

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

From: Abbe Fessenden, Program Officer **F**

Subject: Agriculture Sector Development Grant (683-0246/247): PAAD
Amendment 2 and Grant Agreement Amendment 3.

Problem: Your approval is requested for (1) signature of the Program Assistance approval Document (PAAD) Amendment 2 to the Agriculture Sector Development Grant (ASDG); and (2) to negotiate and execute a third amendment to the Grant Agreement for the ASDG in order to obligate an additional \$ 2,627,000 to the Grant, bringing the total of funds obligated to \$ 32,000,000.

Discussion: The Acting Administrator approved the PAAD and authorized the ASDG on 14 August 1984, with a total life of program funding of \$ 32,000,000. The ASDG Grant Agreement obligating \$ 10 million of FY 1984 funds was signed on 31 August 1984. The first amendment to the Grant Agreement obligated an additional \$ 9.5 million in June 1985. The first amendment to the PAAD was executed on 10 July 1986 and the Second Amendment to the Grant Agreement obligated \$ 9,873,000.

This Second PAAD Amendment and Third Amendment to the Grant Agreement for ASDG will obligate an additional \$ 2,627,000 in dollar resource transfer for the ASDG. This increment of FY 1986 funds comes from the Sahel Development Program. Total FY 1986 obligations for the ASDG is \$ 12,500,000, consisting of \$ 8,127,000 in Sahel Development Funds and \$ 4,373,000 in Economic Support Funds.

The PAAD amendment must be executed before the funds can be obligated, and the USAID Controller must provide fund availability clearance on the PAAD facesheet. The PAAD amendment consists primarily of a statement of what the funds will be used for as well as amending the levels of the increments (or tranches) for disbursement of the resource transfers. The total available for resource transfers remains at \$ 29 million, and the total LOP of the ASDG, including technical assistance, rests unchanged at \$ 32 million. The split between the Sahel Development Funds and the Economic Support Funds has changed, with \$ 17,627,000 in Sahel Development Funds and \$ 14,373,000 in Economic Support Funds. With the second PAAD amendment and third Grant Agreement Amendment, all the funds authorized to date under the ASDG will be obligated. All of the Conditions Precedent and the Covenants set forth in the original PAAD remain unchanged.

The original PAAD was approved by Acting Administrator F.B. Kimball on 14 August 1984. In the accompanying action memorandum authorizing the ASDG which Kimball approved on the same date, Section IV B delegated substantial powers

to the AA/AFR to approve or disapprove substantive modifications of Conditions Precedent to subsequent disbursement of funds, upon the recommendation of the Mission Director, USAID/Niger. Together with State 185850, these indicate that the Mission Director has authority to approve PAAD amendments and negotiate Grant Agreement Amendments within the approved LOP funding, Covenants and Conditions Precedent.

The Third Amendment to the Grant Agreement for ASDG provides additional funds for the third increment or tranche. It adds \$ 2,627,000 of Sahel Development Funds as described above, for a new total of \$ 12,500,000 applied to the dollar resource transfer, which, when Conditions Precedent for the third increment or tranche are met will be transferred to the GON. These Conditions Precedent set forth the policy actions that the GON will take in order to move toward the policy objectives for which this sector assistance is intended. The GON will deposit the local currency equivalent in the GON special local currency account. Five (5) percent of these funds shall be deposited in a local currency Trust Fund account to be administered by A.I.D. for program activities which will be identified by A.I.D. in implementation letters. The funds in the special local currency account will be used in accordance with criteria set forth in sections 4.3 and 5.3 of the Grant Agreement and Article I C (2) of Annex I (Amplified Project Description) of the Grant Agreement.

The ASDG was recertified under 121(d) in December 1985 and the June 1986 review has been held. The Controller is recommending recertification of ASDG.

The Congressional Notification cleared the hill on 30 June 1986. The budget allowance was established in M/FM in Washington (State 228352).

Once the USAID Controller provides funds availability clearance on the PAAD amendment and you execute it, USAID and the GON can sign the third amendment to the Grant Agreement for the ASDG and thus obligate \$ 2,627,000, which increases the FY 1986 tranche to \$ 12,500,000, and completes the authorized dollar resource transfer and LOP funding. These funds cannot be disbursed through electronic transfer until after the Conditions Precedent to the subsequent disbursements for the third tranche have been met.

Authority to negotiate the ASDG was delegated to the field when the ASDG was authorized by the Acting Administrator on 14 August 1984.

Recommendation: I recommend that you:

- (1) Sign the second PAAD amendment approving the use of an additional \$ 2,627,000 of Sahel Development Program Funds for increasing the third increment of dollar resource transfer to \$ 12,500,000;
 - (2) Approve the draft Grant Agreement Amendment no. 3 to the ASDG; and
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(3) Sign the attached letters to the Ministry of Foreign Affairs and Cooperation which transmits to the Ministry five copies of the draft Grant Agreement Amendment 3 for review and approval.

Approved: *P. Brundant*

Disapproved: _____

Date: 7/25/86

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 Drafter: AFessenden (SP)
 Clearance: ADO: LJ [initials] / EGibson [initials]
 CONT: SOsagbue [initials]
 PDO: SChambers [initials]
 A/DDIR: DMaxwell [initials]
 REDSO/RLA: DKeene *DK (all corrected types on yellow copy)*

cc: REDSO/RLA
 AFR/PD/SWAP /
 AFR/SWA
 M/FM/PAFD

Official File Copy

CLASSIFICATION

AID 1120-1	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. 683-Y 601-A
		2. COUNTRY NIGER
PAAD		3. CATEGORY CASH TRANSFER
4. DATE		
5. TO: Peter benedict, Director, USAID/Niger		6. DVB CHANGE NO.
7. FROM: Abbe Fessenden, Program Officer (USAID/Niger)		8. DVB INCREASE \$2,627,000 SDP TO BE TAKEN FROM: \$17,627,000 SDP \$14,373,000 ESF
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$32 million (FY 86 12,500,000)		10. APPROPRIATION GSX-86-31683-KG 31 812-683-00-50-6
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD 8/84 - 12/86
14. TRANSACTION ELIGIBILITY DATE N/A		

Not applicable

FUNDS AVAILABLE
DATE 7/23/86

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
	FY 86	FY 86	Total
U.S. only:		U.S.:	
Limited F.W.:	- \$3,000,000	Industrialized Countries:	
Free World:	-	Local:	12,500,000 29,000,000
Cash:	12,500,000 29,000,000	Other:	-0- 3,000,000

18. SUMMARY DESCRIPTION

The first two paragraphs of PAAD amendment 1 are deleted and the following paragraphs are substituted;

This Agriculture Sector Development Grant (ASDG) is a resource transfer with a technical assistance component. It is justified both in terms of achieving desirable and significant agricultural policy reforms which act to constrain growth and of the need to provide domestic capital to support ongoing agricultural development activities.

It has been decided that the remainder of the funds programmed for the ASDG (\$ 2,627,000) should be made available for FY 1986 obligation and be an integral part of the third tranche or increment of the ASDG. It is planned that an Amendment of ASDG will be sought to add additional funds for FY 1987 or fourth tranche. This will result in an eventual FY 1987 increase in funding to more than the \$ 32 million authorized to date for the ASDG. The \$ 2,627,000 being added by this PAAD amendment for the FY 1986 obligation is

19. CLEARANCES	DATE	20. ACTION
XXXXX PROG:AFessenden (Draft)	21 July 86	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
XXXXX REDSO/RLA:DKeene(Draft)	21 July 86	
XXXXX USAID/PDO:SCahmbers(draft)	21 July 86	
XXXXX USAID/CONT:SOsabgue	21 July 86	
XXXXX COMAD:LJepson (Draft)	21 July 86	
XXXXX DDIR:DMaxwell	22 July 86	
State 228352		

Authorized Signature: *P. Benedict* DATE: 7/23/86
Mission Director, USAID/Niger

being funded from Sahel Development Funds in lieu of Economic Support Funds. The total of Sahel Development Funds made available under the ASDG thus amounts to \$ 17,627,000, while the total of economic support funds now available amounts to \$ 14,373,000. The total funds available under the ASDG remains unchanged at \$ 32,000,000.

Subject to the availability of funds and the mutual agreement of the parties to the terms and conditions set forth herein, grant dollar disbursements are made available in tranches of \$ 7,000,000, \$ 9,500,000, and \$ 12,500,000 up to a total of \$ 29,000,000. Along with the first dollar disbursement, \$ 3 million will be made available for direct payments by A.I.D. of foreign exchange and local currency costs of technical assistance, policy studies, workshops, in-service training and support as well as evaluations. Each of the dollar disbursements, but not direct payments for technical assistance, are tied to Conditions Precedent which evidence progress in the implementation of the policy reform program. Moreover, the Government of Niger is expected to deposit in the special local currency and Trust Fund accounts the equivalent of each dollar disbursement under the Grant.

The last four paragraphs of PAAD amendment 1 are deleted and the following paragraphs are substituted:

FY 1986 dollar disbursements or resource transfers covered in this PAAD amendment consist of :

\$ 8,127,000 is Sahel Development Funds
\$ 4,373,000 in Economic Support Funds
\$12,500,000 Total FY 1986 dollar disbursements

These dollar disbursements or resource transfers for FY 1986 obligation will be disbursed after the Government of Niger has met the Subsequent Conditions Precedent for Disbursement of the third increment or tranche set forth in the original PAAD.

All of the Conditions Precedent and Covenants, as well as other provisions set forth in the original PAAD signed on 14 August, 1984 and Amendment 1 signed on 10 July, 1986 remain unchanged.

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