

PD ABN 961
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**AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C.**

**AMENDMENT NO. 3
to the
PROJECT MEMORANDUM**

**NEW INDEPENDENT STATES
FOOD SYSTEMS RESTRUCTURING
(110-0006)**

Approved: January 13, 1993



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

JAN 13 1993

ACTION MEMORANDUM TO THE DIRECTOR OF THE NIS/TF

FROM: Barbara Turner, Deputy Director *B. Turner*
SUBJECT: Authorization Amendment for the Food Systems
Restructuring Project (110-0006)

Problem: Your approval is requested to amend the authorization of the Food Systems Restructuring Project to increase the life of project funding from \$25 million to \$89 million, extend the project assistance completion date from May 4, 1996 to September 30, 1997 and modify the purpose statement for this activity. All other provisions remain unchanged.

Background: The Food System Restructuring Project was authorized April 24, 1992 at \$3.75 million, the amount required to finance the Armenia Agricultural Extension Collaboration Program. The purpose of the project at that time was "to help ameliorate food shortage problems being faced by the peoples of the New Independent States (NIS) while at the same time facilitating and accelerating the emergence of market-based food production and distribution systems".

This authorization was amended on May 22, 1992 raising the project funding level to \$4.385 million to cover the Grains and Perishables Storage Activity; the project purpose was not changed.

The authorization was again amended August 7, 1992 to broaden the scope of the project to include the Agribusiness Component and increase life-of-project funding to \$25 million. While the project was authorized at a \$25 million level to be consistent with the Congressional Notification dated March 6, 1992, the Project Memorandum provided the analysis for a \$66 million project. Another Congressional Notification was submitted on August 7, 1992, which indicated an life-of-project funding of \$66 million; however, the authorization was not amended at that time. With Amendment 2, the project purpose was redefined: "to increase the efficiency of the food system from the farm gate to the consumer by the peoples of the Newly Independent States

(NIS)". The project assistance completion date is presently May 4, 1996.

Discussion: It is proposed that the Food Systems Restructuring Project be amended to reflect several changes:

First, the amended project purpose will be: "to encourage the development of small and medium size agribusiness in the Newly Independent States (NIS) through an increase in the efficiency of the food system from the farm gate to the consumer and to complete the Armenia extension activity". This is a refinement of earlier purpose statements and an indication that the project intends to fulfill any outstanding financial commitment to activities authorized under earlier actions by providing the full amount of funds previously authorized for the Armenia Extension Project, that is to say \$3.750 million. Additional funds for the emergency storage activities are not anticipated.

Second, the life-of-project authorized funding will increase from \$25 million to \$89 million. As indicated in Amendment 2 to the Project Memorandum, a minimum life-of-project funding level of \$66 million had always been anticipated. Based on the quality of proposals received under the limited competition that was recently completed for agribusiness activities, it is recommended that the life-of-project authorization be increased by an additional \$64 million to cover the cost of a potential expansion in the agribusiness program. This increase in funding, while raising the life of project funding, does not affect the substance of the activity that was authorized on August 7, 1992. It would, however, provide additional flexibility to deepen the linkages between U.S. and NIS agribusiness associations. Thus there is no need for an amended Project Memorandum. Attachment 2 is a copy of the illustrative budget.

Third, the project assistance completion date will be extended to September 30, 1997.

A Congressional Notification with the proposed life-of-project funding level of \$89 million was sent to the Hill on December 15, 1992 and expired without objection.

Justification: The original project documents for the Food Systems Restructuring Project were developed in the early stages of A.I.D.'s work in the NIS, and did not adequately reflect the wide range of requirements and opportunities for assistance. With an increasing exposure to, and understanding of the NIS, there has been an evolution and refinement of A.I.D.'s thinking

in the fields of agriculture. There now exists a more clarified and defined approach for A.I.D.'s activities that needs to be incorporated into project documentation.

The proposed change in project purpose is merely a refinement and reflects more accurately what is being implemented. The proposed changes in the project assistance completion date, will result in a six year project, a realistic period for implementation, given the complexities of the NIS.

The proposed increase in life of project funding will add funding to core agribusiness activities found in Amendment 2. Based on the proposals received in the response to A.I.D.'s Request for Applications to implement the agribusiness component of this project, it is apparent that there is a significant pool (projects valued at more than half a billion dollars) of potential agribusiness activities that address the objectives of the project. These are programs proposed by American agribusinesses with historic and current involvement in the NIS, who have demonstrated legitimate stakeholding partners in the NIS and who are interested in participating with A.I.D. on a cost sharing basis. It is anticipated that A.I.D. funding could leverage an untold amount of investments from the private sector that would favorably impact on the food system of the NIS.

Authority: You have authority to amend this project authorization pursuant to Interim Reorganization Delegation of Authority No. 10 dated March 30, 1992.

Recommendation: That by signing the attached authorization amendment you:

- 1) amend the authorization of the Food Systems Restructuring Project increasing the life of project funding from \$25 million to \$89 million, subject to the availability of funds,
- 2) extend the project assistance completion date to September 30, 1997, and
- 3) amend the project purpose to read: "to encourage the development of small and medium size agribusinesses in the Newly Independent States (NIS) through an increase in the efficiency of the food system from the farm gate to the consumer and to complete the Armenia extension activity".

THIRD AMENDMENT
TO
PROJECT AUTHORIZATION

Name of Entity: NIS Regional
Project Name: Food Systems Restructuring
Project Number: 110-0006

1. The Food Systems Restructuring Project for the Newly Independent States of the Former Soviet Union (NIS) was authorized on May 5, 1992, and was amended on May 22, 1992, and August 5, 1992. I hereby further amend the project authorization to read as follows:

(1) Pursuant to Section 498 and Section 531 of the Foreign Assistance act of 1961, as amended, I hereby authorize the Food Systems Restructuring Project for the Newly Independent States of the Former Soviet Union (NIS), involving planned obligations of not to exceed \$89,000,000 in grant funds over a six-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is six-years from the date of initial authorization.

(2) The project's objective is to increase the efficiency of the NIS food system by funding technical assistance, training, and commodities to support and accelerate the emergence of capable, efficient, private agricultural input and output distribution systems.

(3) The Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

(4) Commodities financed by A.I.D. under the project shall have their source and origin in the United States, New Independent States of the former Soviet Union (NIS) countries, or countries included in A.I.D. Geographic Code 941 except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States, NIS countries or any

countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing.

2. The authorization cited above remains in force except as hereby amended.

Malcolm Butler

Malcolm Butler
Director
NIS Task Force

JAN 15 1992

Date

Clearances: As shown on the action memorandum

Drafted:BBryant:GC/EUR:NIS0006.PA3:11/23/92

**BUDGET SUMMARY: A.I.D. FINANCIAL INPUTS
(\$000)**

	ORIGINAL PROJECT	AMENDMENT ONE	AMENDMENT TWO	AMENDMENT THREE	TOTAL LIFE OF PROJECT
ARMENIA AGRICULTURAL EXTENSION PROJECT	3,750	0	0	0	3,750
GRAINS & PERISHABLES STORAGE PROJECT	0	635	1,000	0	1,635
AGRIBUSINESS					
- Tech Asst	0	0	7,000	48,815	55,815
- Training	0	0	2,000	10,000	12,000
- Commodities	0	0	7,000	5,000	12,000
- Winter Storage	0	0	3,000	0	3,000
Agribus. Sub-total	0	0	19,000	63,815	82,815
EVALUATIONS/ AUDIT	0	0	615	185	800
PROJECT/ AMENDMENT TOTAL	3,750	635	20,615	64,000	89,000

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Clearance: NIS/TF/PAC:CPascual AK Date 12/30/92
 NIS/TF/PAC:SHuced AS Date 12/31/92
 NIS/TF/FM:JWinn RAL for Date 12/31/92
 NIS/TF/FA:BKline RJ for Date 12/31/92
 NIS/TF/PSI:GHuger draft Date _____
 GC/NIS/TFTGeiger 270 Date 1/11/93
 D/CISA:KVolker draft Date _____
 Drafted: LMailloux:11.23/92:ATCMEMO