

PDBBI 531

ATTACHMENT A

AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT DATA SHEET**

1. TRANSACTION CODE: **C** (A = Add, C = Change, D = Delete)  
 Amendment Number: 4  
 DOCUMENT CODE: 3

COUNTRY/ENTITY: **MADAGASCAR**

3. PROJECT NUMBER: **687-T-602A** Grant 687-T-602A

4. BUREAU/OFFICE: **AFR** 06

5. PROJECT TITLE (maximum 40 characters): **AGRICULTURE REHABILITATION SUPPORT**

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 09 30 89

7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4)  
 A. Initial FY 87 B. Quarter 4 C. Final FY 87

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

A. FUNDING SOURCE	FIRST FY <u>87</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,416		1,416	14,235		14,235
(Grant)	(1,416)	( )	(1,416)	(14,235)	( )	(14,235)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
U.S. 2.						
Host Country		426	426		2,472	2,472
Other Donors)						
<b>TOTALS</b>	<b>1,416</b>	<b>426</b>	<b>1,842</b>	<b>14,235</b>	<b>2,472</b>	<b>16,707</b>

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) ES	180B	821		6,819				6,819	
(2) FN	180B	052		6,000		1,416		7,416	
(3)									
(4)									
<b>TOTALS</b>				<b>12,819</b>		<b>1,416</b>		<b>14,235</b>	

10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

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

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 780 characters)

To support the rehabilitation and mid-term recovery of the agricultural sector in Madagascar by: (A) Increased foreign exchange allocations for imports of key agricultural and rural transportation inputs required for the rehabilitation effort, and (B) Support for better data processing and policy analysis leading toward better analysis of projects to be funded under the PIP rehabilitation effort.

14. SCHEDULED EVALUATIONS

Interim MM YY 12 87 Final MM YY 09 89

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify) 899

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

This amendment No. 4 provides additional funding for the commodity import component of the existing project and extends the PACD to 09/30/89.

STATE 300860

ALBERT D. HULLIUNG, DIRECTOR RFMC: USAID/Kenya

17. APPROVED BY

Signature: *Albert D. Hulliung*

Title: Director, REDSO/ESA

Date Signed: MM DD YY 09 29 89

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

MM DD YY

ATTACHMENT B

Fifth Amendment to the Project Authorization for MARS

NAME OF COUNTRY: Madagascar

NAME OF PROJECT: Madagascar Agricultural Rehabilitation Support  
(MARS)

PROJECT NUMBER: 687-0101

1. Pursuant to Sections 103 and 531 of the Foreign Assistance Act of 1981, as amended, the Agricultural Rehabilitation Support Project (687-0101) for Madagascar was authorized on April 1, 1985. That authorization was amended on June 16, 1986, June 19, 1986, March 25, 1987 and July 29, 1987. The authorization is hereby further amended to add \$1,416,000 in Grant funds from Section 103 of the Foreign Assistance Act, as amended, to be obligated over a one-year period from date of the Fifth Amendment to the Project Authorization, subject to 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 project is four years and six months from the date of initial obligation.
2. The Project Agreement Amendment 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:

Condition Precedent for Procurement under the Commodity Import Component

Prior to disbursement of funds made available by Amendment No. 5 to the Project Grant Agreement for procurement of commodities under the Commodity Import Component of the Project, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made with respect thereto, the Cooperating Country will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D. a plan for procurement and distribution of such commodities, including such elements as may be prescribed in Project Implementation Letters.

3. The Authorization cited above, as previously amended, remains in force except as hereby further amended.

Approved *[Signature]*

Disapproved \_\_\_\_\_

Date *Sept. 29, 1987*

Clearance: REDSO/ESA/RLA:BBarrington *BLB 9/28*

ACTION MEMORANDUM FOR THE DIRECTOR, REDSO/ESA

FROM: Monica K. Sinding, Projects Division *MKS*  
SUBJECT: Madagascar - Agricultural Rehabilitation Support  
~~PROJECT~~ - FY 87 Obligation  
DATE:

PROBLEM: This memorandum, which serves as a PP supplement, seeks your approval to:

- (1) authorize Project Paper Amendment No. 4 to the Madagascar Agricultural Rehabilitation Support Project, which will add \$1,416,000 of FY 1987 grant funds to the \$12,819,000 already obligated and extend the PACD by six months to September 30, 1989; and
- (2) waive source and origin requirements for up to 42% of the value of all commodities to be imported, and waive nationality requirements to Code 899 for the suppliers of all commodities to be imported.

DISCUSSION:

A. Background

The MARS Project Agreement was originally signed on April 2, 1985 at a level of \$5,000,000. The purpose of the project is to support the rehabilitation and mid-term recovery of the agricultural sector in Madagascar by: 1) increasing foreign exchange allocations for imports of key agricultural and rural transportation inputs required for the rehabilitation effort, and 2) financing the development of better information systems and analysis, leading toward improved policy determination and selection of project priorities, particularly with respect to parastatal divestiture.

The project was amended the following year on June 25, 1986 to permit the obligation of an additional \$2,844,000. At this time the PACD was extended to November 30, 1987. A mid-term evaluation was conducted in September 1986 which served as the basis for designing a second amendment to the Project Paper. This was signed on March 25, 1987 to add \$1,975,000 of funding and further extend the PACD to March 31, 1989. This amendment provided additional financing for consultancies, training and commodities in support of the original project purpose. On July 27, 1987 a third amendment was signed which added \$3,000,000 of funding for the importation of spare parts, tractors and light weight trucks under the CIP component.

## B. Description

At this time, A.I.D. proposes to amend the MARS Project Paper a fourth time to provide additional foreign exchange for the importation of key agricultural and rural transportation inputs needed to stimulate the recovery of the agricultural sector in Madagascar. The commodity end use survey conducted in November 1986 demonstrated that commodities imported under this project are being quickly absorbed by the agricultural and transport sectors. At that time all tractors imported had been sold and were engaged in agricultural production, in many cases having increased employment and the amount of land under production. The importation of Caterpillar spare parts had allowed work, mainly in the private sector, to continue in road construction and maintenance (41 percent of total sales value) and in industrial agriculture operations (26 percent). Follow-up visits in July 1987 to the suppliers participating in the CIP program showed that demand for commodities continues to exceed available supply.

The fourth amendment to the MARS project will continue balance of payments support for the Government of Madagascar (GDRM) by directing an additional \$1.416 million to the commodity import component of the project. This amount will be used primarily for the importation of spare parts (including tires and batteries) for road construction and maintenance equipment and tractors, although some funds may be used for the import of new road repair equipment, tractors, and light weight trucks. The project will continue to work through Ford and Caterpillar, the private sector importers having exclusive distributorships, as defined in AID Regulation 1, to import and distribute the commodities financed by the amendment. The Direction Generale du Plan (DGP), the prime implementing ministry, will allocate the foreign exchange provided by this amendment to Caterpillar and Ford with A.I.D. approval.

Local currency generated through the sale of imported commodities will be deposited in the Special Account for joint programming by A.I.D. and the GDRM, according to USAID/Madagascar's local currency use plan, which covers both P.L. 480 and CIP generations.

## C. Financial Summary

To date, A.I.D. has obligated \$12,819,000 for the MARS Project (see Attachment C), including \$6 million of DA funds. The GDRM contribution has totaled \$2,046,370. A.I.D. plans to obligate another \$1.416 million of DA funds under the fourth amendment to the Project Paper, bringing the total A.I.D. contribution to

\$14,235,000 of which \$7.416 million represents DA financing. The GDRM will make an additional contribution of the equivalent of \$425,630 which will be used to finance spare parts for the Namakia bridge, to provide assistance to the Ministry of Labor to strengthen the unit for labor intensive operations through pilot projects and other means, and to fund training to improve the management capacity of agro-industrial enterprises, both public and private. The total GDRM contribution to project costs will total \$2,472,000, which meets the requirement for a 25% host country contribution to DA-funded activities.

In addition, private sector importers have generated local currency through the sale of commodities which has been placed in a special account. These funds have been programmed by the Government for development purposes, subject to A.I.D. review and approval. \$413,000 from the local currency generations will be made available to a Trust Fund to help finance USAID operations in Madagascar. The \$1.416 million of local currencies to be generated under this amendment will be placed in the special account for future programming.

#### D. Analyses

The economic, social, and environmental analyses conducted for the original MARS Project Paper and the third amendment adequately cover the increment of commodity imports covered by this amendment.

The technical analysis was supplemented by the RCMO during a July 1987 field visit. At that time, meetings were held with the DGP, Ford, and Caterpillar to ascertain whether it was feasible to program additional funds for imports this year. It was determined that demand for Caterpillar road rehabilitation and maintenance equipment spares alone is such that the dealership has been selling an average of \$400,000 of spares a month. During a follow-up meeting, Ford reported that the first 50 trucks imported under MARS were sold within 10 days of arrival in Madagascar, and that demand is expected to remain strong despite the recent devaluation of the Malagasy franc. It is anticipated that Caterpillar and Ford will be able to utilize another \$1.416 million of spares and new equipment imports by the PACD.

In response to a request for a negative determination, the Africa Bureau Environmental Officer has determined that the increased funding and PACD extension should have no significant effect on the environment. (State 301073)

There are no human rights issues involved in this project.

### E. Implementation

The DGP is the central coordinator for implementation of the commodity import component. Procurement activities proposed in this and earlier amendments follow the procedures of A.I.D. Regulation 1.

The field officer responsible for the project is Donna Stauffer, backstopped by REDSO/ESA/RCMO and AFR/PD. The MARS Project Amendment No. 2 required the DGP to submit an Implementation Plan for A.I.D. review prior to disbursement of funds for commodity imports. A.I.D. reviewed and approved the plan in June 1987. The third amendment required a further Implementation Plan which has not yet been submitted, and the Government will be asked to amplify that plan to include the additional \$1.416 million of commodity imports covered by the fourth amendment.

A modified Implementation Schedule is appended as Attachment G.

### F. Legal Requirements

#### 1. FAA Section 611(a):

Based on the information and analyses contained in Project Paper Amendment No. 2 and supplemented by the RCMO in July 1987, the financial and other planning requirements of the FAA Section 611(a) are considered satisfied.

#### 2. Congressional Notification:

A CN for the obligation of up to an additional \$5 million in FY 1987 was sent to Congress on June 23, 1987. The CN expired without Congressional comment on July 8, 1987. A TN was sent on September 11, 1987 to notify Congress that the sum of \$1.416 million would be obligated at this time; the TN expired without comment on September 26, 1987.

#### 3. Waivers:

A source, origin and nationality waiver from Code 000(U.S. only) to Code 899(Free World excluding cooperating country) will be required. The source/origin portion of the waiver will apply to up to 42% of the value of the commodities, and the nationality portion of the waiver will apply to all funds added in this amendment. The waiver has been drafted and is attached for your signature.

#### 4. Checklists:

A Project Statutory Checklist and Standard Item Checklist are attached. A Country Statutory Checklist is not required.

5. Availability of Funds:

FY 1987 funds are available from the ARDN account for financing the incremental commodity imports per State 290933.

6. Conditions and Covenants:

The amended project authorization contains one condition precedent to disbursement of funds for procurement of commodities. This CP requires the GDRM to amend its approved procurement and distribution plan to include the additional \$1.416 million of commodities prior to disbursement.

RECOMMENDATIONS:

- (1) That you sign the attached amended Project Paper facesheet, thereby approving the changes to the project described in this PP Supplement;
- (2) That, pursuant to the authority delegated to you by DOA 551, you sign the attached Project Authorization Amendment No. 5 thereby approving an increase in the authorized grant funding for the MARS Project from \$12,819,000 to \$14,235,000;
- (3) That you approve the attached Geographical Code waiver which will cover the source/origin of up to 42% and the nationality of all commodities to be purchased under this amendment.

Attachments:

- A. Amended Project Paper Facesheet
- B. MARS Project Authorization Amendment No. 5
- C. MARS Project Grant Agreement Amendment No. 5
- D. Revised Overall Project Budget
- E. U.S. Geographical Code 899 Waiver
- F. Environmental Examination
- G. Amended Implementation Plan
- H. Statutory Checklist
- I. GDRM Request for Assistance

*DStauffer*

*BB*

Drafted by: OAR/Madagascar:DStauffer, REDSO/PRJ:MKSinding and  
DPrindle: 21 September 1987

Clearances:

RLA:BBarrington	<u><i>BBB</i></u>	Date	<u><i>9/28</i></u>
ANR:RArmstrong	<u><i>FGA</i></u>	Date	<u><i>9/28</i></u>
ANAL:BSevern	<u><i>BWS</i></u>	Date	<u><i>9/28/87</i></u>
RFMC:PKramer	<u><i>PK</i></u>	Date	<u><i>9/28</i></u> - subject to
RCMO:JPeevey	<u><i>JP</i></u>	Date	<u><i>9/28</i></u> receipt
DDIR:SPShah	<u><i>SP</i></u>	Date	<u><i>9/29/87</i></u> OF

*clearance.*

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 AMOUNT: DOLS 1,416,000  
 STATE 290933 & 300860