

ACTION MEMORANDUM FOR THE DIRECTOR

DATE: 14 April 1994
FROM: Elizabeth Warfield, C/PDSO
THROUGH: Bambi Arellano, DDIR
SUBJECT: Modification of End-of-Project-Status (EOPS) and Authorized LOP Funding Level--Farm to Market Access Roads Project (520-0332)

ACTION REQUESTED: That you approve: 1) the modification of the EOPS to reflect the impact of the Project on market access and production; and 2) the reduction of the Project's authorized funding level by \$1,248,000 from \$25,600,000 to \$24,352,000.

BACKGROUND: The Project was authorized on 19 March 1985 at a \$10 million funding level. By 1987, the planned life-of-project (LOP) funding level had been increased to \$30 million. The goal of the Project is to improve the income, productivity and quality of life of Guatemala's small farmers. The purpose of the Project is to institutionalize a national program to construct and maintain low-cost rural farm-to-market roads, and expand that same network. In 1991, the Mission decided that the Project directly related to its Trade and Investment Strategic Objective. Despite this decision, the Project logframe was never modified to include indicators related to trade. Subsequently, based on a detailed review of the projected needs for USAID financing and due to requirements to deobligate expired ("M" account) funds, authorized LOP funding was reduced to \$25.6 million. The Mission also decided that, based on an analysis of its revised Trade and Labor Relations Strategic Objective, the Project no longer fits under that framework and should be considered an "Other" Project.

DISCUSSION:

1) **End of Project Status:** While the Project is no longer considered to have direct impact on the Mission's revised Strategic Objectives (though it does have an indirect impact on the Trade/Labor Relations and Natural Resources Management Objectives), several accomplishments relating to market access and production can be expected and measured prior to the PACD (19 March 1995). Currently, EOPS reflect only road construction and maintenance data and a qualitative assessment of the Government of Guatemala's success in institutionalizing such activities. (Attachment No. 1 is the logframe included in the last PP Amendment.) However, a project-funded socio-economic survey conducted in 1987 established baseline data for populations in the areas targeted for road construction and improvement. Using project funds, the Dirección General de Caminos (DGC) plans to perform a follow-up survey in 1994. These efforts will result in data that are much better indicators of Project impact than are figures that reflect only road construction/maintenance accomplishments. These data will also relate more closely to the Project's goal, to improve the income and quality of life of Guatemala's small farmers. Furthermore, since EOPS Nos. 1-3 (kilometers of construction, rehabilitation and upgrading financed by the Project) in the current logframe are more appropriately outputs (in fact, they are listed as both EOPS and outputs), they are hereby deleted as EOPS. Therefore, based on approval of this

Memorandum, the Project's EOPS will be:

- a) A decrease in the ratio of time/distance to markets in communities served by new and rehabilitated roads. (Target is 20%.)
- b) An increase in the volume of sales, specifying data for basic grains and vegetables. (Target is 10%.)
- c) An increase in the value of sales, with the same division of data. (Target is 10%.)
- d) Institutionalization of the GOG's capacity to execute a continuous labor-intensive access roads program in mountainous areas of the country.

2) Reduction of Authorized Funding Level: While the Project Authorization was amended after early FY 1993 deobligations (including "M" Account resources that were not expected to be disbursed prior to 1 October 1993 when they were scheduled to revert to the U.S. Treasury), additional "M" Account funds (which had been expected to be disbursed) remained in the pipeline on 30 September 1993. The subsequent deobligation of these funds created a new mortgage that the Mission has no intent to finance. Therefore, a reduction in the authorized LOP funding level by the current mortgage (\$1,248,000) will allow overall Mission mortgage levels to better reflect real demands on resources. Based on this action, LOP funding will be \$24,352,000 (\$22,369,000 Loan, \$1,983,000 Grant).

AUTHORIZATION: According to Handbook 3 (13.B), "detailed specifications of requirements and procedures [related to project modifications] should be minimized in higher order formal documentation (e.g., Project Authorizations and Agreements) unless specification at that level is essential to the success of the project." Since the proposed modification of EOPS does not constitute a substantive change that is critical to project success, this memorandum sufficiently outlines the proposed revision and documents the Mission's action. Furthermore, Delegation of Authority No. 752, dated September 14, 1992, gives you authority to amend project authorizations executed by an USAID official, if the amendment: (1) does not result in a total life of project funding of more than \$100 million; (2) does not present significant policy issues; and (3) does not require issuance of waivers that may only be approved by the Administrator or an Assistant Administrator.

RECOMMENDATION: That you: 1) sign below approving the revisions to the Project Logframe's EOPS as outlined in this Memorandum; and 2) sign the attached Project Authorization Amendment (Attachment No. 2) reducing the planned LOP funding level to \$24,352,000.

Approved:


William Stacy Rhodes
Mission Director


Date

- Attachments: 1) Current Logframe (under ~~last~~ ^{last} PP Amendment)
2) Project Authorization Amendment

Drafted by: PDSO:TDelaney
Cleared by: ONARM:RPérez
ONARM:BELLington-Banks
ONARM, BSugrue
FM, GByllesby
RLA:CBrown

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4/12/94
by [signature]
e-mail 3/22/94 TRD

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ANNEX 1
CURRENT LOGICAL FRAMEWORK MATRIX
FARM-TO-MARKET ROAD 520-0332

	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS	
GOAL: To improve the income, productivity, and quality of life of Guatemala's small farmers.	<u>MEASURE OF GOAL ACHIEVEMENT:</u>	Baseline studies	The AID-financed access road maintenance program will maintain these roads in order to insure that the target population will receive the potential long term benefits derived from improved access.	
	1) Improved access to markets	Evaluations		
	2) Improved access to farming inputs.			
	3) Upgraded linkages from farm to markets			
	4) Improved access to Government health, education, and extension services.			
	5) Environmental analysis and other impact mitigation.			
PURPOSE:	<u>END OF PROJECT STATUS:</u>		Upon completion of AID-financed portion of the access roads program this type of activity will still have a high priority within it to continue in the future.	
	1) To expand the network of all-weather farm-to-market and tertiary roads in the target area to provide a better transportation system.	* 1) Construction or improving of 1,555 Kms. of rural access roads.		Site visits, GOG budgets
	2) To institutionalize the national program to construct and maintain low-cost labor intensive rural farm-to-market roads.	* 2) Rehabilitation of 150 Kms. of rural access roads. tertiary roads.		Evaluations
		* 3) Upgrading of 240 kms. of tertiary roads		
		4) Institutionalization of the GOG's capacity to execute a continuous labor-intensive access roads program in mountainous areas of the country		* TO BE DELETED AND REPLACED THIS ACTION (4/14/94)
OUTPUTS:	1) 1,555 Kms. of access roads constructed or improved.	1) Kilometers of roads.	Excessive inflation will not cause a reduction in the number of each type output.	
	2) 150 Kms. of access roads rehabilitated.	2) Buildings		
	3) 240 kms of tertiary roads upgraded.			
	4) 9 regional offices constructed and functioning			
INPUT:	1) Tech. Assistance - Grant \$ 900	Disbursement of Loan and Grant funds.	Vouchers, bills	
	2) Commodities - Loan 14,565			
	3) Training - Grant 350			
	4) Other Costs - Loan 13,335			
	- Grant 850			
	TOTAL - Loan 27,900 - Grant 2,100			

AUTHORIZATION AMENDMENT NO. 5

Name of Country: Guatemala

Name of Project: Farm-to-Market Access Roads

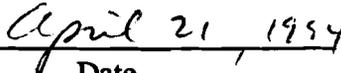
Number of Project: 520-0332

Number of Loan: 520-040

Pursuant to Section 103 and Section 532 of the Foreign Assistance Act of 1961, as amended, the Farm-to-Market Access Roads Project was authorized on March 19, 1985, and amended on January 31, 1986, September 26, 1986, September 29, 1987 and August 18, 1993. Section 1 of the Authorization is hereby amended to reduce the authorized level of funding by \$1,248,000. The new authorized levels of funding will not exceed TWENTY TWO MILLION THREE HUNDRED AND SIXTY-NINE THOUSAND DOLLARS (\$22,369,000) in loan funds and ONE MILLION NINE HUNDRED AND EIGHTY-THREE THOUSAND DOLLARS (\$1,983,000) in grant funds over a ten-year period from the date of authorization, subject to the availability of funds in accordance with the USAID OYB allotment process, to help finance foreign exchange and local currency costs for the Project. The planned life of project is until March 19, 1995.



William Stacy Rhodes
Director



Date