

ACTION MEMORANDUM FOR THE AID REPRESENTATIVE

FROM: PBO, Rose Marie Deac *RM*

SUBJECT: Food Storage and Marketing II (FSM II) - Project Paper Supplement

I. **REQUEST:** Your approval is requested of the attached Project Paper Supplement for the Food Marketing and Storage II (FSM II) project, to extend the FADD from May 30, 1986 to December 31, 1987, and to allow purchase of additional vehicles. No additional funding is required.

II. **DISCUSSION:** The FSM II project was approved in 1982 with life of project funding of \$2.1 million; it was subsequently amended in FY 1984, increasing the life of project funding by \$600,000 for a new total of \$2.9 million dollars.

During the last several months an intensive financial and project review has been completed to determine (1) the amount of remaining unearmarked funds, (2) inputs which were originally approved and how these compare with what has been provided, (3) whether the project purpose is still valid, and (4) whether the project objectives could be achieved by the FADD. The findings are presented in the attached Project Paper Supplement. In summary, the mission project committee has determined that the project purpose is still valid, that good progress is being made toward achieving project objectives, but that there is inadequate time remaining in the project to allow completion of the studies approved under the research component of the project (see Part IV.C, PP Supplement). In addition, it was determined that a reallocation of project funding among project elements was needed. The following table summarizes this reallocation:

| Project Element | Current Allocation | Proposed Allocation |
|--------------------------------|--------------------|---------------------|
| Technical Assistance | 1,600 | 1,740 |
| Training | 200 | 245 |
| Commodities | 500 | 410 |
| Administration and Local Costs | 250 | 330 |
| Construction | 200 | 150 |
| Contingency & Inflation | 150 | 25 |
| TOTAL | 2,900 | 2,900 |

The proposed allocation represents cost savings on construction and commodities and the attribution of the contingency line item to technical assistance for longer than planned services of the accountant and marketing advisors, to training to cover a higher average cost per person-month, and to administrative and local costs to fund the higher than planned costs.

In addition, your approval is requested for purchase of the vehicles outlined in the justification attached hereto. The appropriate source/origin waivers have already been obtained; however, a different set of vehicles from that specified in these waivers is being procured. The revised requirements are

consistent with the need for vehicles described in the original Project Paper. The justification for these waivers is included in Annex II of the Supplement.

The project analyses contained in the original project paper remain valid. Therefore, no other actions need to be undertaken prior to your approval of this supplement.

All other terms and conditions of the original Project Paper remain unchanged.

RECOMMENDATION: That you approve the attached Project Paper Supplement, approve extension of the FACD from May 30, 1986 to December 31, 1987, and approve purchase of the vehicles justified in Annex II.

APPROVED: _____

Eugene R. Chiavone

DISAPPROVED: _____

DATE: _____

June 20, 1986

CONCURRENCE: _____

John W. Boehring
John W. Boehring
RFBSD/Director

Drafted: GAR/R: PDO: RMD: 6/12/85.

Clearances:

FFM: NOlsen (draft)

ADD: MFuchs-Garsch (draft)

REDSO/RLA (draft)

FFMC: FHennrich (draft)

REDSO/D DIRECTOR: AFell 

507680

Best Available Document

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FOOD STORAGE AND MARKETING II

PROJECT PAPER SUPPLEMENT

(696-0116)

FOOD STORAGE AND MARKETING II

PROJECT PAPER SUPPLEMENT

(696-0116)

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FOOD STORAGE AND MARKETING II

PROJECT PAPER SUPPLEMENT

(696-0116)

I. BACKGROUND

The Food Storage and Marketing II (FSM II) project was authorized in May of 1982 with a life of project funding of \$2,100,000. Subsequently in FY 1984 a PP amendment was approved for \$800,000 to provide additional funds to cover the higher than expected costs of the research contract with the University of Minnesota. All funds, \$2,900,000, have been obligated. The project was originally planned for a four year period and, thus, a PACD of May 1986 was established.

The project was approved with the following purpose:

(a) To strengthen and expand GREMARWA's (National Granary of Rwanda) management capability to enable it to act as a catalyst in stimulating and assisting the marketplace to respond to regional and seasonal imbalances in supplies and prices of foodcrops (especially beans and sorghum); and

(b) To assist the GOR determine the feasibility of long-term bean storage in Rwanda which will, in turn, strengthen GREMARWA's capability to maintain a food security stock.

To accomplish this purpose the following objectives were established:

(1) an effective functioning system of marketing by improving the marketing information and purchasing/selling activities of GREMARWA. The following inputs were approved:

one marketing advisor;
12 months training in marketing and economics;
2 vehicles; and
other commodities.

(2) An effective accounting department. The following inputs were approved

one accountant advisor and
one long-term participant in business administration.

(3) The capability to perform relevant research and to improve storage and marketability through applied research activities, including: (i) an inventory of methods and conditions of indigenous storage; (ii) an evaluation of the quantity stored and the losses in storage; (iii) an inventory of bean varieties; (iv) a consumer survey of preferences for

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varieties; (v) a consumer acceptability trial of beans stored under different conditions; (vi) identification of bean varieties resistant to pests; and (vii) selected socio-economic studies. The following inputs were approved:

- partial funding of the LGS research contract with the University of Minnesota;
- two long-term participants in agronomy and FSR;
- administrative and local costs support; and
- vehicles.

These objectives were to be accomplished based on the budget as described in Table 1, below. This table presents both the original project budget and the budget as amended.

Table 1: Authorized Life-of-Project Funding
(* 000's)

| | ORIGINAL | AMENDMENT |
|---------------------------|------------|------------|
| Technical Assistance | 832 | 1,600 |
| Training | 259 | 200 |
| Commodities | 375 | 500 |
| Administration | 251 | 250 |
| Construction | | 200 |
| Inflation and Contingency | <u>383</u> | <u>150</u> |
| TOTAL | 2,100 | 2,900 |

Several important covenants were included in the amplified project description of the project agreement. These covenants remain valid and OPROVIA/GRENARWA has abided by these covenants.

(1) OPROVIA (National Office for Development and Marketing of Food and Livestock Products and is GRENARWA's umbrella organization) will maintain "indicative" rather than "fixed" prices through the life of the project.

(2) The grantee will undertake appropriate studies for food security stocks before designating GRENARWA as the management agent for the stock

(3) The GOR will continue to support the quality control lab after the end of the project.

In terms of this PP supplement the original project purpose and objectives remain the same. No changes are proposed other than a reprogramming of project inputs in order to utilize remaining funds to achieve the objectives

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as originally stated. Therefore the project analyses as contained in the original Project Paper remain valid.

II. PROGRESS TO DATE

In order to achieve the first and second objectives, improving GREMARWA's marketing and accounting capabilities, the services of a marketing advisor and an accountant have been provided. Other inputs, such as vehicles and computer equipment purchased have also contributed to attaining the objectives of these components. The effectiveness of these inputs has been demonstrated in that during the last three years GREMARWA has been able to show a small profit margin on its operations. A financial system is in place and Rwandans are trained to operate it. Advances have been made to computerize financial, accounting and marketing activities.

In general, good progress is also being made with respect to strengthening GREMARWA's capability to perform research and to improve storage practices and marketability of beans through the applied research activities. While the project was approved in May 1982 a contract with University of Minnesota was not signed until November 1983. Four years were planned for this research; therefore as of the date of this supplement only one and one half years of research has been undertaken. However, a fully staffed research team is in place and preliminary results are available with respect to the inventory of storage methods and bean varieties. Work is now underway on identifying insect-resistant bean varieties, examining alternative storage methods and conducting the taste and sensory tests on stored beans. At the conclusion of this research it is expected that definitive recommendations will be possible with respect to the feasibility of long-term bean storage in Rwanda.

An important activity of the project was training; however, long-term training has not taken place as planned. Rather greater emphasis has been given to in-country training and short courses which were available in French. Therefore various short courses and study tours have been provided, but greater attention must be given to strengthening GREMARWA's institutional capability through long-term training. Thus this supplement provides for three one-year programs in the two areas of highest management priority, accounting and computerizing.

III. PLANNED VERSUS ACTUAL INPUTS

An intensive financial and technical review has recently been completed. As a result, there is a need to update project documentation to reflect the current situation and needs and to determine how the remaining project funds can most effectively be allocated. The following section compares planned versus actual inputs and describes what activities should be undertaken to support achievement of the project objectives. Table 2 provides a summary of the current financial situation; it shows that the \$2,900,000 authorized life-of-project, \$1,775,600 has been earmarked leaving a balance of \$1,124,400 available for earmarking.

Table 2: SUMMARY STATUS OF FUNDS

| | Obligation | Earmarked | Commitments | Disbursed |
|---------------------|------------|-----------|-------------|-----------|
| Technical Assist. | 1,600,000 | 1,096,642 | 1,008,542 | 374,636 |
| Training | 200,000 | 74,983 | 44,900 | 24,883 |
| Commodities | 500,000 | 369,440 | 291,926 | 264,329 |
| Administration | 250,000 | 84,500 | 79,000 | 61,074 |
| Construction | 200,000 | 150,000 | 150,000 | 150,000 |
| Contingency & infl. | 150,000 | N/A | N/A | N/A |
| TOTALS | 2,900,000 | 1,775,565 | 1,574,368 | 874,922 |

Total Obligated: \$2,900,000

Less Total Earmarked: -1,775,600

Total Available: \$1,124,400

A. Technical Assistance

The project paper called for services of a marketing advisor (3 person years), an accountant (2 py) and a research team of one senior researcher and four graduate assistants (person years of services were not specified for the research team). The planned level of effort has been exceeded; 3.4 person years of the marketing advisor and 3.75 person years of the accountant will have been provided at the current PACD, May 1986. No further extension of these individuals services are planned. The increase in services of the accountant (from 2 to 3.75 py) was deemed necessary given the need to assure good accounting and fiscal policies of OPROVIA/GRENARWA. In addition, recent computerization of the accounting functions and the arrival of PL 480 food aid in 1984/85 which was handled by OPROVIA created a continuing need for this advisor's services.

With respect to the University of Minnesota contract, approximately 19 person years of services have been contracted. This level of effort, including home office backstopping, was negotiated with the University of Minnesota based upon the PP description of the studies to be undertaken for the research component of the project. It should be noted that these studies were originally planned under the Local Crop Storage (696-0107) project. Initial funding of \$450,000 was provided by that project;

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however, because these studies were of direct importance to OPROVIA/GRENARWA and because it was not possible to undertake these studies as planned under the LCS project (essentially contracting with local institutions was planned, but did not prove feasible), it was determined that FSM II would share in the financing of the research contract. Of the \$1,504,699 contract ceiling \$450,000 has been provided by LCS; the balance of \$1,054,699 is being provided by FSM II. No change has been proposed for the contract ceiling amount. However, concurrent with approval of this supplement, a revised contract schedule and level of effort is being authorized by a PIO/I amendment. The purpose of the amendment is to correct inconsistencies in the original contract, clarify the terms of reference and reallocate the level of effort. This reallocation is primarily needed to increase one research advisor's services for twelve months; however the overall level of effort has not been increased. The justification for this extension is included in Annex I. It should also be noted that all studies planned have been contracted with the exception of the socio-economic studies which were not well defined in the PP. Because their end use was not specified and in order to limit costs, they were not included in the University of Minnesota contract.

B. Training

The following training was planned in the PP

| | |
|-------------------------|------------------|
| Marketing Surveys | 5 person months |
| Marketing Chief | 12 pm |
| Marketing | 4 pm |
| Marketing Economics | 1 long term 1/ |
| Accounting | 2 pm |
| Business Administration | 1 long term 1/ |
| Economics & Research | 2 long term 1/ |
| TOTAL | 71 person months |

1/ person months were not given in the PP. OAR assumes at least one year of training was intended.

To date, approximately five person months of short term training has been provided in marketing and post harvest losses and storage. In addition, one person is being trained at the Bureau of Census in a one year computer programming and applications course. These 17 person months of training amounted to \$75,000 of the \$200,000 originally planned. Based upon a revised training plan submitted by GRENARWA the following training represents the priority needs.

- 2 short courses in prevention of post harvest food loss (8 pm);
- 2 short courses in grain marketing and storage (8 pm);
- 1 one year program in computer systems and applications (12 pm)
and
- 2 one year programs in accounting and finance (24 pm).

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This totals 54 person months of additional training which is planned under the project. In addition, the University of Pittsburg management seminar has been requested for the Director of OPROVIA. This training will be financed by AHDP and followed by two week study tour financed by the project.

The revised training plan reflects the need to further strengthen OPROVIA/GRENARWA's financial management capability as the AID assistance through the accountant advisor will terminate in May 1986. The new total person months of proposed training is 69 months; this is approximately the same level of effort as originally planned. The costs for this additional training is approximately \$168,200, including the cost for English language training prior to departure for the U.S. The total amount expended for training by the end of the project will therefore be \$243,200 or \$43,200 in excess of the original budget. Since the total person months of training is approximately the same the higher costs are a result of a greater unit cost than estimated in the PP.

C. Commodities

\$500,000 was originally budgeted for commodity support. \$369,500 has been earmarked to date. As planned, office equipment, including furniture, calculators and a micro-computer, furniture for the technical assistance team, and equipment for the laboratory have been purchased. In addition, vehicles for the technical assistance team and GRENARWA operations have been purchased. Vehicle requirements have been modified since the preparation of the Project Paper. Originally 3 ten-ton trucks, two sedans and an unspecified number of vehicles for the research team were planned*. Actual purchases to date are summarized below:

| Description | Actual Costs |
|----------------------------|------------------|
| 2 4WD utility vehicles | 27,700 |
| 2 pickup trucks | 21,240 |
| 5 sedans | \$44,040 |
| 2 10-ton trucks | 90,420 |
| 1 4WD pickup | 12,820 |
| 8 motorcycles (100-175 cc) | 10,780 |
| TOTALS | \$207,000 |

* Three vehicle waivers for the research team were approved for the Local Crop Storage Project (696-0107), however vehicles for the research team were not purchased under that authorization.

Source origin waivers granted to date are as follows:

| Date | Description | Estimated Costs |
|---------|---|---|
| 4/27/82 | 3 10-ton trucks 6 sedans | <u>238,000</u> |
| 8/8/83 | 1 utility 10 motorcycles 15% spares | 5,000 20,000 <u>2,500</u> 27,500 |
| 8/3/8 | 1 4WD pickup truck | 8,500 ===== |
| | TOTAL VALUE ALL WAIVERS | \$274,000 |

As can be seen the mix of vehicles purchased is different from the approved waivers; however, the dollar amount of the approved waivers has not been exceeded. A justification for changing the description of vehicles is attached in Annex II. Two additional motorcycles are to be purchased however these are already included in the approved waivers. The additional motorcycles are needed at two new GREARWA warehouses and the pickup is needed for the fifth and final member of the research team.

D. Operations and Research Support

\$250,000 was originally budgeted for this line item. As is frequently the case, the requirements for local costs support were underestimated. To date \$84,500 has been spent, but this represents only the support required for one year of research. An additional \$250,000 is required between now and the end of the research contract. These requirements are estimated in Table 3. More detailed annual budgets will be submitted to AID each year for approval prior to release of these funds. Earmarking will be accomplished through project implementation letters for each year. These PIL's will approve the yearly budgets and supporting research plans. The Project Implementation Letter for 1985 will be prepared after approval of this supplement.

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Table 3: Research and Operations Support

| | 1985 | 1986 | 1987 | TOTAL |
|---|-----------|----------|----------|-----------|
| I. Equipment | | | | |
| - Office Equipment and Furniture | 2,000 | 0 | 0 | 2,000 |
| - Cages for Research Stock | 2,400 | 0 | 0 | 2,400 |
| II. Operations | | | | |
| - Expendable research equipment | 4,500 | 5,000 | 5,500 | 15,000 |
| - Salaries for research assistants | 9,600 | 10,000 | 10,500 | 30,100 |
| - Per diem | 3,000 | 3,000 | 3,000 | 9,000 |
| - POL | 42,000 | 32,000 | 22,000 | 96,000 |
| - Expendable supplies | 3,000 | 3,000 | 3,000 | 9,000 |
| III. Stocks for Research Trials | 18,000 | 0 | 0 | 18,000 |
| IV. Construction for Alternative Storage Methods | 20,000 | 10,000 | 0 | 30,000 |
| V. Utilities | 5,500 | 5,000 | 5,000 | 15,500 |
| VI. Miscellaneous (communications, printing, research journals) | 10,000 | 7,000 | 6,000 | 23,000 |
| TOTAL | \$120,000 | \$75,000 | \$55,000 | \$250,000 |

E. Summary of Inputs

Table 4 presents a summary of required project inputs by project element. Table 5 compares planned project inputs with earmarkings to date and requirements and the new totals by element. These tables provide the basis for expenditure of project funds through the remainder of the project.

Table 4 Requirements

| Category/Description | Amount |
|---|--------------------|
| Technical Assistance | |
| Univ. of Minnesota | 555,000 |
| Contractor Support (\$18,000 x 3 years) | 54,000 |
| Rent (\$15,000 x 2 years) | 30,000 |
| Total | 639,000 |
| Training | |
| Prevention of post harvest food loss | |
| 2 at 9,000 | 18,000 |
| Grain Storage & Marketir | |
| 2 at 8,800 | 17,600 |
| Computer Data Systems | |
| 1 at 32,000 | 32,000 |
| Accounting & Finance | |
| 2 at 44,300 | 88,600 |
| Study Tour | 2,000 |
| English Language Training | 10,000 |
| Total | 168,200 |
| Commodities | |
| Motorcycles (2) | 3,000 |
| Voltage Regulator | 2,000 |
| Utility Vehicle (1) | 12,500 |
| Furniture | 8,000 |
| Equipment for Offices | 15,000 |
| Installation of Door | 2,000 |
| Total | 42,500 |
| Local Costs | |
| Local Costs | |
| 84/85 (Oct-Sept) | 120,000 |
| 85/86 (Oct-Sept) | 75,000 |
| 86/87 (Oct-Nov) | 55,000 |
| Total | 250,000 |
| Contingency | 24,700 |
| | ===== |
| GRAND TOTAL | \$1,124,400 |

Table 5: Planned vs. Actual Allocation of Funds

| | Planned (1) | Actual to Date (2) | Require- ments (3) | New Totals a/ (4) |
|----------------------------------|----------------|--------------------------|--------------------------|-------------------------|
| Technical Assistance | 1,600,000 | 1,096,600 | 639,000 | 1,735,000 |
| Training | 200,000 | 75,000 | 168,200 | 243,200 |
| Commodities | 500,000 | 369,500 | 42,500 | 412,600 |
| Operations & Research Support | 250,000 | 84,500 b/ | 250,000 | 334,500 |
| Construction | 200,000 | 150,000 | 0 | 150,000 |
| Contingency & Inflation | 150,000 | c/ | 24,700 | 24,700 |
| TOTALS | 2,900,000 | 1,775,600 | 1,244,400 | 2,900,000 |

a/ Column 2 plus 3

b/ Vehicles included under commodities.

c/ Attributed to line items.

IV. SUMMARY OF REQUIRED ACTIONS

In addition to clarifying the current financial status of the project and providing an updated project of how the remaining funds will be used, several concurrent actions are required. These are summarized below.

A. Revision of Project Elements Budget of the Amplified Project Description

Upon approval of this supplement OAR/Rwanda will issue a Project Implementation Letter which revises the subtotals for individual project elements according to Table 5.

B. Waivers

Additional source origin waiver are required. Justification is included in Annex II

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C. Extension of the PACD

The original PACD of May 30, 1986, needs to be extended to coincide with the University of Minnesota contract expiration date. Originally a four year research effort was planned. However the contract was executed in November 1983, one and one-half years after the authorization of FSM II. The initial tranche of contract funding was provided from the Local Crop Storage (LCS) project. Concurrent with execution of the contract the PACD for LCS was extended to coincide with the contract expiration date. However, an administrative error was made. Because the balance of funding for the provided by the FSM II project, the PACD for this project so been extended to agree with the contract expiration date in order to allow completion of the activities component, the FSM II life of project needs to be extended one-half years. This is the same period of time which authorization of FSM II and execution of the contract PACD is December 31, 1987. This will allow completion of the research activities and preparation of reports prior to the proposed new PACD.

D. Submission of PI0/T Amendment

A PI0/T correcting errors and inconsistencies of the original University of Minnesota Contract will be submitted to AID/W upon approval of this Supplement

E. Research Work Plan

GREARWA is ready to submit the 1985 research plan and budget upon approval of the Supplement. Administrative costs will be earmarked through issuance of a PIL.

rsmppsuf

JUSTIFICATION FOR EXTENSION OF COOKABILITY
AND SENSORY PREFERENCE RESEARCHER

A one-year (twelve month) extension of the bean cookability and sensory preference researcher is necessary due to circumstance which were beyond the control of the project contractor, the University of Minnesota. These external factors include: (1) two consecutive poor bean harvests in Rwanda which did not allow purchase of sufficient quantities of beans for the research tests; (2) the ten-month delay in the completion of the OPROVIA/GHENARWA laboratory; and (3) an eight month delay in the assignment of a qualified counterpart for the researcher.

The studies which were intended for this researcher to conduct require approximately two years. The researcher was originally planned to depart Rwanda in December of 1985; however, insufficient data will be collected by this date to allow preparation of the analytical reports which are called for under this contract. With a twelve month extension a sufficient number of tests will have been conducted and data will have been collected to allow training of the researcher's counterpart to complete the data collection activities and prepare the final reports with the assistance of the team leader.

OAR/Rwanda believes that the cookability and sensory preference researcher is a competent researcher and has performed to the best of his abilities under the circumstances. For this reason and those stated above OAR/Rwanda believes it is in the best interest of the objectives of this project to approve a twelve month extension for this researcher.



MINISTRE DE L'AGRICULTURE,
DE L'ELEVAGE ET DES FORETS

OPROVIA/GRENARWA II

RECHERCHES

B. P. 953

KIGALI

Kigali, le 11 mai 1985.

N°

To : Eugene Chiavaroli

From : Steven Clarke

Steven A. Clarke

Subject : Proposed one-year extension of Miss Judith Edmister, resident scientist
Bean Cookability & Sensory Preference Research component, LCS/FSM II.

The University of Minnesota believes that a minimum of 12 additional person months is necessary for the resident scientist to complete the major studies, analyze data, and prepare final reports for this component. Two consecutive poor bean harvests in Rwanda and a ten-month delay in the completion of the laboratory at OPROVIA caused delays in the initiation of a number of studies. In addition, a Rwandan counterpart for the resident scientist was not assigned to the Project until late August 1984. This person is a graduate of a three-year nutrition program at the National University of Rwanda, and lacked the necessary technical background to be able to conduct the majority of the studies herself. It is clear now that additional time will be required to prepare her to carry on research activities independently.

The Gantt chart attached shows the start and end times for the individual studies and experiments planned for this component. Because a number of experiments are designed to study the effect of various environmental factors on bean quality during storage, they are necessarily time-dependent. For example, the Large Scale Bag Study and the Laboratory Storage Study both aim to determine the effect of different bean moisture contents and different storage temperatures on bean cookability and sensory quality over time. These are key experiments in helping us understand the hardness (hard-to-cook) factor in Rwandan beans. Since this has been the principal factor limiting long-term storage, these experiments were designed to run two years, with samples taken at regular intervals for quality evaluation.

A third long-term experiment is the Laboratory Evaluation of Alternative Storage. This entails evaluating over time product quality and consumer acceptability of canned green and dry beans, sealed storage of dry beans uncooked as well as pre-cooked, and various ground bean and flour-type products. Quality evaluations for these three major studies alone, using trained panels and selected consumer test groups as well as standard laboratory tests, requires considerable time, effort and staff experience.

Because data collected through the end of 1985 would not be sufficient to meet our objectives, the resident scientist's departure in December 1985 as originally scheduled would be a serious detriment to the success of the Project. In fact, these experiments will not have run their full course even with a 12-month extension of the resident scientist until December 1986. We feel confident, however, that they will have progressed far enough to obtain the data and results sought. They could be terminated at that time, or continued with project-trained personnel if additional information were desirable.

Miss Edmister is a highly capable and conscientious scientist, well respected by Rwandan as well as American colleagues. It is in the interests of both the Project and USAID that her contract be extended. I hope you will give this proposal careful consideration and support.

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JUSTIFICATION FOR USE OF PREVIOUSLY APPROVED SOURCE/ORIGIN WAIVERS

PROBLEM: Your approval is requested to purchase one additional four wheel drive utility vehicle and two motorcycles. Previous waivers have been approved to allow purchase from AID Geographic Code 935 (Special Free World) and a waiver granted to meet the requirement of Section 636(i) of the Foreign Assistance Act of 1961 which prohibits the purchase of non-U.S. manufactured motor vehicles and motorcycles for the value of these vehicles. However your approval to change the description of commodities in these previously approved waivers is requested.

| | | |
|--|---|--|
| (A) Cooperating Country | : | Rwanda |
| (B) Authorizing Document | : | Project Authorization |
| (C) Project | : | Food Storage and Marketing II |
| (D) Project Number | : | 696-0116 |
| (E) Nature of Funding | : | Grant |
| (F) Description of Commodities | : | 2 pickup trucks in lieu of one 10-ton truck; 2 four wheel drive utility vehicles |
| (G) Approximate Value | : | No increase in previous waiver amounts needed. |
| (H) Probable Origin | : | Japan, France or Germany |
| (I) Probable Source | : | Rwanda |
| (J) Previous Waivers | : | April 27, 1982 for three 10-ton trucks and six sedans for total of \$238,000; August 8, 1983 for one utility vehicle and 10 motorcycles for a total of \$27,500 August 3, 1984 for 1 four wheel drive pickup truck for a total of \$8,500 TOTAL \$274,000 |
| (K) Total Number Vehicles Purchased or Planned | : | 5 sedans; 2 10-ton trucks 2 pickup trucks 3 4WD utility vehicles 1 4WD pickup truck 10 motorcycles |

BACKGROUND: To date three waivers for vehicles have been approved for a total value of \$274,000. The vehicles authorized by these waivers adequately cover the sedans, the four wheel drive pickup truck, the two 10-ton trucks and motorcycles (including the two motorcycles to be purchased). Two pickup trucks and two four wheel drive utility vehicles

were not part of the description of commodities in the previously approved waivers. . In lieu of the third 10-ton truck two pickup trucks were provided and instead of only one four wheel drive utility vehicle two have been purchased and a third is required for the final member of the research team. No dollar increase in the previous waivers is needed as there remains \$67,000 in authority which is sufficient for the remaining two motorcycles and utility vehicle to be purchased. However your approval is requested to change the description of commodities in the previously approved waivers to add two pickup trucks in lieu of the 10-ton truck and two additional four wheel drive utility vehicles rather than the one originally planned. This will allow purchase of one additional four wheel drive utility vehicle. No changes are needed to allow purchase of the two motorcycles.

DISCUSSION: Under Africa Bureau Delegation of Authority 140, revised June 9, 1982, authority to waive source and origin requirements has been delegated to the AID Representative subject to REDSO Director concurrence and consultation with the Regional Legal Advisor (RLA) and the Regional Commodity Management Officer (RCMO).

SOURCE AND ORIGIN WAIVER: Under Handbook 1B, Chapter 5B4a(2), a waiver may be granted if the required commodity is not available from countries or areas included in the authorized Geographic Code.

Experience with U.S. manufactured vehicles in Rwanda (a few of which are owned by the U.S. Embassy) indicates that frequent breakdowns can prevent operation of a U.S. manufactured vehicles for weeks and even months while spare parts are ordered from the United States. Even if the full range of spare parts required to maintain the vehicles are available, competent repair facilities outside the U.S. Embassy are non-existent. The situation is exacerbated as vehicles age and are subject to poor maintenance. On the other hand, certain European and Japanese vehicle dealerships and many rural garages carry spare parts and maintain acceptable repair facilities for European and Japanese manufactured models. In addition, they have competent mechanics who have been trained in the factories of the respective manufacturers.

This project, and especially the research team, have substantial field work thus requiring that the vehicles spend a large portion of their time on poor roads. This increases the need for adequate spare parts and repair facilities. Vehicles must be functional to allow the collection of data on a timely basis.

PRIMARY JUSTIFICATION: The vehicles covered by this waiver request, which can be serviced and repaired locally, are essential to the effective implementation of the project. Spare parts and servicing are not available for U.S. manufactured vehicles and the U.S. does not make an appropriate size motorcycle. Based on this it can be determined that the required commodities are not available from the authorized Geographic Code.

A waiver of the requirements of Section 636(i) of the Foreign Assistance Act is also requested. This legislation prohibits A.I.D. from purchasing motor vehicles unless such vehicles are manufactured in the United States. It does provide, however, that the U.S. only requirement may be waived where "special circumstances exist" which justify procurement outside of the U.S. Chapter 4C2d(1)(b) of Handbook 1B provides that such special circumstances

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exist for the procurement of passenger vehicles where there is "a present or projected lack of adequate service facilities and supply of spare parts for U.S.-manufactured vehicles."

RECOMMENDATION: Based on the foregoing it is recommended that (1) you waive the source and origin requirements set forth in AID Handbook 1, Supplement B to allow procurement of two pickup trucks in lieu of one 10-ton trucks and three four wheel drive utility vehicles; (2) you conclude that special circumstances exist which justify the waiver of Section 636(i) requirement that only U.S. manufactured vehicles be procured; and (3) you certify that exclusion of procurement from Free World Countries other than the cooperating country and countries included in Code 941 would seriously impeded attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program.