting mechanism is in place in 1992; and,
- Depending on the outcome of the June 1992 training component evaluation, an institutional contractor or buy-in mechanism may manage the restructured INSCAE component of the project.

FIGURE 1
MAELSP ORGANIZATION CHART

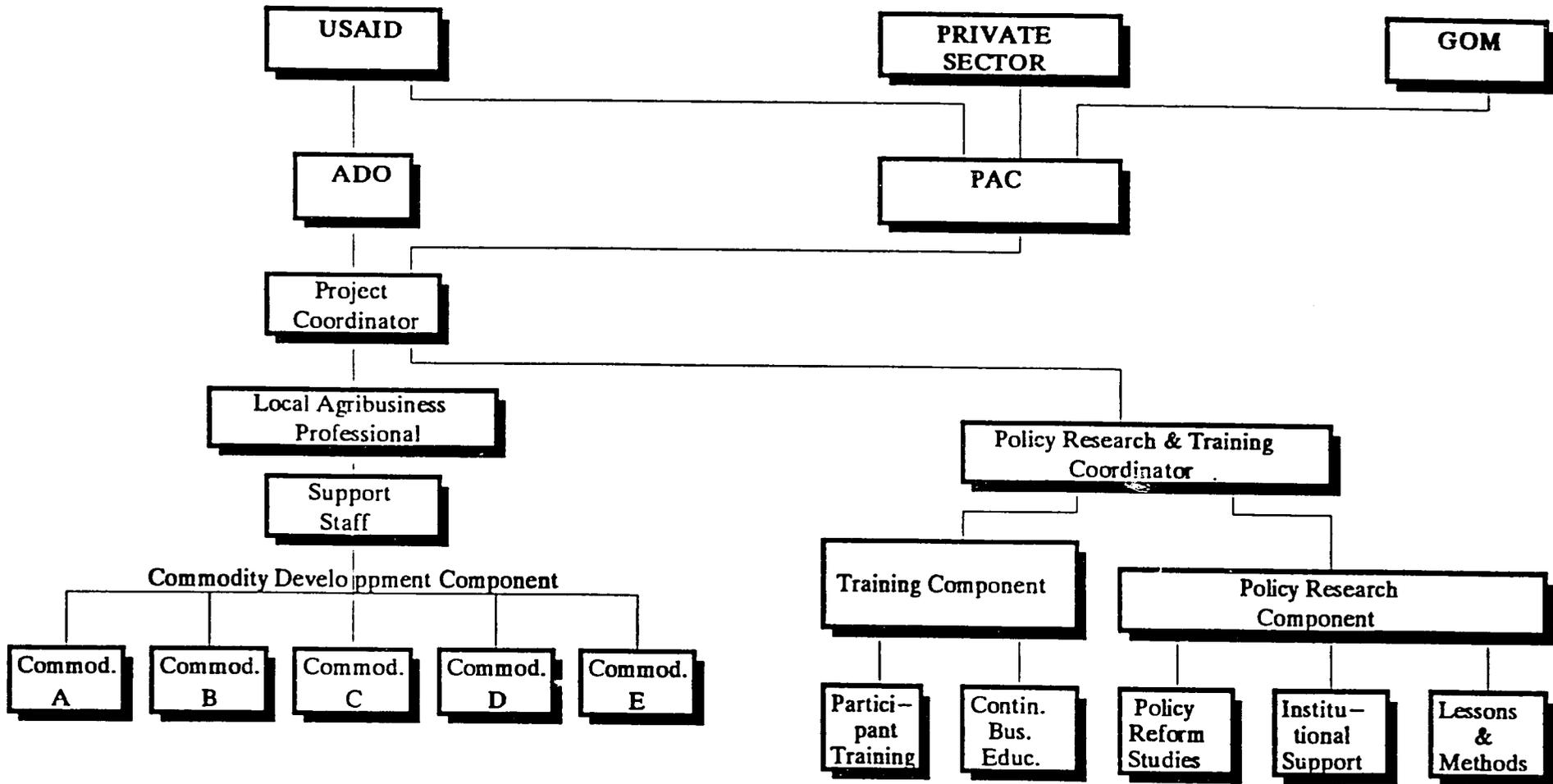


TABLE 7

METHODS OF IMPLEMENTATION AND FINANCING

ACTIVITY	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	AMOUNT (\$000)*
1. Technical Assistance	Either Direct USAID Contract or Buy-in to AID/W Contract	OYB Transfer or Direct USAID Payment	\$ 2,450
2. Personal Services Contracts	PSC Contract	Direct USAID Payment	\$ 1,250
3. Short-term Local Training	Purchase Order	Direct USAID Payment	\$ 60
4. Evaluation	IQC	Direct USAID Payment	\$ 200
5. Audit	IQC	Direct USAID Payment	\$ 30
TOTAL			\$ 3,990

NOTE: The amounts above are illustrative only and provide relative orders of magnitude of the individual contract actions. The contingency budget line item of \$320,000 has been excluded.

4.f. Project Monitoring and Evaluation

As part of the redesign effort, an in-depth evaluation assessment of current project status was conducted in March 1991 by a design team consisting of a technical contractor and assistance from REDSO/ESA. A detailed evaluation of the training component is scheduled for June 1992. The final evaluation will focus on the export commodity development program and the applicability of lessons learned to future Mission programs and is scheduled for the first quarter of FY 95. It should be noted that the drawing of lessons and a continual impact assessment is a major responsibility of the new MAELSP PSC in Policy research and training coordination function.

This continuing impact analysis will be important to overall project evaluation and:

- Will be easier with bench mark information collected as part of the subsector approach to commodity subsector analysis and applied development; and
- Will be facilitated by other studies under way or to be undertaken. See discussion on impact assessment above (Section 2.a.i.) for more detail.

Both the continued monitoring and the final evaluation of MAELSP are particularly important due to the project's role in generating methods for working with commodity groups, a screening method for choosing what commodities to work with, and pointing up opportunities for future AID or other donors activities in agriculture and the private sector.

5. Implementation Plan For Restructured Project

The following Implementation Schedule in Table 8 identifies the schedule of activities under the revised MAELSP.

TABLE 8
MAELSP IMPLEMENTATION SCHEDULE

<u>ACTION</u>	<u>ACTION AGENT</u>	<u>SCHEDULE</u>
Mission Design Review Meeting	USAID/REDSO	2nd Q 91
Mission Request for Authorization	USAID	2nd Q 91
Draft Technical Analysis	Contractor	2nd Q 91
Mission Review of Draft PP Supplement	USAID/REDSO	3rd Q 91
Final Draft Submitted from Contractor	Contractor	3rd Q 91
PP Supplement Finalized	USAID/REDSO	3rd Q 91
PP Supplement Authorized	USAID	3rd Q 92
PROAG Signed	USAID/GOM	3rd Q 92
PIO/T for PSC Prepared	USAID	3rd Q 92
Advertise for PSC	USAID	3rd Q 92
PIO/T for Buy-in Start-up Activities Initiated	USAID	3rd Q 92
PIO/C for Start-up Commodities Prepared	USAID	3rd Q 92
Buy-in/Contract modality Chosen	USAID	3rd Q 92
PIO/T for Evaluation Executed	USAID	3rd Q 92
PIO/T for Institutional Contract/Buy-in Prepared	USAID	3rd Q 92
PIO/T for Local Agribusiness Advisor	USAID	3rd Q 92
Advertise for Local Agribusiness Advisor	USAID	3rd Q 92
Buy-in Start-up Activities Begin	USAID/Buy-in	3rd Q 92
Select Local Agribusiness Advisor	USAID	4th Q 92
Evaluation of IIE/DAI	USAID/IQC	4th Q 92
Commodities Arrive	USAID	4th Q 92
Scenario One: Buy-in Modality Used		
Buy-in Activities Begin in country	Buy-in	1st Q 93
Local Consulting Firm Selected to Administer Studies and Procurement of Local Commodities	Buy-in/USAID	1st Q 93
PSC Selected	USAID	1st Q 93
PSC Arrives in Country	USAID	2nd Q 93
Local Consulting Firm Begins Project Activities	Buy-in/PrMgt	1st Q 93

ANNEX A

MADAGASCAR 1991 MAELSP AMENDMENT NO. 2 REVISED LOGICAL FRAMEWORK

I. GOAL	MEASURES OF THE GOAL	MEANS OF VERIFICATION	ASSUMPTIONS AND LINKAGES
<p>To increase rural incomes</p>	<ul style="list-style-type: none"> • Increased farmgate prices • Increased availability and purchase of incentive consumer goods in rural areas • Improved housing, nutrition and health status in rural areas • Increased production of tradeable crops 	<ul style="list-style-type: none"> • National income statistics • Rural household income and expenditure survey • Health, nutrition and mortality statistics • Agricultural production statistics 	<ul style="list-style-type: none"> • External markets for traditional and non-traditional agricultural exports remain stable or expand • Transportation and infrastructure rehabilitation programs continue • No severe cyclones or droughts • Known difficulties of banking system will not impede the activities of private operators in collection processing, transport and export of ag. crops • Collusion among above private operators will not prevent the transmission of higher border prices to producers

II.	PURPOSE	END OF PROJECT STATUS	MEANS OF VERIFICATION	ASSUMPTIONS AND LINKAGES
	<p>To reduce policy and procedural impediments to liberalized Malagasy external markets (MAELSP)</p>	<ul style="list-style-type: none"> • Liberalized agricultural export markets for export crops: <ol style="list-style-type: none"> 1) Free entry for private operators 2) Differential between FOB export parity and farmgate prices reflect marginal cost of transport and processing • Streamlined administrative procedures for all agricultural exports • Existence of a framework for continued discussions with the GOM on the implementation of agricultural market liberalization <p>[Note: Most have been accomplished by redesign of MAELSP.]</p>	<ul style="list-style-type: none"> • Evaluations conducted to measure progress on following indicators: <ol style="list-style-type: none"> 1) Share of export volume of traditional crops marketed by private operators has increased 2) Number of private operators involved in export marketing has increased 3) Time required to process an export shipment has decreased 4) Number of administrative approvals, clearances, and fees for export transactions has decreased 5) Export guide has been published which provides a complete and concise summary of all export regulations in effect 6) Non-discriminatory access to foreign exchange under the OGL 7) OGL system operates as planned with respect to receipt of full amount of FX within the 6-day time period • Central Bank reports • Export and Customs Statistics • Rural household and income expenditure survey 	<ul style="list-style-type: none"> • Sustained commitment to the policy reform program by the GOM • Sufficient foreign exchange is available from GOM and other donor contributions to finance imports
	<p>To increase private sector exports of "non-traditional" agricultural products (MAELSP)^a</p>			

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^a. This purpose has been subdivided into outputs on the following pages.

III.	OUTPUTS	END OF PROJECT STATUS	MEANS OF VERIFICATION	ASSUMPTIONS AND LINKAGES
	<p>1. Agricultural Commodity Export Development. To take advantage of emerging export opportunities resulting from the GOM efforts to reform economic and agricultural sector policy by promoting the production, processing and export of at least five selected non-traditional agricultural commodities.</p>	<p>1. At least one commodity subsector development intervention will have been developed, implemented and evaluated for each of the five selected non-traditional commodities.</p>	<p>1. An internal project assessment is completed to determine the validity of the conclusions of the five interventions is completed.</p>	<p>There are clearly identifiable constraints to subsector expansion that can be addressed in the short run.</p>
	<p>2. Human Resource Development for Export Promotion. To provide training to the private sector Malagasy business community to assist it in taking advantage of emerging opportunities for expanding agricultural exports and, at the same time, augmenting the private sector's ability to operate in a liberalized economic environment.</p>	<p>2. INSCAE's capacity to provide relevant business development support to the Malagasy Private Sector in the promotion of traditional and non-traditional agricultural commodities has been significantly enhanced and significant numbers of private sector business personnel have greater practical business skills.</p>	<p>2. (INSCAE) - As part of the Project Evaluation, an assessment of the institutional capacity of INSCAE at the end of the project versus its capacity at the outset of the project is completed, along with an impact assessment on trainees.</p>	<p>Business training will help Malagasy exporters be more competitive on world markets over the longer run.</p>
	<p>3. Identification of Further Impediments to Agribusiness Development. To use both practical experience in commodity-specific export promotion and highly focused studies to identify further regulatory, procedural and structural impediments to growth in export-oriented agribusiness and to propose practical solutions to dealing with those impediments.</p>	<p>3(a) Based on the finding of the completed commodity channel studies for the five selected non-traditional commodities, a number of regulatory, legislative or policy constraints that require attention will have been identified. The EOPS for this objective will be the completion of studies related to at least two such cross-cutting constraints in order to develop proposals concerning how such constraints can be dealt with by the GOM.</p>	<p>3(a) The recommendations of the two studies are presented to appropriate GOM officials to promote the appropriate policy, regulatory and/or legislative action.</p>	<p>That such impediments must exist given very slow response of Malagasy economy to liberalization.</p>

OUTPUTS	END OF PROJECT STATUS	MEANS OF VERIFICATION	ASSUMPTIONS AND LINKAGES
<p>3.(b) Development of Private and Public Institutions in support of expanded export business:</p>	3.(b)	<p>(i) <u>Private Sector Institutional Strengthening</u> - A summary report is completed on the process used to develop and establish the Producers and Trade Associations.</p>	<p>There are significant opportunities for both producers and trade associations to contribute to export growth.</p>
<p>(i) <u>Private Sector</u> - The development of at least one functional Producers Association or one Trade Association for two of the selected non-traditional commodities.</p>	<p>(ii) <u>Public Sector (MIS)</u> - A review of the results of the needs assessment is completed and possible funding sources for establishment are identified, i.e., future AID or World Bank projects.</p>	<p>Increased public sector market information will offer some help to private sector export expansion.</p>	
<p>(ii) <u>A Public Sector Market Information System (MIS)</u> - An analysis of the need for a Public Sector MIS will be completed. If the analysis recommends such a system is required and appropriate, the analysis will also develop an Implementation Plan and a detailed listing of equipment, reference material, etc. required for the establishment of such an MIS.</p>	<p>(iii) <u>Export Promotion Authority</u> - A review of the conclusions of the review is completed and if appropriate possible funding sources for establishment are identified.</p>		
<p>(iii) <u>Private Sector Export Promotion Authority</u> - An additional result of export promotion institutions will be a determination as to the appropriateness of developing a Export Promotion Authority – which may be either private, public or a mixture.</p>			

OUTPUTS	END OF PROJECT STATUS	MEANS OF VERIFICATION	ASSUMPTIONS AND LINKAGES
	<p>3(c) Analysis of applied lessons from MAELSP to enhance future GOM programming in agriculture and private sector development by:</p> <ul style="list-style-type: none"> (i) The development of a functional set of screening criteria for the selection of commodities that can be targeted for future promotion either through AID funding or funding from other sources; (ii) A narrative description of the subsector diagnostic model to be utilized in determining which are the most cost effective interventions for any targeted agricultural commodity and a completed assessment for at least three of the selected five non-traditional commodities. (iii) At least ten studies and/or pilot interventions, related to the select five non-traditional commodities, have been completed and assessed as to their utility and applicability in the promotion of other agricultural commodities in the future. 	<p>3(c)</p> <ul style="list-style-type: none"> (i) A comprehensive description of the Screening Criteria is completed by the project long-term technical assistance contractor and presented to appropriate GOM officials and concerned Private Sector entities and business people. (ii) The subsector diagnostic model is utilized in targeting future interventions in the promotion of the export of agricultural commodities. (iii) The results of the studies and/or pilot activities are assessed and if appropriate the models are adapted for use in future AID and/or other donor funded activities in the Sector. 	

IV.	INPUTS	LEVEL OF INPUTS
1.	TECHNICAL ASSISTANCE:	
	Contract/Buy-In	\$1,167
	Personal Services Contracts	\$ 919
2.	OTHER DIRECT COSTS	\$1,071
3.	TRAINING	\$ 450
4.	MARKET DEVELOPMENT TRIPS	\$ 152
5.	EVALUATION	\$ 200
6.	AUDIT	\$ 30
	CONTINGENCY	\$ 321
	TOTAL	\$4,310

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ANNEX B
TECHNICAL ANNEX

ANNEX B

TECHNICAL ANNEX

THE MACRO-ECONOMIC CONTEXT: PROBLEMS AND SOLUTIONS IN DONOR-FUNDED AGRIBUSINESS PROMOTION IN MADAGASCAR

MAELSP, particularly in its revised and expanded form, is strongly directed toward helping the Malagasy private sector take advantage of what are perceived as numerous opportunities for expanding the export of "non-traditional agricultural products" (essentially everything except robusta coffee, vanilla beans, and cloves — considered to be the principle "traditional" agricultural exports). However, in the past few years, as Madagascar has emerged from 15 years of tight, centralized state management of the economy and the nationalization of most companies in important sectors, there has been debate about why the economy does not seem to have shown rapid and positive response to the state's apparently having swallowed all of its "free market medicine".

Differing Interpretations of the Slow Impact of Liberalization

When looking at agricultural production and marketing there are many possible reasons why response to a freer, market-oriented environment might be slower than anticipated. One is the inherent variability of two dimensions to agricultural systems: basic production (with fluctuating rainfall often a dominant factor) and the second is fluctuating market prices, particularly those for certain export commodities, traditionally referred to as "cash crops".

In addition, in recent analysis of this question in Madagascar there seems to have arisen somewhat of a false debate between the "free market hardliners" who insist that true price and market liberalization will conquer all, and "structuralist doubters" who contend that structural constraints (such as extremely poor infrastructure and communications, lack of sanctity of contracts, pervasive corruption, rural insecurity, and political interference in coopting any wisps of business growth, etc.) will derail most agribusiness growth, regardless of what happens to prices and markets. What is unfortunate is that both of these positions have much of value to contribute to potential solutions to the situation in Madagascar, but excessive time and resources are wasted in studies attempting to justify positions that are ideologically fashionable.

Among recent studies, the most balanced view of the liberalization impact question and its ramifications for Madagascar agriculture is Gray *et al.* (January, 1991), particularly for the pragmatic thinking it contains on how the country can begin to work its way out of its current "low-level equilibrium trap" in the agricultural sector.

The Low-Level Equilibrium Trap

What is clear to all experienced observers is that Madagascar's agricultural economy is performing at levels far below what might reasonably be expected given the island's resource base, its agro-ecological diversity, the strengths of its population and other factors that translate into natural comparative advantage. Under similar circumstances in other environments, economists have called this a "low-level equilibrium trap": a situation where an economy or a sector clearly should be able to perform better but where it can not seem

to overcome a heavy, interconnected web of factors that limit its performance, with markets in equilibrium at low levels of volume and price. This situation seems to characterize the current situation for much of Madagascar's agricultural production (with the possible exception of basic rice production): stuck in first gear.

The Current "Multidonor/GOM" Agricultural Sector Planning Approach

The World Bank in collaboration with USAID, UNDP, CCE, and other donors is engaged in a process of developing strategies for dealing with this situation of economic performance lagging far behind reasonable, minimal expectations. Under Bank coordination, a large number of studies is being undertaken, five of them sponsored and funded by USAID. Some good and useful information is already emerging in these studies.

At this point in time, when the definitive shape of a concerted agricultural development strategy is about to emerge, considerable attention is being given to the question of what should be in this strategy, the right mix of the legislative/regulatory macro-economic interventions, and of micro-economic interventions on the level of commodity sub-sectors.

In a recent and preliminary Bank document (World Bank, 1991, page 9) the following approach to agricultural export development is proposed as translated:

"The strategy of promotion of agricultural exports seeks to get away from the commodity-channel approach deemed too obtuse and dirigiste, thus incompatible with the spirit of liberalization. The strategy rather postulates the creation of an environment necessary for the development of the entire export sub-sector in order to facilitate and attract private investments to a large complex of commodity-channels.

The non-project assistance offered by USAID in the years 1989 and 1990 under the MAELP Program contributed substantially through its conditions precedent to the realization of the macro-economic reforms advocated by the World Bank. The approach of the present MAELSP project is complementary to, and supportive of, this macro-economic, broad-perspective approach.

The necessary overall approach of working on improving the legislative, regulatory and macro-economic environment for agricultural growth is long-term in nature and, will profit from the experiences of, specific, focused, practical commodity-subsector development efforts. It is not incompatible with trying to get commodity-export development moving and helping to break Madagascar's "low-level equilibrium trap" log-jam.

The applied, results-oriented field work based on the practical experiences of farmers, collectors and international marketeers will provide valuable raw material and a corrective perspective to broad-based strategies. The applied steps will contribute to the creation of a more fluid, transparent economy that responds quickly to changing market signals. The Government, the private sector and the donors will learn about the real impact of constraints through action programs of helping specific commodity groups, (commodity-subsectors), to move more and better products to market.

The Policy Research Component of the present MAELSP Project is designed to learn about the remaining legislative, procedural and institutional constraints, and to translate the lessons learned in the applied commodity-export effort into proposals for legislative, procedural and structural improvement.

Need for a Practical Approach to Working with Private Sector

One of the things that seems to be needed at this time in Malagasy agricultural-export development is applied, micro level approach that will begin to break the log-jam of unrealized potential and actually stimulate some growth. The strategy is to learn about the real impact of constraints through action program of helping operations in specific commodity sub-sectors.

This does not mean that more general studies and planning should not take place; nor does it mean that donors should not undertake massive investment in transport infrastructure, telecommunications, and revision of administrative, legal and political systems. What it does say is that this "action-experimentation" in commodity development will generate a new set of "real world data" that will give donors, the government, and the private sector a much better understanding of how to practically get exports moving.

The proposed MAELSP approach should be seen as a complement to (but not a substitute for) the study-intensive, regionally-planned, global approach to agribusiness development being discussed by the World Bank. AID has underway just such a project, engaged in learning from pilot actions to promote agricultural exports. The approach of the MAELSP extension is to expand on the good start that has been made in this area and to apply more resources so that the pilot intervention work can be done more systematically and with more commodities.

Strategy and Operational Steps in the Use of the Subsector Approach in Applied Commodity Development Work

In meeting its objective of promotion of Malagasy agribusiness, the structure and implementation of expanded MAELSP is dominated by four important operational considerations:

- **First, MAELSP, to be successful, needs to be demand-driven**, in terms of assisting Malagasy agribusiness to identify and meet consumer demand (in target foreign markets) for existing and new agriculturally-based products. This is in sharp contrast to production-oriented efforts that either take the demand side for granted or assume that "production will create its own demand";
- **Second, the project needs to be industry controlled** in identifying business needs and strategies by which MAELSP resources can be used to meet those needs. This means, for example, using industry groups to make decisions among project options within the bounds of what USAID regulations and prudent project management will allow.

- **Third, MAELSP should have an operational approach to working with commodity groups which will allow it to systematically identify constraints to growth of specific commodity subsectors and use project resources in a leveraged way to have maximum impact on meeting objectives. The method that is suggested for this purpose is the commodity subsector approach, described in greater detail in ANNEX C below; and**
- **Fourth, the technical assistance component of the project, working with both Malagasy and foreign business people and markets, will need to be implemented by a joint expatriate-Malagasy team, which can call on the appropriate cultural, linguistic, and technical skills to help build dynamic new export-oriented businesses.**

The MAELSP project will thus use a field-oriented approach to agroindustry promotion with business service assistance going beyond the production level and focusing on international and domestic marketing, processing and packaging technologies, requirements for expanding international exporting, and the promotion of new business partnerships and trade associations. The technical assistance team will work with firms, on both an individual and group basis, to identify the most effective ways of using the different pools of MAELSP resources (essentially promotional funds, the R&D fund, training and demonstration funds, and additional technical assistance) available to pursue project objectives.

The Importance of Regular Contacts with Industry Groups and Individual Firms

For MAELSP project personnel to accomplish project objectives, they will have to have regular contacts with individual firms located in the target subsectors, with appropriate trade associations (or groupings of firms with common interests), and with the contract suppliers of industry support services. Personnel will have the resources required to allow them to travel within Madagascar to develop these industry contacts. In this respect, lessons can be learned from successful agricultural extension programs: understanding of industry constraints and opportunities comes from constant contact with the industry and from being able to call on additional resources to solve problems as they emerge at the firm or industry level. This understanding and ability to deal with problems will not come to those who sit in their offices and wait. Production problems are in the fields, processing and packaging problems are in the plants, and marketing and advertising problems are in wholesale markets in distant countries, at point of sale or in the homes of consumers.

This vital program of interaction with target non-traditional agricultural export industries will come from regular contacts with:

- **Individual firms that produce raw product, process, and market intermediate or finished goods;**
- **Formal or informal groupings of firms on a national or regional basis; and**
- **Public and private suppliers of training, information, product development, marketing, and other services in the support of industry development.**

It should be noted that since the MAELSP project will be working with five or more distinct subsectors, personnel will have to seek means of leveraging the impact of their time spent within the industry. It may be possible to reach a larger part of the industry in working through groupings of firms or associations. Such leveraging is found in all successful outreach programs. Successful programs involve having contacts directly with individual firms, so that one understands real problems from the firm-level perspective, and looking for those more-leveraged opportunities to reach a larger part of the industry through associations and other service organizations that work with individual firms.

Approach to Working with Specific Industries and Commodities

The design team envisions a four-step process for the MAELSP project to follow in working with any one of the target commodity subsectors. This process can be summarized as follows:

Step one: initial contact with the commodity subsector: The MAELSP commodity development unit (particularly when it reaches full strength in mid 1992) needs to assemble and review existing information on the target commodity subsector and make initial visits to a sample producers, processors, exporters, as well as to the existing national and regional trade associations for that set of products.

These initial contacts should be used by the resident technical assistance team to customize the generic TOR for subsector diagnostic studies (contained in ANNEX C below) and adopt them for the particular circumstances of the subsector in question. The team will finalize the TOR and begin to recruit and mobilize the expatriate and Malagasy personnel needed for that assignment.

Step two: subsector diagnostic study (one to two months). Outside team conducts the diagnostic study with the support and maximum participation of the resident team. This will include a final workshop presentation of team recommendations for the subsector action plan and their debate with a selected group of industry representatives and appropriate specialists from supporting institutions (for example, personnel from the University of Tana and the Centre National de Plantes Medicinales when dealing with essential oils).

It is important that the plans for action in any one commodity grouping take account of the amount and types of project resources available to assist industry-wide efforts, since MAELSP will attempt to work with at least five different commodity groups. The MAELSP commodity development unit coordinator will have an important role in making sure that both short-term diagnosis personnel and resident staff have a clear understanding of these resource constraints and trade-offs.

It is also important to understand that applying an outreach approach to five different commodity subsectors will, of necessity, direct the implementation team to look for those means of intervention that leverage or multiply the impact of their efforts.

Finally, it should also be noted that it is important for the initial diagnostic work to produce relevant baseline information that can be used over time for quantitative and/or qualitative measurement of project impact.

Step three: development of subsector action plan (to be completed within one month of the end of the diagnostic study). The resident TA team will help establish an advisory committee for that commodity, of manageable size, that initially reviews the diagnostic study report and recommendations for the commodity development action plan. The strategy for intervention in the subsector should be for a two to three-year period, but with clear identification of the MAELSP actions to be undertaken in the first year following the study. It is anticipated that the action plans will vary widely from one commodity to the next, given the differing opportunities and needs of those industries, and the varying degree to which the general categories of MAELSP resources and actions are appropriate under those circumstances.

Step four: begin implementation of the Action Plan on an annual cycle. The resident TA team will begin to implement the actions agreed to for the first year of the action plan. This will include the use of the commodity advisory committee to evaluate progress, provide feedback and review, and plan for year two.

An Example of MAELSP Resources Working Together for Export Promotion

The astute reader of the logframe inputs and outputs section will notice that the MAELSP export commodity development unit will have use of the majority of new project funding. The design of how those major categories of funds are going to be used to achieve project outputs is purposely illustrative in nature since the team will not know, until it begins to actually work with a subsector, what the most binding constraints are and how they can be addressed by MAELSP resources. This action program will do different things for different target commodity groups. In order to paint a picture of how this might occur, we can look hypothetically at the forthcoming work in essential oils that might include:

- **Foreign market prospecting in Europe and elsewhere:** World markets for essential oils are quite complex; dominated by a number of large, traditional European firms; beset by contradictory market forces (for example: competition with synthetics for some products, but a general desire for "natural products"); and there are numerous opportunities for expanding market outlets in the US. Therefore, we are proposing in the TOR for the subsector diagnostic study to devote initial STTA resources to a preliminary market analysis of current and future Malagasy essential oil products. Follow-up market analysis and development work will most likely be needed after the diagnostic study as well;
- **Technology experimentation and demonstration;** It is almost a truism that anything will (any probably does) grow in Madagascar. However, it will probably be necessary to fund trial plantings of new species, demonstrate improved harvesting and handling techniques, and experiment with various smaller scale distillation technologies for some potential product lines;

- **Selected use of a research and development (R&D) grant fund:** The project's small R&D fund might be used selectively to fund some of the actions mentioned in the paragraph above. Specific research could be funded with the CNPM in Tana which has substantial subject matter and applied research capacity in essential oils;
- **Business partnership promotion:** Given the nature of world markets for essential oils, it would be very likely to see opportunities to link foreign firms (which can provide market access, quality standards, advice on processing technologies) and Malagasy firms (which can provide raw product, either harvested in the wild or cultivated, and basic first-level distillation). MAELSP would use its expanding contacts with foreign markets and firms to play this "match-maker" role to some extent;
- **Investment feasibility assessment:** As part of business partnership promotion process (above) it may be possible to assist local entrepreneurs in the preparation of loan applications for business expansion. This would use MAELSP funds to assess the technical or market feasibility of a proposed investment loan package, a step usually required in commercial loan approval but which may stretch cash availability or willingness of local businessmen to take risks in untried areas;
- **Product development, and trial shipments:** One could easily imagine making trial shipments of small samples of Malagasy essences (produced on a trial basis at CNPM in Tana) to be followed by trial shipments of larger quantities produced in a pilot plant. The role of MAELSP might be to help make arrangements for these trial shipments, with the actual investment capital coming from local and/or foreign businesses (this is similar to the trial shipment proposed for Arabica coffee this year);
- **More Focused use of Participant Training and Study Tours:** Participants could be identified in companies currently engaged in the essential oils industry and their training program oriented toward increased knowledge of actual market conditions and contacts in the US and Europe; and
- **Using Other Direct Costs to Conduct Applied Training:** As the production of a new plant for essential oil (geranium, for example) is being expanded in a particular region, it may make sense for MAELSP to conduct field-level training and demonstrations of improved cultural practices, correct harvesting and handling techniques, quality standards, etc.

As a final point, it may start to become obvious by reading the above examples, that when AID starts programs to help develop the private sector, that some private firms are going to prosper and grow, thanks in part to that assistance. This raises very real and important questions about where to draw the line in the use of public money to help private firms. Standards and guidelines should be developed by MAELSP as pilot activities are developed by the project. These guidelines should incorporate at least the following principles:

- Do not give assistance to firms that allows them to do things that they would not be able to do without that help. Encouragement, handholding, and very partial "incentive ("push them off the cliff and they will fly") subsidies" are OK but not providing "too much" of the solution (that can be left to the foreign business partner if the opportunity is attractive enough);
- If investments (through the R&D fund, for example) are made to benefit a subsector (or a particular industry group in a subsector), make sure that the results/information are accessible to all firms in that category that are interested in making use of it.

SCREENING CRITERIA FOR CHOOSING COMMODITIES FOR MAELSP AND OTHER DEVELOPMENT PROGRAMS

This is a large topic that can not be fully treated here. However, two sets of summary thoughts are offered:

- A few general comments on the variables to be considered in screening and how these should enter into the "calculus of decision-making"; and
- Some observations on the subsectors that look promising for actual MAELSP consideration under the expansion phase.

Factors to Consider in Screening Commodities for Project Selection

This process can be done in many different ways ranging from "seat of the pants" to use of an at least superficially scientific or "objective" quantitative approach. In comparing commodities for possible targeting by a project like MAELSP, the following factors need to be taken into account:

- **Natural Comparative Advantage:** From a technical point of view can the product be produced in the country; what is its yield under average and optimal conditions? This can be handled simply by talking to experienced local scientists or by attempting to construct enterprise budgets and domestic resource cost (drc) ratios (although the latter is notorious susceptible to misinterpretation as the costs of production can shift dramatically over time as the production of a given crop develops);
- **Market Opportunities (including transport and handling costs):** Where are the potential domestic or foreign markets for this product? Who are the current main suppliers? Are there any non-market barriers or subsidies that will affect your product in special ways? This should include analysis of historical price trends as well;

- **What is the Structure of the Subsector:** The basic questions are how many firms (what degree of concentration) are there at different levels in the vertical marketing channel(s). Possibilities for intervention may change for commodities where any level (production, processing, marketing) is monopolized by one or a few companies. Is there a traditional marketing channel where artisanal production competes against an industrial channel?
- **How is Vertical Coordination Handled in the Subsector?** The key questions here involve how information about prices and products (intermediate and final) flows up and down through the market channel in order to coordinate the channel. The extreme case is coordination within one or a few firms, called "vertical integration";
- **Current Role for the State; Policy Issues?** Is this product line heavily controlled by state pricing, marketing or other direct intervention? Are there other important policy questions blocking expansion?
- **Socio-Economic Considerations:** Related to factors above, is this a subsector that will have large employment impacts? Who will be affected: small farmers, large farmers, small marketers, etc.? It is possible that commodities could be chosen to maximize potential revenue increases for small farmers in Madagascar's central plateau, for example.
- **Consistency with Bumpers amendment**

As a preliminary screening device it is often useful to simply array the above information on a large table with commodities on one side and the above variables on the other. This may be enough to allow qualitative comparisons to be made or it may isolate key questions to be researched in a more detailed, quantitative way.

Expanding the number of Commodities under the MAELSP "Action Component"

The following are just a few summary thoughts on this subject:

- (a) MAELSP needs to be careful and not take on more commodities than it has people and other resources to handle. There is a need not to diffuse resources too far; and a need for concrete action and "critical masses" in project action. Along these lines, I see real pitfalls in the project expanding into fisheries, and forestry and recommend against that action.
- (b) **Broadening the Agribusiness Focus of MAELSP:** To this point the project has limited itself to direct action in "non-perishable, non-traditional" agricultural exports. There seems to be a number of interesting opportunities in a broader range of agribusiness subsectors, particularly in:
 - **Perishables:** particularly cut flowers and various fresh vegetables and fruit for export;

- **Livestock:** for the export market (Europe or regional): beef (for which there is an unfilled EEC quota), poultry and pork to regional buyers. On the domestic market the dairy industry seems to be beginning a strong growth and development phase, poultry (eggs and broilers) looks like a good bet, and the related feed industry (on a small, local mill basis) also looks promising.
 - **Other Options:** see "fiche techniques" prepared by MAMOKATRA personnel in Annex J to this report.
- (c) There seems to be a number of opportunities for investment in small scale product transformation (canning, freezing for export, juice). A very good example is the possibility of a small scale tomato processing facility in Betafo (22 km to the west of Ansirabe) which is in the center of one the two major highlands areas that supply fresh tomatoes to Antananarivo (further details on this can be obtained by writing to the author).

Detail on the INSCAE Component of MAELSP

MAELSP support to INSCAE has involved three related sets of activities that have been underway for slightly more than one year:

- **Business English Training Program**
- **Participant Business Training in the United States**
- **Technical and Material Assistance to the Development of INSCAE Business Education Outreach**

Background Information on the Development of the CBEC ¹

Support for INSCAE, via the Training Component of USAID's MAELSP, began in 1990. The initial focus for the creation of a Continuing Business Education Center (CBEC) entailed a shift away from MBA-like curriculum development (as envisaged in the original MAELSP PP) and toward the planning and implementation of a series of practical, hands-on workshops (these being the first of numerous business development outreach functions planned). The assessed need in the relatively young and inexperienced business community was primarily for marketing skills. As 1991 began, that series of workshops was well underway.

Three Marketing Workshops have been held thus far (the first was given twice), including:

Accessing International Markets

Market Analysis, and

¹ For more detail see Guenette report (April, 1991) on action plan for the development of the CBEC at INSCAE.

Drafting a Marketing Plan.

The most recent workshop, *Drafting a Marketing Plan*, included 21 corporate participants. The firms have an estimated 8,123 employees and had total sales in 1990 of US\$108 million.

Three months into its second year, the IIE implementation team is assessing what has worked and not worked in the workshop program, in order to continue the evolutionary process that has characterized the development of the CBEC to date. What is being proposed is a more integrated, broad-ranging program of varied events which could address different levels of Malagasy corporate needs. The CBEC's comparative advantage as a business training institution includes its reputation for quality training, its in-house facilities, and its recently launched series of USAID-supported workshops. USAID's support to the workshops has provided high-caliber professional assistance which has been very warmly received by the Malagasy business community.

The CBEC has instituted training efforts which are somewhat "revolutionary" in the Malagasy business community; the training workshops have offered a mixture of expatriate and Malagasy expertise, packaged in animated, hands-on, practical workshops. The level of participants' satisfaction has been high and the popularity of the workshops is growing, evidenced by the hitting of the maximum number of participants "ceiling" for the recent Marketing Plan workshop. CBEC is conducting a nationwide business census and training needs assessment (also with MAELSP assistance) which will confirm or cause to be revised the workshop plans for the remainder of 1991.

The CBEC (under the Direction des Relations avec les Entreprises) has moved to new facilities in April/May 1991. The newly constructed facilities will be the CBEC's home for the next 2 years, until the new INSCAE campus, to be financed by the World Bank, is constructed. The "temporary" facilities, about 500 m. from INSCAE, will include the five CBEC offices, equipment (2 computers, a printer and photocopier), two classrooms, and two larger seminar rooms, as well as the INSCAE library. This move will help sharpen the image of the CBEC in the private sector's eyes, as differentiated from INSCAE. It is expected to help promote the professional and practical, businesslike and non-academic approach that characterizes all CBEC training.

The INSCAE library now serves as the CBEC resource center. It is supplemented by a range of workshop materials and business english teaching materials assembled since MAELSP began to support the CBEC last year. Also planned is a CBEC Resource Center, including a television monitor and VCR with a library of practical french-language business assistance tapes, and an organized range of printed materials and periodicals. Some materials will be purchased under the remaining MAELSP Training Component budget. Other items are sought under continued CBEC support in 1992.

The CBEC is now implementing follow-up visits to companies which have received assistance (workshops, study-trips abroad). These visits have several objectives:

- To supplement the workshops and impress upon participants that workshop lessons extend beyond the seminar room, into their businesses;
- To provide the CBEC with additional information on the participant firms, allowing for more appropriate "targeting" of the training vehicles; and
- To experiment with business advisory techniques as precursors to the consulting services that CBEC envisions offering in the future (See below).

Eventually the CBEC plans to provide commercial consulting for both "diagnostic" and "corrective" services. Initially, the CBEC will draw on technical services provided through various donor support to INSCAE (French, Canadian, World Bank), USAID's HRDA and MAELSP projects, and a group of 5-10 "Associates" (U.S.-educated Malagasy professionals who will "associate" with the CBEC). Some training on consulting techniques (interview techniques, business diagnostics, report writing, etc.) should be planned under a MAELSP extension to enhance the viability of this consulting service.

The CBEC also plans to offer several non-seminar types of training. Roundtable discussions, policy debates or conferences organized around an agribusiness subsector can be held, inviting major players in the industry to discuss sectoral constraints. The future CBEC will also offer informative sessions for the private sector on specific topics such as "Europe in 1992," or "Export Documentation."

Elements in Terms of Reference for Six PM bridging Buy-in Contract with New Project Funds

Time Period: Nine months April 1992-December 1992

Proposed Use of Buy-in Resources:

(a) 4-5 Week initial consultancy of outside agronomist/agribusiness specialist in July, 1992. To work with outside consultant, need mission staff or local hire consultant for two to three weeks of field work (Central Plateau and Morondava — beans; Central Plateau, Nosy Be, Tamatave for essential oils) Major elements to SOW for first trip:

- Review agronomic dimensions of dry bean program, investigate decline in butter bean exports and potential for revival (start with the Friendship consulting report of 1989);
- Refine Scope of Work for Subsector Diagnostic Study of Essential Oils (or alternative);
- Complete other MAELSP implementation tasks as mutually agreed to.

(b) **Essential Oil Subsector Diagnostic Study: (June, 1992).**

Recommended personnel (The Project Coordinator):

- **Agronomist/agribusiness specialist team leader, (Five weeks);**
- **Agricultural economist and subsector diagnosis specialist (Three to four weeks);**
- **VITA or IESC technical specialist on essential oils (3 to 4 weeks);**
- **Two local consultants (4 to 5 weeks each: could be chosen in June and contracted by implementing buy-in agency if this would be simpler for mission).**

Outputs:

- **Subsector Diagnostic Study of the Essential Oils Subsector (English, later translation to French) as an example of approach to be used once LT contract underway;**
 - **Draft Essential Oils Subsector Action Plan (French); and**
 - **Two day workshop in Tana with selected industry personnel to discuss action plan and concrete steps for the first year.**
 - **Draft SOW for 3 PM follow-up STTA on essential oils or other MAELSP priority assignments (see below).**
- (c) **Additional three PM US STTA to be used to provide technical follow-up to Essential Oils Subsector Diagnosis, to do follow-up foreign market prospecting, technology demonstrations, etc. This additional time would be used as dictated by the evolution of the MAELSP project, in collaboration with Gene, new PSC liaison person, and approved by ADO.**

ANNEX C
DETAILED BUDGET

MAELSP PP SUPPLEMENT ILLUSTRATIVE DETAILED BUDGET

	PERSON MONTHS	MONTHLY COST	YEAR ONE (FY92)	YEAR TWO (FY93)	YEAR THREE (FY94)	YEAR FOUR (FY95)	ALL YEARS (91-95)
I. TECHNICAL ASSISTANCE							
A. CONTRACT/BUY-IN							
1. SHORT TERM TA:							
START-UP TA (AMIS)	8	5,000	30,000	10,500	0	0	40,500
U.S.TA	30	5,000	0	31,500	66,150	69,458	167,108
LOCAL TA	50	2,300	0	52,900	60,835	34,980	148,715
TOTAL SHORT TERM TA	88		30,000	94,900	126,985	104,438	356,323
2. LOCAL SUPORT STAFF	55	300	0	4,140	9,522	8,669	22,331
3. OVERHEAD @ 90% SALARY			27,000	89,136	122,856	101,796	340,788
4. INT'L TRAVEL/PER DIEM							
INTERNATIONAL TRAVEL		6,300	37,800	52,920	83,349	87,516	261,585
PER DIEM			23,490	31,650	47,995	50,394	153,529
LOCAL TRAVEL			10,000	12,000	10,000	0	32,000
TOTAL TVL/PER DIEM			71,290	96,570	141,344	137,911	447,115
TOTAL TA UNDER CONTRACT/BUY-IN			\$128,290	\$284,746	\$400,707	\$352,814	\$1,166,557
5. TRAINING/SEMINARS							
TRAINING	22	15,000	0	150,000	150,000	30,000	330,000
SEM/WORKSHOPS	4	15,000	15,000	15,000	30,000	0	60,000
TOTAL TRAINING COSTS			15,000	165,000	180,000	30,000	390,000
6. MKTG DEVELOPMENT TRIPS	24	6,333	0	75,996	75,996	0	151,992
5. OTHER DIRECT COSTS							
COMMODITIES			70,000	125,000	50,000	0	245,000
R&D GRANTS			50,000	75,000	125,000	0	250,000
LOCAL COSTS			55,450	105,450	85,450	0	246,350
TOTAL DIRECT COSTS			175,450	305,450	260,450	0	741,350
TOTAL CONTRACT/BUY-IN COSTS			\$318,740	\$831,192	\$917,153	\$382,814	\$2,449,899
B. PERSONAL SERVICE CONTRACT							
1. SALARIES							
POLICY COORDINATOR	30	5,000	0	47,250	49,612	52,093	148,956
ADVISOR	33	7,000	42,000	88,200	92,610	24,310	247,120
LOCAL AGRI ADVISOR	33	450	2,700	6,210	7,142	2,053	18,105
TOTAL SALARY	96		44,700	141,660	149,364	78,456	414,180
2. FRINGE BENEFITS (25%)			11,175	35,415	37,341	19,614	103,545
3. POST ALLOWANCES							
ED ALLOWANCE TO 8TH GRADE		2,500	0	2,625	2,756	2,171	7,552
HHE/TVL/CONSUM/UAB/STOR:							
EMPLOYEE		6,000	0	6,300	0	0	6,300
SPOUSE		6,000	0	6,300	0	0	6,300
DEP + 12 YRS		3,500	0	3,675	0	0	3,675
DEP - 12 YRS		2,000	0	2,100	0	0	2,100
UNACCOMPANIED BAGGAGE		5,155	0	5,413	0	11,935	17,348
HHE 7200 LBS/POV		15,000	0	15,750	0	34,729	50,479
CONSUMABLES @ 2500 LBS		6,250	6,250	6,563	6,891	0	19,703
STORAGE		3,600	3,600	7,560	7,938	2,084	21,182
R&R TVL/EMERG TVL:							
R&R TVL		20,000	0	26,300	27,615	0	53,915
EMERGENCY TRAVEL		6,000	6,000	6,300	6,615	6,946	25,861
TOTAL POST ALLOWANCES			15,850	88,885	51,815	57,864	214,414

ANNEX D

**SUBSECTOR ANALYSIS AND ITS USE IN
MAELSP DIAGNOSTIC STUDIES**

ANNEX D

SUBSECTOR ANALYSIS AND ITS USE IN MAELSP DIAGNOSTIC STUDIES¹

Introduction

The MAELSP project proposes to work with a broad set of commodity industries in Madagascar and needs to do so in a systematic and efficient manner. The project will need to carefully choose those expenditures of resources that will have the greatest impact on meeting export revenue objectives. MAELSP also will have to have information to monitor and evaluate the impact of project actions. Therefore, MAELSP project work with each future commodity subsector should begin with a systematic, applied subsector diagnostic study.

The subsector approach provides a simple, action-oriented framework for meeting the needs for basic information on the structure and functioning of the systems of firms which produce and market specific products or closely-related groups of products. There is not one precisely-defined set of investigative methods which must be used in an identical fashion with each subsector; however, experience in the use of the subsector approach has accumulated a set of tools which have proven their descriptive and analytical worth and their cost-effectiveness. The general principles that are outlined in this annex should be applied flexibly and with common sense in the search for the most effective uses of project resources.

Definitions and Basic Principles of the Subsector Approach

The commodity subsector approach is one that has been used very successfully in recent years in programs to improve the performance of marketing and information systems in agricultural commodities in the US and the third world and, more recently, in working with rural small-scale industries in developing countries. The approach was first developed in applied industrial organization work that was done with large-scale, non-agricultural industries in the US through the 1930s. The application of the subsector method to agribusiness draws on the overlapping contributions made in the areas of agricultural marketing and small/medium enterprise development.² The

¹ Most of this Annex was written by David Wilcock in January, 1991, as part of PP design work done on the USAID Morocco Agribusiness Promotion (MAP) project. The text has been revised so that most country-specific references are to Madagascar and the MAELSP project.

² A number of papers outline the subsector method applied to agricultural marketing and small/medium enterprise (SME) development efforts. Many of the subsectors covered in both areas are often considered to also be in the agribusiness sector. See: John S. Holtzman, "Rapid Reconnaissance Guidelines for Agricultural Marketing and Food System Research in Developing Countries", Working Paper No. 30, MSU International Development Papers, East Lansing, Michigan, 1986; James Boomgard, et.al., "Subsector Analysis: Its Nature, Conduct, and Potential Contribution

initial subsector diagnostic study is also similar in some aspects to the rapid reconnaissance survey used in the initial stages of farming systems research and extension (FSRE) work in agricultural production.

A subsector is a vertical grouping of industries involved in the production and marketing of one well-defined product or a number of closely related products. A series of these commodity subsectors cut across the large divisions of an economy, or sectors, (agriculture, industry, etc.).³

The core idea in the subsector approach is to describe the structure and functioning of vertical production and marketing systems, and to use analysis and judgement to locate those places in the subsector where change (in rules, technology, pricing, information, vertical integration, etc.) can increase the aggregate output of the subsector (or significantly lower per unit cost through greater subsector efficiency).

In most commodity subsectors there are several competing vertical marketing channels for the product in question, with each channel often representing a different set of production technologies. In developing countries particularly, one marketing channel may center on small-scale or traditional processing technologies, while another may involve a larger-scale, more industrial processing technology. In addition to differences in scale and technology, this competition among channels presents opportunities for technical assistance efforts to make trade-offs among variables such as employment generation, foreign exchange used in inputs or gained in exports, etc.

Normally a vertical subsector is composed of a series of recognizable "industries" at different horizontal, functional levels, often involving a change in ownership as products pass from one functional level to the next. For example, the wheat subsector can be seen as being comprised of linked horizontal layers: a wheat production industry (farms), a marketing and storage industry, a milling industry, a baking industry, a pasta industry, a retail store industry, etc. When there are few competing channels in a subsector or where there is substantial vertical integration, the predominant industry or company may begin to largely overlap with the boundaries of the "subsector".

to Small Enterprise Development", Working Paper No. 26, MSU International Development Papers, 1986; and James Boomgard et.al., "A Subsector Approach to Small Enterprise Development and Research", Working Paper No. 10, GEMINI Project Papers, Development Alternatives, Inc., Bethesda, Maryland, 1991.

³ Technically the use of the term subsector can be confusing since the vertical flow of a product from producer to consumer crosses the boundaries of "sectors" as they are defined in national income accounting. For example, processed Cornichons involve industries in agriculture (production), transportation (marketing), industry (processing), and retailing (wholesale and retail trade in the finished product).

There are four major characteristics emphasized in the subsector diagnostic approach, as it has evolved over the past decade in the context of action-oriented development projects (mostly in agricultural marketing and in small and medium enterprise development efforts):

- **Analysis of industry structure and functional relationships in the vertical flow of well-defined products;**
- **The coordination of product and information flows within vertical marketing channels;**
- **Competition among vertical channels for the same types of products; and**
- **The identification of locations on the map of the subsector where intervention can have maximum leveraged impact on changing the level of output or efficiency of the subsector (or specific channels within a subsector.)**

Vertical Flows

The primary focus of the subsector approach is on the vertical flow of products and the information needed to provide coordination for that flow, particularly as products change hands in ownership. This will be clearer in the discussion of the subsector map immediately below. One of the significant advantages of the approach is the emphasis on understanding these vertical flows; it pragmatically organizes information in the same way that private sector companies do themselves: they are in the business of selling specific, well-defined products into specific markets in the vertical channels.

Coordination of Information and Product Flows

A key to the basic economics of any commodity subsector is understanding how agricultural products move from the farm through transformation and packaging to the ultimate consumer. In established markets, there are mechanisms by which products move from producer on up the chain: this may be through contracting, through a series of market exchanges, through an auction system, etc. For new products (such as exported Arabica coffee in Madagascar), these mechanisms need to be established. This may use the channels and exchange mechanisms already developed for similar products or it may use new mechanisms. From an individual firm point of view, the ideal solution may be to try and distinguish its product from the competition and perform all the functional steps within one vertically-integrated company. These exchange mechanisms often are places where changes can have substantial leveraged impact on large numbers of firms.

Competition among Vertical Channels

Once alternative production and marketing channels for the same product are identified (eg. in Madagascar, artisanal clove leaf essence from small-scale producers competing with oil produced in larger factories), then it is critical to evaluate the evolution and dynamics of competition among the vertical channels. In a sense, this brings a critical "horizontal" dimension into the subsector diagnostic approach. It is also here that technical assistance projects often must make choices in where to direct their resources (many AID projects are directed towards assistance to channels occupied by small and medium enterprises since this may maximize desirable distributional or employment effects).

Leveraged Use of Assistance Resources

For a technical assistance project, the challenge is always to use project resources effectively to have the greatest impact on achieving project objectives -- as measured by performance indicators which, in the case of AID projects, are always objective and verifiable! A good subsector diagnosis can be very useful in identifying those places in the subsector where change can have great impact since much production is funneled through those locations. These are sometimes referred to as "nodes" on a subsector map and are often places where products change hands (eg., input suppliers or a processor buying raw or semi-processed products from producers are often at "nodal locations").

The types of changes that may be envisioned are ones that might effect grading and standards, pricing, timing of deliveries, changes in processing technology, a processor changing his buying practices, and so on. To have this change occur may require a policy study, training in a new technology, negotiating with different parties on a legally-binding contracting mechanism, or the design of a new advertising strategy and direct marketing campaign -- all of which may be undertaken through the use of project short technical assistance or which may be purchased as a third-party service.

In the growing lore on the subsector approach, the most common means of finding leverage points for project intervention involve the identification of key nodes in the subsector map, the geographic clustering of many firms in the same category, or the identification of policy constraints subject to possible modification. The diagnostic study should be geared to generating this type of practical suggestion for change or, at least, identifying the areas in which there are good options for change which will require further technical, market, or economic analysis.

One of the important analytical techniques in the subsector approach (and in the selection of possible leverage points) is to develop an understanding the **dynamics of change** in the subsector. First, we should know what channels are growing most rapidly. What are the driving forces and constraints responsible for this differential

growth or stagnation? This may also involve the identification of current niche markets which may be very substantial outlets for Malgache production or which may be the precursors for greater market growth of the same kind in the future.

Another key in project use of the subsector approach is to identify those places in the subsector where leverage and opportunities for project intervention converge. Also, we need to accept the possibility that MAELSP may not be able to identify any "areas of convergence" between leverage and opportunity, either because they do not exist or because of restrictions on the nature of MAELSP project resources which can be applied in that subsector.

Thus, in sum, the subsector diagnostic approach is one that is partly descriptive (industry structure, types of production processes used, marketing channels, etc.) and partly analytical and prescriptive in indicating areas where change could have maximum impact on subsector productivity.⁴

The Subsector MAP

The subsector map summarizes the diagnostic team's initial understanding of the subsector structure and main functions. Although the subsector map is basically a simple idea it can be a very powerful pedagogic and analytic tool, particularly if key decision-makers agree to the schematic presentation of key dimensions of the subsector. The map identifies the subsector's principle functions, participants and vertical channels. The emphasis is on transformations of the product as it moves through the channel and who does them.

Figure 1 on the next page presents a "generic" subsector map as it might apply to an export-oriented horticultural commodity in Morocco (This map would be very similar in Madagascar for vegetable and fruit export subsectors, for example). Note that there are seven general functions identified along the left hand side of the map with competition for the product among three different marketing channels. Here the destination markets are presented as a relatively homogeneous "European retail market" which would most likely be too simple for an actual product. In addition, the Moroccan market for this particular product is shown as secondary in nature.

⁴ Other recent work on the use of the subsector approach could be of use to teams working on the MAELSP commodity studies where some members are unfamiliar with the approach. Particularly of note are: "A Field Manual for Subsector Practitioners" (manual and video training module are being developed by the AID-funded GEMINI project, c/o DAI 7250 Woodmont Ave, Bethesda, Md. 20814. Draft manual may be available by April, 1991.). A very good recent example of the usefulness of subsector analysis is "Opportunities for Interventions in Thailand's Silk Subsector" by Steve Haggblade and Nick Richie, draft report done for CARE/Thailand, February, 1991.

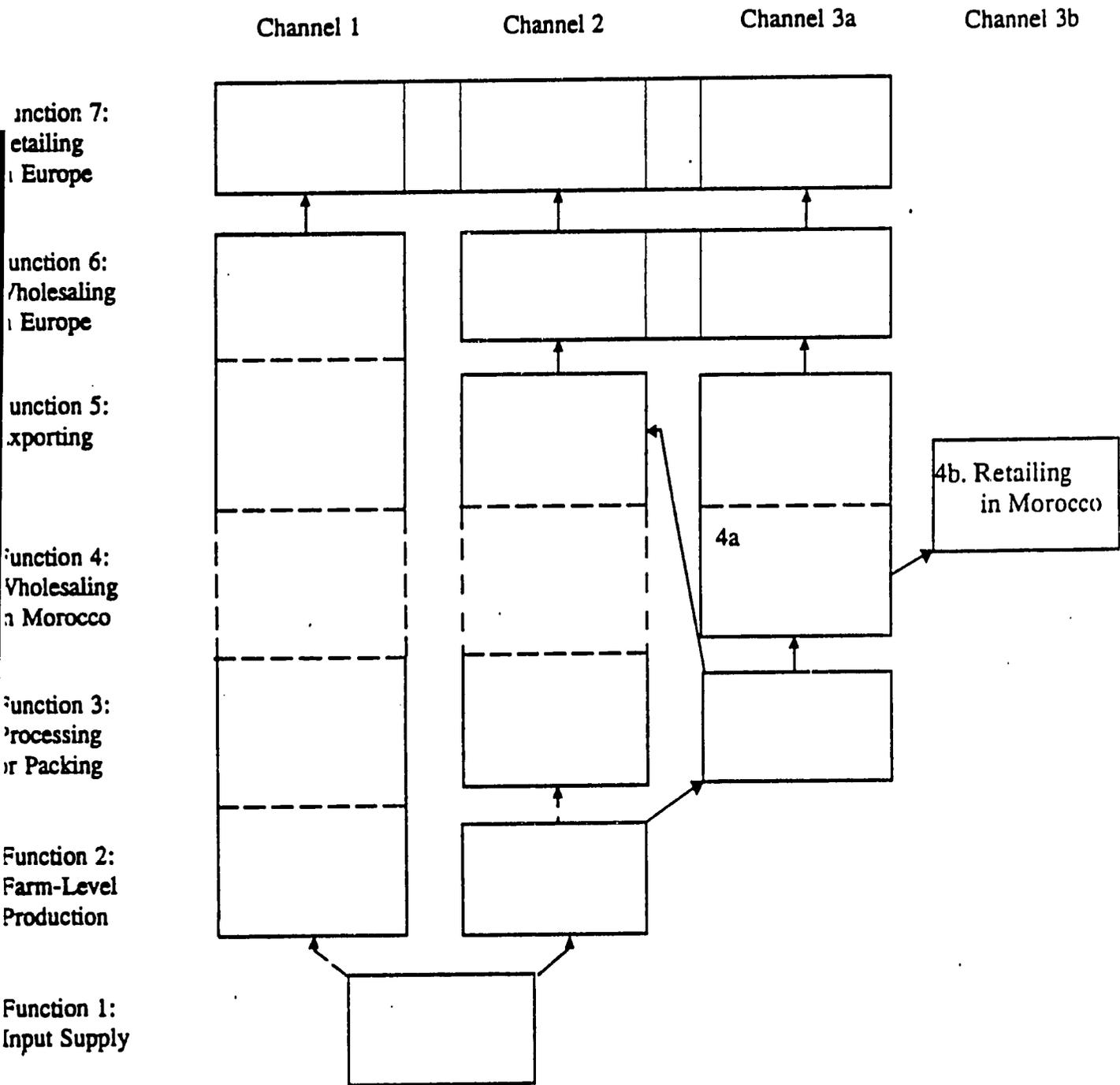
The map also contains a certain number of conventions on representing functions, types of sales, and so forth. It is not essential that all of these be followed but they have proved useful in past uses of the subsector approach. One of the conventions indicates how to show competition between vertically integrated firms and those which rely on market exchanges for the transfer of products. The important idea is to capture key relationships and points of exchange as the team's understanding of the structure and functioning evolves. Initially, the map may be fairly confusing with a crisscrossing tangle of lines. Later, with greater knowledge, it will be possible to prune out the less important cross-relationships and focus on the main market channels.

As knowledge grows, it will be possible to add overlays of additional information to the subsector map. For example, the numbers of firms performing different functions may be added. As an example of a more complicated subsector map with overlays added, see Figure 2, a map of the Thai silk industry.⁵ There we see the overlay of number of firms as well as information on the types of silkworms used by small traditional producers competing against large industrial concerns and various types of industrial mills. Figure 2 also illustrates the amount of information and complexity of structure and trading relationships that can be represented.⁶ Experience also shown that is often useful to have two versions of the final subsector map: a complete one with all the messy detail and exceptions, and a simplified one, emphasizing the major channels, that can more easily serve operational project purposes.

⁵ See Haggblade and Richie, *op.cit.*

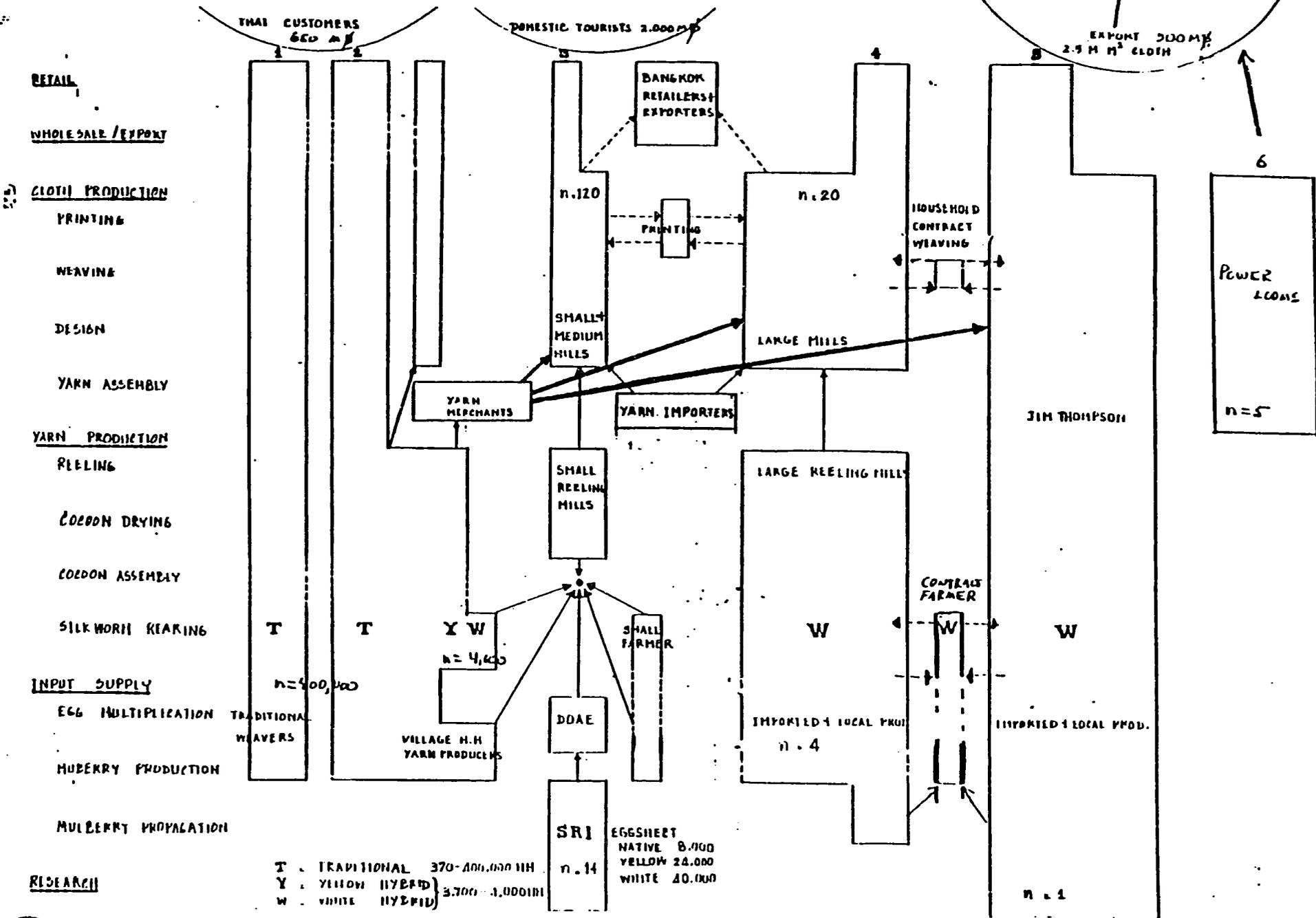
⁶ See the GEMINI Subsector Practitioners Manual for more detail on developing and revising subsector maps.

**Figure 1:
Generic Subsector Map for Export-Oriented Moroccan
Horticultural Commodities**



Legend			
	= Enterprise boundary		= Function skipped but implicitly performed by vertically integrated firm
	= Division between functions within a firm		= Market sale of goods
	= Firms using identical technology for a given function		= Contract sales

THAI SILK INDUSTRY, SUBSECTOR MAP



Elements for the Terms of Reference for the MAELSP Subsector Diagnostic Studies

Introduction

On the pages that follow are "generic" terms of reference for the subsector diagnostic studies to be used in MAELSP to initiate project implementation with targeted commodities. Obviously the general TOR must be adapted for each subsector.

The more the preliminary steps in exploring a specific subsector can be done by the resident MAELSP team, in advance of the formal diagnostic study by short-term personnel, the better. This will allow the resident team to prepare better TOR, to focus the diagnostic on key opportunity areas to study for potential MAELSP intervention, to better identify exact requirements for technical specialists who can look at options for already-identified industry problems, and so forth. It is critical that the diagnostic start at least from the level of the "conventional wisdom" of reasonably well-informed Malgache informants for a particular subsector; the test of a good diagnostic study is whether it will be enlightening to knowledgeable Malgache industry specialists.

Preliminary, Pre-Diagnostic Steps

The following steps summarize things that can be done by the resident implementation team to lay the groundwork for a diagnostic study that will be of maximum usefulness in launching the MAELSP project work in that subsector:

1. Assemble existing documentation. The more data that can be assembled in advance the better. Normally, one should have material that gives a broad overview of the subsector: numbers of firms, employment by type of activity, firm size and location. For some subsectors much of this information is available from MinAgri and other GOM sources;
2. Any consumption studies available will provide invaluable information on the relative size of different markets (domestic and foreign), as well as growth trends and future prospects;
3. Make initial contacts with industry participants and groups. This should include: (a) visits to farms and processing/marketing firms of different size; (b) identification of initial **key informants** for the subsector as a whole or in key industry segments. Sources might include industry personnel who operate at key funnel points or nodes, GOM specialists, trade association representatives, etc. There are four key questions to ask in interviews that allow us to begin to assemble our initial picture of the subsector:

(a) Where do you get your raw materials? (b) To whom do you sell your output? (c) What technology do you use, what alternatives exist, and why do you use this one? (d) What major changes have occurred in your line of business since you began?

4. Through the above steps, identify the basic functions performed in the subsector, the major alternative technologies used, and participants in the various market channels, and the major consumer markets receiving the final products; and

5. Use of above information, contacts, and preliminary understandings of subsector to modify the generic TOR objectives below.

Objectives for The Diagnostic Study

The subsector diagnostic studies will be called on to furnish the following types of information for use in describing the subsector and providing recommendations for the subsector action plan:

- Description of the industry structure (number and size of firms, types of products, degree of competition) and functioning of marketing channels for the commodity in question. This should include appropriate market price and quantity information where available; a tentative subsector map; notions of comparative advantage (domestic resource cost competitiveness for export commodities);
- Where possible, begin to assemble rough enterprise budget information for specific types of businesses in the subsector, particularly where opportunities exist to compare costs of production across two or more competing market channels, making use of different types of processing technologies,
- Identify constraints and opportunities for:
 - The use of improved technology in production, processing, packaging;
 - Improving market opportunities for current products;
 - Opportunities for new product development; and
 - Opportunities for the promotion of alternative business arrangements and partnerships.

- **An assessment of the functioning and adequacy of current trade associations and other industry groups and the opportunities to strengthen those institutions to encourage the formation of new ones that might operate on a new geographic scale (a High Plateau bean exporters association, for example) or with new commercial objectives (such as the "groupements d'intérêt économique"). Concrete recommendations for further action are important in this area since MAELSP will be contacting and working with firms at least partially through their professional associations;**
- **An overview of subsector training needs and optional approaches to be followed, particularly in the first year of operation;**
- **Specification of general terms of reference for marketing studies to be done in priority target markets (EEC, US, Indian Ocean Commission, etc.);**
- **Identification of opportunities for leveraged intervention in the subsector. These should largely focus on types of actions which the MAELSP project can address through its components. However, if there are other suggestions for badly needed change which go beyond MAELSP capabilities, these should be identified, along with ideas about how MAELSP may be able to assist subsector participants in reaching the desired change;**
- **Identification of specific firms capable and interested in expansion through partnership and other business arrangements. These firms will then be contacted directly by the project's Tana staff; and**
- **Suggestions for Malgache membership on a subsector advisory committee.**

Study Outputs

The subsector diagnostic study should have the following minimum outputs:

- **By the end of the field work in Madagascar, a draft of key portions of the subsector report (in french), particularly: key conclusions on the structure and functioning of alternative channels in the subsector, a subsector map, and recommendations for MAELSP actions in the subsector (with designation of those for first year plan of work);**
- **A final study workshop with participation by key subsector industry groups and informants to debate and refine the above draft conclusions and recommendations; and**

- A final subsector diagnostic report, incorporating workshop conclusions and modifications, to be submitted in English no later than two weeks after the workshop (provision should also be made for speedy translation into French).

Personnel and Level of Effort

The typical diagnostic study team should contain the following three specialty areas:

- (1) **Agricultural economist or economist with experience in the use of the subsector approach to commodity development;**
- (2) **A technical specialist on production, processing, packaging, etc. of the commodity in question. The precise nature of the specialty should be a key output of the preliminary work done by the resident TA team; and**
- (3) **A business or market development specialist who can address promotional issues and, with above colleagues: market studies, the role of trade associations, and subsector training needs.**

Personnel should be either Malgache or outsiders with the appropriate experience and training in the above areas. When non-Malgache are used, provision should be made to provide each expat with a Malgache counterpart. Where possible, the team should include specialists who come from Malgache, US (or other relevant foreign) firms interested in basic production and transformation in Madagascar. For some studies it may be desirable to add additional personnel to the team to do specific assignments (such as addressing foreign market opportunities). Alternatively, it may be more useful to conduct the initial study in two parts, with the workshop coming at the end of the second part.

The average length of field work should be three to five weeks in Madagascar (five to seven weeks overall), depending on the complexity of the subsector, the number of major analytical tasks, the amount of preliminary work done by the resident team and so forth.

ANNEX E
GOM REQUEST

REPUBLIKA DEMOKRATIKA MALAGASY
REPUBLIC OF MADAGASCAR - REPUBLICA MALAGASY - REPUBLICA MALAGASY

- 12 -

Antananarivo, le 13 JUN 1991

MINISTÈRE DES FINANCES
ET DU BUDGET

LE MINISTRE

Madame LE DIRECTEUR DE L'U.S.A.I.D

ANTANANARIVO.

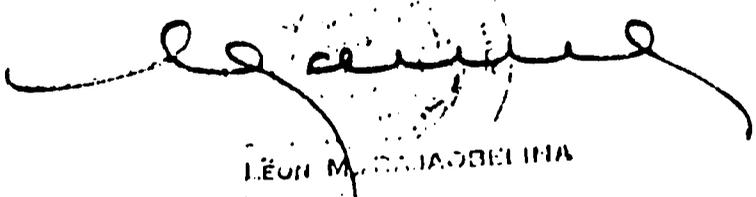
N° 214 MFB/SG/DPC

O_B_J_E_T : Extension du Projet M.A.E.L.S.P.

Madame Le Directeur,

En réponse à votre lettre du 04 Avril 1991, j'ai l'honneur de vous faire connaître que le Gouvernement de la République Démocratique de Madagascar marque son accord pour la poursuite du projet M.A.E.L.S.P en vue notamment d'intensifier l'assistance supplémentaire aux exportations de produits de l'agriculture.

Je vous prie d'agrèer, Madame Le Directeur, l'expression de mes sentiments distingués.


LÉON M. RADOABELINA

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID / ANTANANARIVO
WASHINGTON D.C. 20521-2010



INTERNATIONAL POSTAL ADDRESS
c/o AMERICAN EMBASSY
B.P. 5251 — ANTANANARIVO
MADAGASCAR
TEL. 251.89 FAX 261.2.04443

4 Avril, 1991

M. RAJAOBELINA Léon Maxime
Ministre des Finances et du Budget
Antananarivo

Sujet: Activités du Projet MAELSP et Son Eventuel Prolongement

Monsieur le Ministre,

J'ai l'avantage de vous envoyer ci-joint un aperçu de la première année d'activités du Projet d'Appui aux Exportations Agricoles (Projet MAELSP). Ce projet, adjoint au Programme MAELP, a commencé ses opérations au mois de Mars 1990.

L'USAID a tiré une double conclusion de cette année d'expérience:

Premièrement, la libéralisation économique a ouvert de nombreuses possibilités d'exportation de produits agricoles et les opérateurs économiques malgaches sont bien conscients de ce fait.

Deuxièmement, un appui supplémentaire aux exportateurs, pour franchir les obstacles, et réaliser ces possibilités nous paraît désirable et en harmonie avec les objectifs du Gouvernement de la République Démocratique de Madagascar.

Si le Gouvernement indiquerait son désir, l'USAID serait bien disposée à prolonger la durée du Projet MAELSP jusqu'à la fin de l'année 1993 et augmenter le budget du Projet d'un montant entre 2,5 millions et 4,0 millions de dollars.

L'extension du Projet MAELSP continuerait et intensifierait les activités en cours et constituerait, en même temps, une introduction et un "terrain d'essai" pour un programme plus

M. Le Ministre RAJAOBELINA Léon Maxime

Page 2 de 2

ambitieux d'assistance à l'agriculture que l'USAID compte offrir dans les années à venir.

Cette continuation du Projet MAELSP comprendrait trois volets:

1. Assistance "pilote" à l'exportation de produits non-traditionnels;
2. Etudes pour identifier les contraintes et suggérer des solutions;
3. Entraînements aux techniques pratiques d'exportation offerts aux hommes et femmes d'affaires.

Il doit être souligné que, autant que possible, les experts et spécialistes malgaches seront engagés pour l'exécution des études et assistance technique.

Je vous saurais gré, Monsieur le Ministre, de bien vouloir m'informer si le Gouvernement de la République Démocratique de Madagascar partage notre opinion concernant l'utilité d'une extension du Projet MAELSP afin d'intensifier l'assistance supplémentaire aux exportations, comme indiqué ci-dessus.

Si votre réponse s'avère favorable, mon organisation poursuivra avec diligence le travail de préparation du projet en question, afin de le soumettre dans un bref délai à votre appréciation.

Veuillez agréer, Monsieur le Ministre, l'assurance de mes sentiments très distingués.


Phyllis Dichter-Forbes
Director

P. J.:

Rapport sur les Activités
du Projet MAELSP

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES POSTAL ADDRESS
ANTANANARIVO (ID)
DEPARTMENT OF STATE
WASHINGTON, D.C., 20521-2040

INTERNATIONAL POSTAL ADDRESS
c/o AMERICAN EMBASSY
B.P. 620 - ANTANANARIVO
MADAGASCAR

2 Avril, 1991

RAPPORT A S.E. LE MINISTRE DES FINANCES ET DU BUDGET
SUR LA PREMIERE ANNEE DU PROJET MAELSP

I. CHIFFRES GLOBALES:

<u>Budget</u>		<u>Fonds Engagés au 1 Mars, 1991</u>
Entrainement	1.325.500	1.331.800
Etudes, recherche	375.000	322.100
Asistance Technique	804.500	446.400
Imprevus, eval., audit	<u>230.000</u>	0
	2.735.000	<u>2.100.300</u>

II. LA CONCEPTION:

La libéralisation une fois accomplie, le Projet s'efforce à aider les exportateurs mettre en valeur les nouvelles possibilités surtout pour les exportations de produits non-traditionnels.

III. VOLET ENTRAINEMENT: PERFECTIONNEMENT AUX AFFAIRES

Budget: \$1.325.500 Engagé: \$1.331.800

1. Stages d'études et d'observation sur le tas aux E.U.
Cours de la langue Anglaise
2. Ateliers sur le marketing
3. Diversification du programme du Centre de Perfectionnement aux Affaires

IV. VOLET ETUDES ET RECHERCHE

Budget: \$375.000 Engagé: \$322.100

1. Enquête sur les problèmes et réussites des exportateurs non-traditionnels - initiée. Exécutant: Cornell & Cabinet RAKOTONDRASANJY

2. Enquête sur les ménages agricoles qui cultivent produits d'exportation, pour évaluer la participation du paysan dans les bénéfices d'exportation - initiée. Exécutant: INSCAE
3. Trois études en coordination avec le programme de la Banque Mondiale d'appui aux exportations agricoles:
 - 3.1 La contribution des associations de producteurs - exécutant: Cabinet Alternatives (Prof. Janine RAMAMONJISOA)
 - 3.2 La contribution des groupements professionnels - exécutant à choisir
 - 3.3 Information Agricole (aspect commercialisation) exécutant: pourparlers en cours avec la U.S. Department of Agriculture

V. VOLET ASSISTANCE TECHNIQUE ET PROMOTION COMMERCIALE

Budget: \$804.500

Engagé: \$446.400

1. Café Arabica (MinAgri, RAMANANDRAIBE Exportations, Experts de Smet et van Hilten de la Banque Mondiale)
2. Huiles essentielles
 - a) recensement de l'industrie
 - b) pourparlers avec VITA et IESC aux E.U. au sujet de la promotion des exportations
3. Haricots secs, etc.
 - a) production d'un catalogue illustré par FOFIFA
 - b) recensement de disponibilités de production par Charles RABENARIVO
 - c) contacts avec l'Ambassade de l'Inde et CLEMR (La Réunion) au sujet de promotion de commercialisation
4. Gestion du Projet

ANNEX F
DELEGATION OF AUTHORITY
FROM AID/W



UNCLASSIFIED

STATE 011623

ACTION: AID-2 INFO AMB LCM RF

LOIS"" ,VZCZCAT0577BA0877
PP RUFHAN
DE RUEHC #1623 0140834
ZNR UUUUU ZZH
P 140833Z JAN 92
FM SECSTATE WASHDC
TO AMEMBASSY ANTANANARIVO PRIORITY 0201
BT
UNCLAS STATE 011623

LOC: 049 711
14 JAN 92 0832
CN: 15562
CHRG: AID
DIST: AID

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: TECHNICAL NOTIFICATION FOR MAELPS

REF: ANTANA 00119

TECHNICAL NOTIFICATION FOR MAELPS (687-0102) EXPIRED ON
12/26/91 WITHOUT OBJECTION. OBLIGATION MAY BE INCURRED
UPON RECEIPT OF BUDGET ALLOWANCE. BAKER

BT
#1623

NNNN

UNCLASSIFIED

STATE 011623

UNCLASSIFIED

- F 3 -

STATE 164737

*POC
HMK*

ACTION: AID-2 INFO AMP DCM RF

VZCZCAT0542BA0267

RR RUFFAN

TE RUEHC #4737 1390945

ZNR UUUUU ZZH

R 120944Z MAY 91

FM SECSTATE WASHDC

TO RUFFAN/AMEMBASSY ANTANANARIVO 8658

INFO RUEHNR/AMEMPASSY NAIROBI 2753

BT

UNCLAS STATE 164737

LOC: 034 521
20 MAY 91 0445
CN: 13426
CHRG: AID
DIST: AID

A

AIDAC NAIROBI FOR REDSO/ESA

E.O. 12356: N/A

TAGS:

SUBJECT: MADAGASCAR AGRICULTURAL EXPORT LIBERALIZATION
SUPPORT PROJECT (MAELSP) (5870102) - PROJECT AMENDMENT

REF: (A) ANTANANARIVO 01095 (P) BROWN/MEYER TELCON
4/25/91 (C) MEYER/BROWN TELCON 4/29/91

1. THE AA/AFRICA HEREBY DELEGATES AUTHORITY TO THE MISSION DIRECTOR, USAID/ANTANANARIVO, OR TO THE PERSON ACTING IN THAT CAPACITY, TO APPROVE AND AUTHORIZE AN AMENDMENT TO THE MADAGASCAR AGRICULTURAL EXPORT LIBERALIZATION SUPPORT PROJECT (MAELSP) (587-2102) IN AN AMOUNT OF DOLLARS US 3 MILLION. THIS AD HOC DELEGATION OF AUTHORITY SHALL BE EXERCISED UNDER THE OTHER TERMS AND CONDITIONS OF DOA 55, EXCEPT FOR THE DOLLAR AMOUNT LIMITATION, AND IN ACCORDANCE WITH THE MISSION'S PROPOSAL IN REF A.

2. REF A WAS REVIEWED IN AID/W AND NO OBJECTIONS WERE RAISED TO THE MISSION'S PROPOSED AMENDMENT TO THE PROJECT. THE FOLLOWING ISSUES WERE IDENTIFIED FOR MISSION CONSIDERATION IN DEVELOPMENT OF THE PROPOSED AMENDMENT:

(A) PLEASE NOTE THAT THE REQUIREMENT FOR A TWENTY-FIVE (25) PERCENT HOST COUNTRY (HC) COUNTERPART CONTRIBUTION

REMAINS IN EFFECT FOR THE AMENDMENT. THUS, UNLESS THE REQUIREMENT IS WAIVED BY THE AA/AFR, THE BUDGET FOR THE AMENDMENT SHOULD REFLECT AN INCREASE IN THE HC CONTRIBUTION TOWARD LOP COSTS.

(P) REF A, PARA 7(A) STATES THAT THE AMENDMENT WILL INCLUDE QUOTE IDENTIFICATION OF A SPECIFIC NUMBER OF TRADITIONAL AND NONTRADITIONAL AGRICULTURAL COMMODITIES WHICH WILL SERVE TO FOCUS PROJECT FUNDED EFFORTS TO TAKE ADVANTAGE OF THE EXPORT OPPORTUNITIES THAT HAVE RESULTED FROM THE RECENT POLICY REFORMS OF THE GOVERNMENT QUOTE. IN DEVELOPMENT OF THE AMENDMENT, THE MISSION SHOULD ENSURE THAT NONE OF THE INTERVENTIONS IDENTIFIED TRIGGER BUMPERS AMENDMENT AND/OR SECTION 521(A) CONSIDERATIONS.

(C) REF A, PARA 7(C) STATES THAT THE AMENDMENT WILL INCLUDE QUOTE AN ANALYSIS AND DEVELOPMENT OF MODEL

RECEIVED ON: MAY 21 1991		
REPLY DUE ON: 5/29/91		
	ACTION	INFO
DIR		<input checked="" type="checkbox"/>
D/DIR		
ARR		<input checked="" type="checkbox"/>
CONT		
EXO		
FOO	<input checked="" type="checkbox"/>	
PROS		
PSO		
6LSU		
MAELSP		<input checked="" type="checkbox"/>
RF		<input checked="" type="checkbox"/>
CHRON		<input checked="" type="checkbox"/>
ACTION TAKEN: <i>Call May 23/91</i>		

UNCLASSIFIED

STATE 164737

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INTERVENTIONS THAT CAN SERVE AS THE FOUNDATION OF FUTURE USAID BILATERAL INITIATIVES IN THE AGRICULTURE SECTOR IN MADAGASCAR END QUOTE. IT SHOULD BE CLARIFIED THAT SUCH ACTIVITIES UNDER THE PROJECT ARE FOR THE BENEFIT OF THE HOST COUNTRY AND PROVIDE ASSISTANCE TO MADAGASCAR. PROJECT FUNDS ARE TO BE USED FOR ACTIVITIES WHICH BENEFIT THE HC RATHER THAN A PROJECT DEVELOPMENT ACTIVITY FOR AID'S BENEFIT WHICH WOULD MORE PROPERLY BE FUNDED FROM PD&S FUNDS. FURTHERMORE, PREVIOUS GUIDANCE (STATE 077050) PROVIDED THAT THERE WAS TO BE NO EXPANSION INTO NEW SECTORS PRIOR TO ANALYTICAL WORK BEING DONE TO SUPPORT SUCH EXPANSION AS WELL AS ADEQUATE UNDERSTANDING AND MONITORING THE IMPACT OF EXISTING PROGRAMS. SUCH ANALYTICAL WORK IS TO BE DONE IN THE CONTEXT OF THE COUNTRY PROGRAM STRATEGIC PLAN (CPSP) WHICH IS TO BE PD&S FUNDED

3. PER RFF P, AID/W UNDERSTANDING IS THAT MISSION NOW INTENDS TO INCREASE THE LOP FUNDING LEVEL BY DOLLARS US 3.6 MILLION RATHER THAN BY DOLLARS US 2.5 MILLION AS REQUESTED IN REF A.

4. PLEASE NOTE THAT A TECHNICAL NOTIFICATION (TN) IS NOT REQUIRED FOR DOLLARS US 2.5 MILLION OBLIGATION IN FY 91 SINCE THAT AMOUNT WAS INDICATED IN THE FY 91 CONGRESSIONAL PRESENTATION (CP). A TN WILL BE REQUIRED NEXT YEAR PRIOR TO OBLIGATION OF THE ADDITIONAL DOLLARS US 1.1 MILLION SINCE IT WAS NOT INDICATED IN THE FY 92 CP.

5. FYI THE AMOUNTS INCLUDED IN THE FY91 ARS AND THE FY91 CP INDICATED AN APPROVED AUTHORIZATION LEVEL OF DOLLARS US 33.815 MILLION WHILE DOCUMENTS ON FILE IN AID/W INDICATE

AN AUTHORIZATION LEVEL OF DOLLARS US 31.315 MILLION ONLY (\$16M \$2.735M IN JULY 1989 AND \$12.580M IN AUGUST 1989 FOR A TOTAL OF \$31.315M). AID/W UNDERSTANDING IS THAT THE AUTHORIZATION LEVELS INCLUDED IN THE ARS AND CP REFLECT MISSION PLANS TO INCREASE THE AUTHORIZED LOP FUNDING LEVEL BY \$2.5M FROM \$31.315M TO \$33.815M RATHER THAN ACTIONS ALREADY TAKEN TO INCREASE THE AUTHORIZATION LEVEL. PER RFF C. AID/W UNDERSTANDING IS THAT MISSION RECORDS AS WELL AS CP REFLECT AN AUTHORIZATION LEVEL OF ONLY DOLLARS US 31.315 MILLION. THIS AMENDMENT ADDING DOLLARS US 3.6 MILLION RESULTS IN A NEW LOP FUNDING LEVEL OF DOLLARS US 34.915 MILLION COMPRISED OF DOLLARS US 3.335 MILLION PAID AND DOLLARS US 28.58 MILLION NPA. END FYI.

PLEASE CONFIRM THAT MISSION FIGURES COINCIDE WITH THOSE PROVIDED PARA 5 ABOVE. EAGLEEU3R

T
4737

NNN

- G1 -

ANNEX G
STATUTORY CHECKLIST

- G2 -

SC(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics

a. Negative certification (FY 1991 Appropriations Act Sec. 559(b)): Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No

b. Positive certification (FAA Sec. 481(h)). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly

N/A

affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

c. Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)).
(This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.)
If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production

N/A

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or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

2. **Indebtedness to U.S. citizens** (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No

3. **Seizure of U.S. Property** (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

No

4. **Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable

No.

N/A

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restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

5. **Mob Action (FAA Sec. 620(j)):** Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No
6. **OPIC Investment Guaranty (FAA Sec. 620(l)):** Has the country failed to enter into an investment guaranty agreement with OPIC? No
7. **Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5):** (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? a. No
b. N/A
8. **Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)):** (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds? a. No
b. No
9. **Military Equipment (FAA Sec. 620(s)):** If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? N/A

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(Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

N/A

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

Madagascar was slightly in arrears as of 1 January 1991. Such arrearages were taken into account by the A.I.D. Administrator in approving the FY 92 OYB

12. International Terrorism

a. Sanctuary and support (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

a. No

b. No

b. Airport Security (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No

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13. **Discrimination (FAA Sec. 666(b)):** Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
14. **Nuclear Technology (FAA Secs. 669, 670):** Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No
No
No
15. **Algiers Meeting (ISDCA of 1981, Sec. 720):** Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) Madagascar was represented and failed to disassociate itself from the communique. This was taken into consideration by the Administrator in approving the FY 92 OYP
16. **Military Coup (FY 1991 Appropriations Act Sec. 513):** Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No
N/A

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17. Refugee Cooperation (FY 1991 Appropriations Act Sec. 539): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

18. Exploitation of Children (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? No

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

1. Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? No
N/A

2. Abortions (FY 1991 Appropriations Act Sec. 535): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

N/A

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

Clearances:

GC/AFR:MAKleinjan (draft)
AF/E.(STATE):LBerg *LB*
AFR/EA:SPulaski *SP*

Handwritten mark

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS CCOUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts
(FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

For (a)-- (e)
see Project Paper and
Supplement

(f) is not applicable

2. U.S. Private Trade and Investment
(FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

NONE

3. Congressional Notification

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic pool policy reforms to be promoted?

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

YES

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962; et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

For (a)----(e)
see Project Pa
Supplement

(f) is not app

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

NONE

14. **Sahel Accounting (FAA Sec. 121(d)):** If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. **PVO Assistance**
- a. **Auditing and registration (FY 1991 Appropriations Act Sec. 537):** If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
- b. **Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"):** If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?
16. **Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)):** Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A
17. **Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):** Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the N/A

extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

18. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

YES

19. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

NO

20. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

N/A

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

b. Will any funds be used to lobby for abortion?

21. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

see Project Paper and Supplement

22. U.S.-Owned Foreign Currencies

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

N/A

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

N/A

23. Procurement

a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

N/A

b. **U.S. procurement** (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

Procurement code
935

c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

e. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible

N/A

under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. **Cargo preference shipping (FAA Sec. 603)**: Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

N/A

g. **Technical assistance (FAA Sec. 621(a))**: If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

YES

h. **U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974)**: If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

YES

i. **Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504)**: If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

N/A

j. Consulting services
(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

YES

k. Metric conversion
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

YES

l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

YES

24. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

c. Large projects,
Congressional approval (FAA Sec. 620(k)):
If for construction of productive
enterprise, will aggregate value of
assistance to be furnished by the U.S. not
exceed \$100 million (except for productive
enterprises in Egypt that were described
in the Congressional Presentation), or
does assistance have the express approval
of Congress?

N/A

25. U.S. Audit Rights (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

26. Communist Assistance (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

N/A

27. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

N/A

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

N/A

28. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? N/A
29. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? N/A
30. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? N/A
31. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES
32. **Military Personnel** (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? N/A
33. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? N/A
34. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? N/A
35. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? N/A

36. Repression of Population (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

NO

37. Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress?

NO

38. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

YES

39. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

NO

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec. 571(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

NO
2. **Tied Aid Credits** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

NO
3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

YES
4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Completely fully
Not applicable

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

YES

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

see Project Paper and Supplement

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7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

YES, in conjunction with MAELSP Program

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

YES

9. Abortions (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):

N/A

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

YES

11. **Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

N/A

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

(a) = N/A

(b) = N/A

(c) = N/A

(d) = N/A

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

YES

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent

YES

feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13), take full account of the environmental impacts of the proposed activities on biological diversity?

YES

see PP Supplement
(not all are applicable)

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

N/A

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

N/A

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) being provided in accordance with the policies contained in FAA section 102; (d) being provided in close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks,

to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

18. Loans

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

N/A

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

N/A

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

see PP Supplement

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mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

Assistance will develop commercial skills of exporter

23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

N/A

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

N/A

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

24. Sahel Development (FAA Secs. 120-21). If assistance is being made available for the Sahelian region, describe: (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom).

11. Local Currencies

a. Recipient Contributions

(FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

N/A

b. U.S.-Owned Currency (FAA

Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

N/A

c. Separate Account (FY 1991

Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A

(1) Has A.I.D. (a)

required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local

currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all

appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. Trade Restrictions

a. **Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. **Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

NO

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

NO

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

- 1. Economic and Political Stability (FAA Sec. 531(a)):** Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

YES
- 2. Military Purposes (FAA Sec. 531(e)):** Will this assistance be used for military or paramilitary purposes?

NO
- 3. Commodity Grants/Separate Accounts (FAA Sec. 609):** If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A
- 4. Generation and Use of Local Currencies (FAA Sec. 531(d)):** Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

N/A
- 5. Cash Transfer Requirements (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)).** If assistance is in the form of a cash transfer:

 - a. Separate account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

N/A

b. Local currencies: Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

N/A

c. U.S. Government use of local currencies: Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

N/A

d. Congressional notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

N/A

- H1 -

ANNEX H
SCOPES OF WORK

SCOPE OF WORK AND QUALIFICATIONS OF THE POLICY RESEARCH
AND TRAINING COORDINATOR PERSONAL SERVICES CONTRACTOR

NOTE: The word "agribusiness", as used in the present description of the purpose of the assignment, the scope of work and the candidates' qualifications, denotes any profit-oriented activity related to agriculture, including upstream inputs, such as fertilizers, and downstream inputs, such as packaging. Accordingly, it comprises the small peasant on one extreme of the scale, and major corporations on the other extreme.

The words "agriculture" and "agribusiness" are used here in a broadest sense, to include animal husbandry, fisheries and aquaculture, and exploitation of forest products.

PURPOSE OF THE ASSIGNMENT

The purpose of the assignment is:

1. To assemble a body of knowledge, lessons learned and conclusions based on studies, technical assistance, pilot projects, R&D grants, training and similar experiences of the MAELSP Project, as well as other agriculture sector studies financed by USAID, the GOM and other donors.
2. To use the results of the above work to identify successful approaches, and develop concepts and guidelines for agribusiness development.

SCOPE OF WORK

I. Assembly and Interpretation of Factual Knowledge

1. To study continuously the relationship between the agribusiness sector and the totality of Madagascar's economy. In particular, assemble, update and analyze:
 - 1.1 Statistics of agricultural production and agriculture-derived exports;
 - 1.2 Fluctuations and trends in, and role of, agribusiness exports and imports in the country's balance of commerce, balance of payments, and the movements in foreign currency reserves;
 - 1.3 Availability of bank credit and other financial resources to various sub-sectors of agribusiness, such as small peasants, larger growers, traders, exporters, etc.;

- 1.4 Trends in employment in agribusiness;
 - 1.5 The shares of various participating economic operators in the Gross Domestic Product attributable to agribusiness, and in particular the share of the small farmer in the totality of the value added to the domestically consumed agriculture-derived products, and in the FOB value of exported products.
2. To follow up, and analyse the impact on agribusiness of:
 - 2.1 Government spending on current and capital accounts, in particular on agricultural and agribusiness education, training, extension, research and development, irrigation and other types of infrastructure;
 - 2.2 Foreign and international donors' projects and other forms of support activity;
 - 2.3 Legislation, regulations and procedures of public administration;
 - 2.4 Customs duties, export taxes and other levies;
 - 2.5 Price controls, subsidies and similar forms of interventions;
 3. To follow up, and analyse the impact on Madagascar agribusiness, particularly the competitive position of its exports, of:
 - 3.1 Technological progress abroad and in Madagascar;
 - 3.2 Madagascar's capability to follow the progress in agribusiness technologies;
 4. To appraise the quality of Madagascar export products, the reputation of Madagascar origin and the arrangements, official and voluntary, for setting and enforcing product specifications and quality standards.

II. Identification of Impediments to Agribusiness Growth

To initiate, prepare the terms of reference, direct and supervise studies aiming at the identification of remaining impediments to a vigorous development of agricultural production, processing and marketing.

These constraints will be found on different levels, such as:

- legal and/or procedural;
- physical and infrastructural;
- related to the economic and institutional structure of property, production, trade, transportation, etc. (such as, for instance, a near monopoly of airfreight services);

Two principal methods will be used to identify these impediments and gauge their negative importance:

- i. lessons learned from pilot projects and similar activities conducted as components of a limited number of MAELSP project of support to selected commodity subsectors;
- ii. another method will consist in cross-industry studies based on surveys and interviews with operators in various branches of agribusiness.

III. Development of Proposals for Future Activities

To develop, on the basis of assembled factual knowledge, lessons learned from practical activities, and analysis of interrelationships within Madagascar's economy a set of proposals for future long-term programs of support for Madagascar's agribusiness sector.

The contractor will establish and justify criterions of selection of the proposed activities. These criterions must include the following ones:

- Compatibility with the general policies of AID;
- Compatibility with the policies of the Government of Madagascar;
- Realism in the assumptions concerning the technical feasibility within a time-horizon established in consultations with the USAID Mission;
- Realism in the assumptions concerning the availability of funding sufficient for a successful execution with sufficient contingency reserves.

IV. RESPONSIBILITIES

Responsible for:

1. Impediment identification (Studies/policy reform) component;
2. Training component;
3. Liaison to the programs of the Mission's Agriculture, Environment and Private Sector Offices.

QUALIFICATIONS OF THE CANDIDATE

1. Ph. D. or equivalent degree in economics, agricultural economics or agribusiness;
2. Experience on a senior level in agribusiness studies in developing countries;
3. Familiarity with issues in macroeconomic analysis, balance of payments, business finance and general business economics;
4. Speaking, reading and writing French language on at least a level of FSI 3.

SIX-MONTH T.A. BUY-IN CONTRACT FOR MAELSP

PURPOSE OF THE CONTRACT
ITS EFFECTIVE USE

SCOPE OF WORK
QUALIFICATIONS OF CONTRACTOR AND PERSONNEL

PURPOSE OF THE CONTRACT

The purpose of the six-month buy-in contract is to initiate expanded MAELSP work prior to the arrival of the long-term buy-in or institutional support contract. It should directly lead into the LTTA effort over the subsequent 2 years. In this respect, it will serve as a "bridging" activity.

This can be achieved by giving as assignment to the Buy-in contractor, a major "commodity sub-sector diagnostic study and action plan." STTA under the buy-in will get critical commodity development field work underway.

The six-month buy-in will emphasize the use of local counterparts, this avoiding the excessive use of expatriates without sufficient preparatory homework, and for work that can be done by local counterparts.

The effective use of the contract will be enhanced by:

- i) Close telecommunication collaboration between the Contractor and local counterpart in intensive preparatory work;
- ii) Complete preparatory coverage of the existing documentation before the arrival of the expat in Madagascar;

1. Tasks to Be Performed

The contractor will identify and make available for short-term assignment in Madagascar, up to six person months of technical assistance in the following skill areas:

- Agronomist;
- Agribusiness Specialist;
- Agricultural Economist, and
- Commodity Diagnostic Specialist.

**Contractor and Personnel
Page 2 of 5**

These individuals will be responsible for performing the following tasks:

- i. To establish a set of criteria for prioritizing and selecting of commodity subsectors for support, first of MAELSP (export support project) and subsequently of future agribusiness programs of USAID/Madagascar.
- ii. To assist USAID/Madagascar in the choice of an agricultural commodity (or group of commodities) for the subject(s) of an exhaustive commodity-subsector study, as described below.
- iii. To execute a commodity-subsector study for the commodity or group of related commodities to be indicated by USAID.
- iv. To prepare a step-by-step manual for the execution of subsequent commodity-sector studies, using the commodity-subsector study referred to in paragraph (ii) for testing and illustrating the recommended method.
- v. To prepare a detailed action plan for support by USAID of production and export marketing for the commodity (or group of commodities) which was (were) the subject of the study referred to above in paragraph (ii).
- vi. To collaborate closely with the USAID/Madagascar and the local counterpart assigned by USAID with the aim of developing at USAID a full capacity of carrying out of activities described in paragraphs (i) through (v) above.
- vii. To establish for the duration of the contract, preferably in the Contractors head office, a facility accessible to USAID/Madagascar for continuing telecommunication consulting on substantive matters relevant to the above indicated tasks, such as for example obtention of information from the U.S. Department of Commerce, FDA, U.N. Library, etc.
- viii. To assure that all the relevant documentation which can be obtained in the United States and other locations outside of Madagascar is collected, thoroughly perused and summarized and that documents of special importance which USAID cannot locate in Madagascar are in timely manner reproduced and mailed to USAID.

**Contractor and Personnel
Page 3 of 5**

- ix. To become thoroughly familiar with the documentation which USAID will mail to the Contractor, it being the purpose of the arrangements indicated in the present paragraph and paragraph (vii) above that all the preparatory work that can be done in the United States and in Madagascar be completed even before travel to Madagascar of the expatriate specialist(s) which the Contractor will employ for the execution of the present contract.
- x. To communicate to USAID/Madagascar in a timely manner, outlines and workplans of the Contractor's personnel on tasks indicated in paragraphs (i) through (viii) above; to indicate which activities of the USAID-assigned Counterpart would be supportive of the activities of the Contractor's personnel in the U.S.A., as well as in Madagascar; and in general to harmonize the work done in Madagascar with the work done in the United States.

NOTE ON THE TERM "COMMODITY SUBSECTOR"

A commodity subsector is a vertical grouping of industries involved in the production, marketing and processing of one product or of a number of related products, as for example wheat (one product) or fresh vegetables (many related products). Depending on the objectives for which the study is undertaken, the subsector study describes the structure and functioning of such a vertical system, identifies constraints, investigates the price structure, the degree of competitiveness and the opportunities of reducing the costs and making the entire system more competitive.

EXPLANATORY DETAILS FOR THE SCOPE OF WORK

I. Definition of the term "Commodity Subsector"

A commodity subsector is a vertical grouping of industries involved in the production, marketing and processing of one product or of a number of related products, as for example wheat (one product) or fresh vegetables (many related products). Depending on the objectives for which the study is undertaken, the subsector study describes the structure and functioning of such a vertical system, identifies constraints, investigates the price structure, the degree of competitiveness and the opportunities of reducing the costs and making the entire system more competitive.

II. Criteria for prioritization and selection of commodity subsectors for support

Reference: Paragraph (i) of the Scope of Work

The set of such criteria to be developed by the Contractor must be based on the general economic principles of comparative advantage between competing trading regions and countries. Under this heading will enter the criteria of technical production capability, cost structure and ability to satisfy external-market demand.

At the same time, the set of criteria will take in consideration the special characteristics of Madagascar. Certain among these characteristics are disadvantageous (above all the great distance from principal markets), other ones are advantageous (the wide range of production capabilities made possible by the variety of climatic conditions).

III. Commodity-subsector study: main headings

Reference: Paragraph (iii) of the Scope of Work

1. Farming level

1.1 Description and analysis of:

- physical environment of production
- infrastructural environment
- regional capabilities and distribution of production
- legal, economic and social base of production
- technologies used in production
- availability of technical assistance
- " " organizational assistance (ngo's, etc.)

1.2 Economics of farming

- Price structure
- Competitivity at the farmgate level
- competitiveness with other countries on the production level

1.3 Possibility of increased competitiveness (volume, quality, costs)

If such possibility exist:

- How to achieve it?
- Who will gain?
- Who will lose?

2. Marketing/processing level

2.1 Mapping of channels

2.2 Description and estimates for particular channels

- volumes (throughput)
- numbers and characteristics of operators
- infrastructure and facilities (storage, transport, etc.)
- technologies used in various channels

2.3 Economics of marketing/processing

- availability and conditions of credit
- cost structure, profit margins
- competition vs restraint thereof within the industry

2.4 Competitiveness in international market

- Current status
- Possibility of improvement

If such possibility exist:

- How to achieve it?
- Who will gain?
- Who will lose?

MAELSP: FSN AGRIBUSINESS SPECIALIST

PURPOSE OF THE ASSIGNMENT, DRAFT SCOPE OF WORK AND QUALIFICATIONS

NOTE: The word "agribusiness", as used in the present description of the purpose of the assignment, the scope of work and the candidates' qualifications, denotes any profit-oriented activity related to agriculture, including upstream inputs, such as fertilizers, and downstream inputs, such as packaging. Accordingly, it comprises the small peasant on one extreme of the scale, and major corporations on the other extreme.

The words "agriculture" and "agribusiness" are used here in a broadest sense, to include animal husbandry, fishery and aquaculture, and exploitation of forest products.

PURPOSE OF THE ASSIGNMENT

The purpose of the assignment is:

1. To assist in the implementation of the extended MAELSP Project, as indicated in the Project Paper Supplement;
2. To establish within USAID/Madagascar a local capacity of studying agribusiness issues of relevance to Madagascar, identifying problems, conceiving solutions, taking and implementing decisions within the limits determined by the Agricultural Development Officer.

SCOPE OF WORK:

1. To create and regularly update an agribusiness documentation library consisting of relevant:
 - * statistics, Malagasy and foreign;
 - * studies and reports;
 - * documentation on activities of GDRM, NGO's, donors;
 - * reports of major businesses, banks, etc.; and
 - * reports of associations such as GEM, FIVMPAMA, etc.
2. To liaise with the GDRM and other donors on all matters involving agribusiness in Madagascar.

To maintain, as far as practicable, contact with local and foreign reserach organizations of importance for MAELSP Project, such as FOFIFA, ITA, CIAT, etc.

To maintain and update a file of local consultants for agribusiness development.

To establish and maintain contacts with major Malagasy and foreign agribusiness firms and organizations

To execute specific assignments entrusted by the MAELSP Coordinator, such as:

- * work on the establishment of criteria for selection of export commodities for special support;
- * work on commodity-subsector studies;
- * preparation of terms of reference and scopes of work for STTA consultants, expatriate or Malagasy;
- * monitoring the performance of consultants;
- * editing surveys, reports and other documentaion commissioned by USAID; and
- * assuring the execution of administrative procedures related to the implementaion of MAELSP Project.

QUALIFICATIONS:

- MA level degree, or equivalent, in agribusiness, economics, agricultural economics or business management
- Minimum three years experience in agricultural development in Madagascar
- Working knowledge of English, reading, writing and speaking

MAELSP PPS

SCOPE OF WORK FOR INSTITUTIONAL CONTRACTOR

1. On the request of USAID, the Contractor will identify and present for USAID's consideration candidates for U.S. Short-Term Technical Assistance (STTA) assignments to be funded under the contract. The assignments will be executed in Madagascar, or the United States or any other country indicated by USAID. The number of assignments for which USAID will request the Contractor to present U.S. (or other expatriate) candidates will will not exceed fifty (50), utilizing not more than forty two (42) person/months of STTA.

The skill categories will include (not exhaustively) those:

- public policy and public administration specialists
- economic policy and economic administration specialists
- cooperative organization specialists
- agricultural economists and general economists
- economic anthropologists and sociologists
- business management specialists
- ldc agricultural finance specialists
- specialists in the legal aspects of agricultural finance
- agribusiness specialists
- agronomists, horticulturalists
- livestock management specialists
- agricultural marketing specialists for various products
- specialists in physical handling, shipping, storage, produce packing-house specialists
- agricultural product processing specialists
- market-survey specialists in various product lines, etc.

The expected types of U.S. STTA include the following ones:

- Identification of constraints of legal, procedural, structural, institutional and physical nature which impede production, processing, domestic and export marketing of agricultural commodities;
- Evaluation of the practical possibility of USAID's action to overcome the identified constraints, and recommendations for USAID activities aiming at that objective;

- Commodity sub-sector studies to help GDRM and USAID establish priorities among commodities to be promoted;
- Market research and market-demand projections for specific agricultural products (e.g. gourmet-quality coffee or rice), or group of products (e.g. fresh produce, cut flowers, essential oils). The markets to be studied will be in the United States, as well as in Europe, Japan, newly industrialized countries, etc.;
- Assessment of the capacity in Madagascar for production and/or processing of agricultural commodities and pre-feasibility studies for such operations;
- Assessment of the competitiveness of specific agricultural products of Madagascar in export markets;
- Investigations at airports, ports, distribution centers, terminal markets, etc. of target importer countries to assess the strength of competitive products, local conditions of physical handling, preferences of the potential customers, etc.;
- Hands-on assistance in cultural and harvesting practices of export crops, including scheduling of operations, on-the-job training, evaluation of products' quality and remedial counselling;
- Similar hands-on assistance in all operations of:
 - * physical preparation for the market, sorting, grading, packing, etc,
 - * processing,
 - * shipping, etc.
- Follow-up of the exported product in the target markets, including:
 - * interviews with importers regarding the quality of the product, packaging, etc., in order to formulate appropriate recommendations for Malagasy exporters,
 - * assistance in assessing credit-worthiness and integrity of prospective importers,
 - * assistance in litigations, if necessary.

The above listing of the expected types of U.S. STTA is illustrative only and not exhaustive. (Some illustrative scopes of work for STTA assignments are indicated in the Annex to the present document).

The candidates presented by the Contractor will satisfy qualifications indicated by USAID at the occasion of each request, and will be willing to execute the duties indicated in the scopes of work prepared by USAID. They will be ready to begin their assignments in a delay not exceeding two months after the acceptance of the assignment.

Should a candidate presented by the Contractor be not acceptable to USAID, the Contractor will identify another candidate for presentation to USAID.

If, after the first six months of the validity of the present contract, USAID is not satisfied with the qualifications of candidates presented by the Contractor, or with the performance of those who have been accepted, the contract may be rescinded by a decision of USAID.

2. The Contractor will be responsible for the execution of all procedures required by AID contracting offices and by other administrative offices of AID and/or any other institution to make available to USAID Madagascar the required services of STTA at the time and place agreed upon between USAID and Contractor. This responsibility will include assuring transportation, foreign visas wherever required, satisfying health regulations and all similar requirements.
3. The Contractor will be responsible for timely execution and delivery to USAID/Madagascar and/or any other destinations indicated by USAID of all surveys, reports and any other documentation, as well as of any computer and electronic materials indicated in the Scope of Work for any particular STTA assignment.
4. The Contractor will be responsible for settling all financial claims resulting from the performance of all STTA assignments performed under the present contract.
5. The Contractor will select, subject to USAID approval, and enter into agreement with, a Malagasy firm to identify and present for USAID approval local STTA consultants. This firm will act under the supervision of the contractor executed through periodic visits of inspection. The number of assignments for which USAID will request the Malagasy sub-contractor to present local candidates will not exceed seventy (70), utilizing no more than fifty one (51) person/months.

The duties and responsibilities of the Contractor with regard to the identification of local candidates, their qualifications, their willingness to execute the Scopes of Work established by USAID, identification of other candidates in the cases of non-approval by USAID and in all other respects will be the same as in the cases of U.S. STTA consultants.

Also with regard to the execution all the necessary procedures required for the performance of the local consultants' assignments, whether in Madagascar or in other countries, with regards to the execution of the assignments and the delivery of the agreed-upon documentation, and with regards to all financial settlements, the Contractor's duties and responsibilities will be the same as in the cases of U.S. STTA consultants.

The expected types of local STTA assignments will cover subjects similar to those of U.S. STTA, with the difference that, while the U.S. consultants will be expected to contribute their familiarity with the legal, institutional and technological aspects of advanced industrial economies, the local consultants will contribute as much as possible of their familiarity with Madagascar's economy and its physical, institutional and cultural characteristics.

- i. The Contractor will execute, through its own means or those of its Madagascar representative, all functions involved in procurement, within reasonable delay, in the United States, Madagascar or any other country, of any commodities or services required by USAID in the execution of the MAELSP project. These functions may involve invitations for proposals and competitive bidding, selection of seller, all arrangements for the delivery and for financial settlements, including legal actions for failure to deliver commodities or services. Further, the Contractor will be responsible for carrying out of all procedures related to, and to full satisfaction of, the USAID Executive Office, Controller's Office, General Services office, and all other administrative units of USAID.

An illustrative (non-exhaustive) list of commodities to be ordered and their probable source of procurement are as follows:

- Fresh vegetable washing/grading/sorting/packing line(s) for training growers' associations in preparation of produce for export shipping; (Probable source: U.S. manufacturers)

- Equipment for cleaning, winnowing, sizeing, etc. of dry beans, lentils, etc. for training marketing groups;
(Probable source: U.S. manufacturers)
 - Small equipment for processing Arabica coffee grown by small farmers;
(Probable source: European manufacturers)
 - Instruments for quality control of essential oils, processed foods, etc.;
(Probable source: U.S. and European manufacturers)
 - Equipment for training in the preparation of meat and/or seafood products for export;
(Probable source: U.S. manufacturers)
 - Ancillary metal, wood, plastic, etc. equipment and installations for the above mentioned types of imported equipment;
(Probable source: local craftsmen, manufacturers and vendors)
 - Services of mechanics, contractors, etc. for the maintenance and construction of equipment and installations;
(Probable source: local businesses and craftsmen)
 - Office equipment and supplies including computers, typewriters, furniture for long-term staff;
(Probable source: U.S. manufacturers and local suppliers)
 - Automobile(s) and spare parts
(probable source: U.S.A. or Japan)
7. The Contractor will keep records of contributions in money or in kind which the Government of Madagascar and entities of Madagascar's private sector make under various headings of the MAELSP project. These records will be submitted by the Contractor to USAID at quarterly intervals.
8. Should USAID/Madagascar decide to investigate the need for, and/or feasibility of, establishing a guaranty fund for loans made by one or more local financial institutions, and/or should it further decide to establish such a fund, Contractor will perform the following functions:

- to provide technical assistance for the investigation of the need and/or feasibility of a guaranty fund and recommendations for USAID;
- to provide technical assistance for USAID/Madagascar in the design of the arrangements in question, negotiations with the financial institutions selected for that purpose and the drawing and concluding the eventual agreement;
- to administer all the flows of funds resulting from the above mentioned agreements, in full compliance with AID procedures regarding these kinds of transactions;
- to monitor the execution of the agreements with the financial institutions and to alert USAID/Madagascar in the case of suspected or actual irregularities with regard to:
 - * the purpose of loans, as established in USAID's agreements with the financial institutions,
 - * characteristics of borrowers, as established in the above mentioned agreements,
 - * financial integrity of transactions,
 - * all other matters concerning the prudent handling of funds kept in trust by a financial institution;
- to submit to USAID/Madagascar a plan for an outside audit to take place not later than after first full twelve months of the operation of the guaranty funds.

9. The Contractor will make arrangements for short-term participant training as required for the execution of the project.

(NOTE: some kinds of training shown below will require special arrangements with US Government agencies, firms of associations)

Illustrative types of the proposed training are as follows:

- USDA/OICD courses in agricultural marketing, agronomic subjects, etc.
 - Courses organized by such organizations as American Management Association and similar ones
 - Short-term marketing and management programs at academic institutions, similar to those currently arranged for Malagasy participants at the Santa Fe Community College by the Institute of International Education (IIE);
 - On-the-job training of the kind arranged by IIE, Entrepreneurs International, etc.
 - USDA Marketing Service: operation of official and commercial inspection services at the points of entry, (ports, airports), and of market news services at major terminal markets;
 - US Department of Commerce: export promotion services;
 - Training especially designed and organized by friendly organizations, such as the Coffee Project of the World Bank in Burundi, etc.
10. The Contractor will indicate in its office a person who will be on any working day available for liaison with USAID/Madagascar and will assure that arrangements are made for liaison should the regular liaison person be absent.

A N N E X

ILLUSTRATIVE SCOPES OF WORK

FOR SHORT-TERM TECHNICAL ASSISTANCE ASSIGNMENTS
UNDER MAELSP PROJECT

I. U.S. STTA: ASSISTANCE IN SETTING UP OF A LOAN-GUARANTY FUND
AT A LOCAL FINANCIAL INSTITUTION - ILLUSTRATIVE S.O.W.

Before the visit in Madagascar

1. To study in Washington, DC or other appropriate center of information and documentation the following background matters:
 - 1.1 Rules of AID with regard to setting up loan-guaranty funds for specific kinds of loans in host countries;
 - 1.2 Examples of existing successful loan-guaranty funds in LDC's, serving purposes similar to that of MAELSP, i.e. support for agribusiness and especially agribusiness exports;
 - 1.3 Examples of failures and lessons learned from these failures.
2. To prepare, a limited selected bibliography of, and as far as possible acquire, most important documentation on the subject in question and ship it to USAID/Madagascar, in advance of the TA visit, for future reference and use in eventual setting up and monitoring of guaranty funds.

During the visit in Madagascar

3. To confer with USAID/Madagascar and assist in determining the following:
 - The precise purpose of the loan-guaranty fund,
 - The kinds of loans to benefit from the guaranty,
 - The kinds of borrowers (individuals or associations) to benefit from the guaranty,
 - The most desirable arrangements for administering, monitoring and auditing the operations of the fund.

4. To survey the existing financial institutions in Madagascar, help in selecting those most appropriate to operate the loan-guaranty funds.
5. To prepare and help negotiate a contract with the selected financial institution for operation of a loan-guaranty fund;
6. To design a system of monitoring, auditing and reporting to USAID on the operation of the guaranty funds by the selected financial institutions, this system to be subsequently used by the Institutional Contractor of USAID as a part of its responsibilities under its contract with USAID.

After the visit in Madagascar

7. To brief the Institutional Contractor on its responsibility of, and instruct in, administering the flow of funds for the guaranty funds and monitoring and auditing their use, and reporting to USAID.

II. U.S. STTA: ASSISTANCE IN SETTING UP OF A SYSTEM OF SHIPPING OF LITCHIS FOR EXPORT TO FRANCE - ILLUSTRATIVE S.O.W.

Before the visit in Madagascar

1. Visits with French importers, discussions regarding the Malagasy product, inspection of litchis in French wholesale markets and in retail stores;
2. Visits at French airports, inspection of receiving facilities, observation of the method of handling of fresh produce; observation of the arrivals of shipments from Madagascar;
3. Investigation of freight charges from Madagascar and from competing locations, of hauling and other charges;

During the visit in Madagascar

4. Observation of the operation of the litchi commodity system in Madagascar and discussions with operators of strengths, weaknesses and needs;
 - 4.1 Visits of plantations, observation of the methods of harvesting;

- 4.2 Observation of the methods of collection and transport of the harvested product to the points of storage and preparation for export shipping;
- 4.3 Observation of storage, sorting, grading, cleaning and packing for export;
- 4.4 Observation of the transport to the airports and handling in the airport;
5. Discussions with truckers, suppliers of inputs, airport- and airline personnel:
 - 5.1 Opinions on strength and weaknesses of the present system
 - 5.2 Advice on needed improvements
6. Preparation of a preliminary report comprising:
 - 4.1 Description of the present system
 - 4.2 Identification of its strong and weak points
 - 4.3 Identification of constraints
 - 4.31 Constraints which cannot be eliminated in the short-run
 - 4.32 Constraints which can be eliminated within a reasonable time and at a reasonable cost
7. Discussion of the preliminary report with economic operators in the litchi production and export channel, to obtain, if possible, a consensus on proposed solutions for constraints indicated above under 4.32
8. Definitive reports based, if possible, on a consensus of economic operators and comprising specific recommendations for overcoming the constraints identified under 4.32

**III. LOCAL STTA: A STUDY OF THE FRESH PRODUCE COMMODITY
SUBSECTOR AND ITS EXPORT POTENTIAL - ILLUSTRATIVE S.O.W.**

1. SUBJECT of the Study

Selection of important crops to be considered by this study

2. REGIONAL Production Capabilities

2.1 Environmental requirements of target crops

2.2 Regional capabilities and distribution of production

3. PRODUCTION: Present Production Systems, Constraints and Possibilities of Improvement and Expansion

3.1 Planting material (seed, vegetative material, etc.)

3.2 Other Inputs (Fertilizers, Chemicals, others)

3.3 Installations , machinery and equipment

3,4 Irrigation

3.5 Sources of technology

3.6 Cost structure of products with export potential

3.7 Constraints perceived by producers

3.8 Possibilities of expansion perceived by producers:

-- INCREASE IN PRODUCTION

-- IMPROVEMENT OF QUALITY

— REDUCTION OF COSTS

— HOW TO ACHIEVE THIS?

4. MARKETING: Present Marketing Systems, Constraints and Possibilities of Improvement and Expansion

4.1 Marketing channels:

4.11 Description and graphic presentation

4.12 Estimates of volumes passing through different channels

4.13 Estimates of the number of operators in various channels and of volumes handled by individual operators

4.2 Infrastructural environment of marketing

- 4.3 Internal infrastructure: buildings, installations
- 4.4 Evaluation of technologies in use in the system
- 4.5 Economics of marketing
 - 4.51 Estimates of the price structure
 - 4.52 Analysis of the degree of competitiveness
 - 4.53 Comparison of the Malagasy price structure price structures of some competitor countries
 - 4.54 Availability and conditions of credit
- 4.6 Constraints perceived by marketing operators
- 4.7 Possibilities of expansion perceived by marketing operators:
 - INCREASE IN VOLUME HANDLED
 - IMPROVEMENT OF QUALITY OF PRODUCT
 - REDUCTION OF COSTS
 - HOW TO ACHIEVE THIS?
- 5. EXPORTS: Present Situation, Constraints and Possibilities
 - 5.1 Statistics
 - 5.2 Principal producers, exporters
 - 5.3 Nature of the relationship with buyers
 - 5.4 Principal steady buyers, partners, investors
 - 5.5 Cost structure at FOB and CIF levels
 - 5.6 Constraints perceived by exporters
 - in production and processing
 - in transport
 - in foreign markets
 - 5.7 What practical and realistic steps could be recommended to overcome the above constraints

6. EXPORTS: Possibilities of Expansion of Exports Perceived by Operators in the Industry
 - 6.1 Products already exported
 - 6.2 New products
 - 6.3 Constraints and how to overcome them
7. EXPORTS: A Summary of the Existing Surveys of Foreign Markets
 - 7.1 volumes of consumption of principal products
 - 7.2 specifications, quality standards
 - 7.3 price levels
 - 7.4 cost of transport from Madagascar
 - 7.5 other significant cost items, if any
 - 7.6 competitiveness of Madagascar's products on C.I.F. level