



18 Statement of work or program description for this project is described in Attachment No     A    

19 Special Provisions

- A  Language Requirements (specify)     n/a      
(If marked testing must be accomplished by AID to assure desired level of proficiency)
- B  Access to classified information  will  will not be required by technical specialists (Indicate level) \_\_\_\_\_
- C  Duty post(s) and duration of technical specialist(s) services at post(s) (months)     n/a
- D  Dependents  will  will not be permitted to accompany technical specialist(s)
- E  Geographic code applicable to procurement under this PIO/T is  000  899  935  941  Other (specify)     Poland, Romania, Bulgaria, Hungary, Yugoslavia, and Czechoslovakia.
- F  Salary approval(s) to exceed FS 1 salary ceiling are  attached  in process  N/A
- G  Cooperating country acceptance of this project (applicable to AID/W projects only)  
 has been obtained  is in process  is not applicable to services required by PIO/T
- H  Justification for use of external resources for consulting services is  attached  N/A
- I  Clearance for procurement of ADP equipment software and services is  attached  in process  N/A
- J  OMB approval of any report to be completed by ten or more members of the general public under the statement of work is  attached  in process  N/A
- K  Participant training  is  is not being funded as part of this PIO/T
- L  Requirement (contracts only) is recommended for  small business set aside  SBA 8(a) Program  neither
- M  Other (specify)

20 Provisions for Logistic Support

A Specific Items (insert X in applicable column at right. If entry needs qualification insert asterisk and explain below in ( Comments )	IN KIND SUPPLIED BY		FROM LOCAL CURRENCY SUPPLIED BY		TO BE PROVIDED OR ARRANGED BY SUPPLIER	N/A
	AID	COOPERATING COUNTRY	AID	COOPERATING COUNTRY		
(1) Office Space					X	
(2) Office Equipment					X	
(3) Housing and Utilities						X
(4) Furniture						X
(5) Household Appliances (Stoves, Refrig, etc)						X
(6) Transportation in Cooperating Country					X	
(7) Transportation To and From Country					X	
(8) Interpreter Services/Secretarial					X	
(9) Medical Facilities (Health Room)						X
(10) Vehicles (official)						X
(11) Travel Arrangements/Tickets					X	
(OTHER SPECIFY) (12) Nightwatchman for Living Quarters						X
(13)						
(14)						
(15)						

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20 Provisions for Logistic Support (Continued)

B Additional Facilities Available From Other Sources

Diplomatic pouch

PX

Commissary

Other (specify, e.g., duty free, entry, tax exemption)

C Comments

21 Relationship of Contractor or Participating Agency to Cooperating Country and to AID

A Relationships and Responsibilities Grantee will work with substantial independence in executing the grant.

B Cooperating Country Liaison Officials Grantee will cooperate with the Volunteers in Overseas Cooperative Development (VOCA), A.I.D. representatives, and host country officials and cooperative members and individuals involved with cooperatives

C AID Liaison Officials

ENE/TR/ARD, James G. Snell

22 Background information (additional information useful to authorized agent)

Contact Mr. Ronnie Gollohen, 50 F Street, N.W., Suite 900  
Washington, D.C. 20001  
(202) 638-4661

23 Summary of attachments that accompany the PIO/T (check applicable boxes)

A Detailed budget estimate in support of increased funding (Block 12) (Attachment B)

B Evaluation criteria for competitive procurement (Block 14A)

C Justification for procurement by other than full and open competition or noncompetitive assistance (Attachment C)

D Statement of work or program description (Block 18) (Attachment A)

E Waiver(s) justification(s), clearance(s), certification(s) (Block 19) (specify number 1) (Attachment D)

Attachment A

Scope of Work

A. Purpose:

The purpose of the proposed project is to increase the efficiency and effectiveness of the production and business sectors of the agricultural economies of East European countries.

B. Objectives:

The objectives are to:

- o provide cooperative managers and leaders, agribusiness people, and the staff of rural credit organizations with the management, financial and technical skills appropriate to a market economy;

- o provide training in specific technical areas to increase productivity and efficiency;

- o extend the benefits of existing Farmer-to-Farmer programs by providing a quick response to identified training needs.

II. Statement of Work:

A. The Agricultural Cooperative Development International (ACDI) will be responsible for carrying out the purpose of the grant and for assuring the meeting of the grant objectives.

B. The project will be focused on five areas of the agricultural sector: (1) new private agribusiness and associations; (2) enhanced economic results for existing private enterprises; (3) credit and banking services; (4) extension service; and (5) privatization of state agricultural enterprises. In each of the areas, ACDI will base the U.S. training program on needs identified by the Volunteer in Overseas Cooperative Assistance (VOCA) Farmer-to-Farmer volunteers.

C. ACDI and its subcontractor Land O'Lakes will train not less than 62 participants in the U.S. each year of the project. The length of individual training programs will be flexible with training averaging six weeks but with a range from three weeks to four months. Four kinds of training activities will be used and generally, a participant's program will involve a mix of the following activities:

1. Study/Observational Tours: programs will be designed to expose participants to the U.S. agricultural sector, including agricultural credit, private agribusiness, and supply, marketing and processing cooperatives.

2. Technical and On-the-Job Training: participants will be placed with ACDI members and affiliated organizations for training and OJT's in a variety of areas including grain elevator management, food processing, fruit and vegetable marketing, extension communications, transportation, etc.

3. University Short Courses: short courses will be arranged at member institutions of the Association of Big Eight Universities. Courses will emphasize the development of practical skills and will be tailored to meet the specific needs of the participants. Courses will generally be coupled with an OJT.

4. Farm Training: participant farmers and private extension agents will enhance their knowledge and skills by working side-by-side with American farmers and experiencing first-hand the many facets of U.S. farm operation and management.

In-country training will focus on three areas: agribusiness management, technical skills, and rural credit. Workshops will be two (2) to six (6) days in length and will focus on developing the essential skills, knowledge and market orientation necessary to the successful transition to a market economy.

1. Agribusiness Management and Technical Operations: The courses will address management level and operational topics such as general agribusiness management, accounting and financial management, domestic and export marketing, distribution and warehousing, marketing and retailing, and transport and logistics.

3. Rural Credit: ACDI will develop training modules that will address such topics as basic cooperative business principles, management skills, the role of directors and training of trainers. This training will be addressed primarily to rural cooperative credit institutions.

D. Level of Effort/Timeframe:

ACDI and Land O'Lakes will train not less than 62 participants in the U.S. per year over the three (3) year period of the grant. Land O'Lakes will design and implement no fewer than twelve six-day training courses in selected countries in Eastern Europe each year for the next three years. ACDI will design and implement short course for rural credit institutions.

E. ACDI Management of the Grant:

The Director of Training will be the ACDI/Washington (ACDI/W) staff person responsible for the day-to-day management of the project. Project support will be provided by a training

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coordinator and a placement specialist. ACDI/W will design, implement, monitor, and evaluate training programs; conduct participant orientations; and provide logistical support to participants while in the United States.

A field office will be established in Poland for coordinating training activities. An office director and support staff will be hired locally. Additional field offices will be phased in as necessary. The office space will be joint with VOCA.

ACDI/Central and Eastern Europe (CEE) will aid in the selection of training candidates, oversee document preparation for participants, and make local logistical arrangements. Final selection of trainees will be made by the Director of Training ACDI/W.

Land O'Lakes will be responsible for providing U.S. based training for 12 participants each year and will provide the day-to-day management of the 12 trainees. Land O'Lakes will coordinate with ACDI on the implementation of the in-country training but will be responsible for all aspects of the short courses.

**F. Reports:**

1. **Technical:** ACDI will submit quarterly reports (5 copies) to A.I.D. (ENE/TR/ARD, James G. Snell) detailing the status of the Grant. The report due dates are June 1, September 1, January 1, and March 1st. These reports shall provide information relating to the number of persons trained, location and duration of training, type of training, provider of the training and a summary of the trainees evaluations of the training, by country. The report will also include a statement as to how the training assisted in the accomplishment of the project's objectives and purpose.

2. **Financial:** Such reports will conform to standard Grant General Provisions as outlined in A.I.D. Handbook 13.

**G. Evaluation and Audit:**

Evaluations of this project will be conducted at the midpoint and end of the project. The midpoint evaluation and audit will be internal, and the final evaluation and audit will be external. ACDI, however, would monitor each individual participant training program on a continuing basis.

**H. Source/Origin/Nationality:**

The eligible source/origin/nationality for goods and services procured under individual grants to U.S. organizations are, in order of preference, the following:

- (A) The United States (Code 000);
- (B) The Cooperating Countries;
- (C) Selected Free World (Code 941); and
- (D) Special Free World (Code 935).

**I. Environment:**

The activities of this project will not negatively affect the environment.

**III. Period of the Grant:**

The grant will be effective for a three (3) year period.

Drafted:ENE/TR/ARD:JSnell(ACDInAGR:c:wp51):February 14, 1991:7-7201

## SUBCONTRACT - Land O'Lakes (LOL)

Line Item	Year I	Year II	Year III	LOP
<b>A. IN-COUNTRY TRAINING PROGRAMS</b>				
<b>1. Trainers &amp; Program Management</b>				
a) Trainer Fees	\$88,416	\$92,837	\$97,479	\$278,731
b) Program Management	11,925	12,521	13,147	37,594
<b>2. Travel, Transportation &amp; Per Diem</b>				
a) Airfares	39,000	40,950	42,998	122,948
b) Consultant Per Diem	28,000	29,400	30,870	88,270
c) Local Transportation	6,592	6,922	7,268	20,781
<b>3. Training</b>				
a) Participant Per Diem	21,000	22,050	23,153	66,203
b) Materials & Translation	7,200	7,560	7,938	22,698
c) Facility Rental	2,400	2,520	2,646	7,566
d) Field Trips	1,500	1,575	1,654	4,729
e) Interpreters	8,400	8,820	9,261	26,481
Subtotal, IN-COUNTRY TRAINING PROGRAMS	214,433	225,155	236,412	676,000
<b>B. INTERNSHIP PROGRAM - U.S.</b>				
<b>1. Training</b>				
a) Consultants	4,125	4,331	4,548	13,004
b) Orientations	3,642	3,824	4,015	11,481
c) Materials	1,051	1,104	1,159	3,313
<b>2. Participant Expenses</b>				
a) Airfares	30,000	31,500	33,075	94,575
b) Per Diem	31,872	33,466	35,139	100,476
c) Local Transportation	14,205	14,915	15,661	44,781
<b>3. Program Management</b>				
a) Salaries	16,750	17,588	18,467	52,804
b) Trainee Identification - CEE	4,350	4,568	4,796	13,713
c) Internship Identification - U.S.	5,450	5,723	6,009	17,181
d) Supervisory Travel	4,360	4,578	4,807	13,745
Subtotal, INTERNSHIP PROGRAM - U.S.	115,805	121,595	127,675	365,075
<b>C. LOL/CEE OFFICE EXPENSES</b>				
1. Staff Salaries	6,000	6,300	6,615	18,915
2. Communications	1,000	1,050	1,103	3,153
3. Visas, etc	600	630	662	1,892
Subtotal, LOL/CEE OFFICE EXPENSES	7,600	7,980	8,379	23,959
<b>D. TOTAL DIRECT COSTS</b>	<b>337,838</b>	<b>356,730</b>	<b>372,466</b>	<b>1,065,034</b>
<b>E. INDIRECT COSTS (48% of D)</b>	<b>162,162</b>	<b>170,270</b>	<b>178,784</b>	<b>511,216</b>
<b>F. TOTAL, SUBCONTRACT</b>	<b>\$500,000</b>	<b>\$525,000</b>	<b>\$551,250</b>	<b>\$1,576,251</b>

Line Item	Year I	Year II	Year III	LOP
<b>D. ACDI/CEE EXPENSES</b>				
<b>1. Salaries</b>				
a) Office Director(s)	10,000	31,500	33,075	74,575
b) Clerical	8,000	25,200	26,460	59,660
c) Fringe Benefits	900	2,835	2,977	6,712
<b>2. Director Travel to ACDI/HQ</b>				
a) Airfare	2,500	7,875	8,269	18,644
b) Per Diem	1,680	5,292	5,557	12,529
<b>3. Director Travel In-Country</b>				
a) Per Diem	4,800	15,120	15,876	35,796
<b>4. Local Transportation</b>				
	15,000	47,250	49,613	111,863
<b>5. Office Expenses</b>				
a) Rent	8,200	25,830	27,122	61,152
b) Supplies	3	11,340	11,907	26,847
c) Communications	9,600	30,240	31,752	71,592
d) Equipment & Furniture	18,000	35,069	5,000	58,069
Subtotal, ACDI/CEE EXPENSES	82,280	237,551	217,606	537,437
<b>E. INTERNAL EVALUATION</b>				
		15,000		15,000
<b>F. TOTAL DIRECT COSTS</b>				
	1,069,928	1,280,919	1,297,393	3,648,239
<b>G. INDIRECT COSTS (39% of F)</b>				
	417,272	499,558	505,983	1,422,813
<b>H. SUBCONTRACT - Land O'Lakes</b>				
	500,000	525,000	551,250	1,576,251
<b>I. EXTERNAL EVALUATION AND AUDIT</b>				
			70,000	70,000
<b>J. TOTAL</b>				
	\$1,987,200	\$2,305,477	\$2,424,626	\$6,717,303

## IV. COST PROPOSAL

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Line Item	Year I	Year II	Year III	LOP
<b>A. U.S. TRAINING</b>				
1. Travel & Transportation	\$125,000	\$131,250	\$137,813	\$394,063
2. Local Ground Transportation	40,000	42,000	44,100	126,100
3. Per Diem	190,000	199,500	209,475	598,975
4. Training Fees	187,500	196,875	206,719	591,094
5. Interpreter Services				
a) Salaries	135,000	141,750	148,838	425,588
b) Per Diem	57,000	59,850	62,843	179,693
c) Domestic Airfares	15,000	15,750	16,538	47,288
d) Local Transportation	9,750	10,238	10,749	30,737
6. Insurance, Materials, Passports, Visas, Medical, etc.	17,500	18,375	19,294	55,169
Subtotal, U.S. TRAINING	776,750	815,588	856,367	2,448,704
<b>B. IN-COUNTRY TRAINING</b>				
1. Trainers & Consultants				
a) Fees	34,200	35,910	37,706	107,816
b) DBA	913	959	1,007	2,879
c) International Travel	12,500	13,125	13,781	39,406
d) Local Travel	7,500	7,875	8,269	23,644
e) Per Diem	15,960	16,758	17,596	50,314
f) Miscellaneous	2,500	2,625	2,756	7,881
2. Training Materials	16,000	16,800	17,640	50,440
3. Facilities Rental	1,975	2,074	2,177	6,226
4. Interpreter Services	5,700	5,985	6,284	17,969
Subtotal, IN-COUNTRY TRAINING	97,248	102,111	107,216	306,575
<b>C. ACDI HQ STAFF EXPENSES</b>				
1. Salaries				
a) Director of Training (25%)	10,000	10,500	11,025	31,525
b) Training Coordinator (50%)	16,500	17,325	18,191	52,016
c) Placement Specialist	26,000	27,300	28,665	81,965
d) Fringe Benefits	12,600	13,230	13,892	39,722
2. International Supervisory Travel				
a) Airfares	12,500	10,500	11,025	34,025
b) Per Diem	14,700	11,760	12,348	38,808
c) Local Travel - CEE	7,500	6,300	6,615	20,415
d) In-country interpretation & translation services	4,750	4,200	4,410	13,360
3. Domestic Supervisory Travel				
a) Airfares	3,000	3,150	3,308	9,458
b) Per Diem	2,100	2,205	2,315	6,620
c) Local Travel	1,500	1,575	1,654	4,729
4. Miscellaneous Expenses	2,500	2,625	2,756	7,881
Subtotal, ACDI HQ STAFF EXPENSES	113,650	110,670	116,204	340,524

**MEMORANDUM**

**DATE:** March 11, 1991

**TO:** SER/OP/OS/ENE; Diane Miller

**FM:** ENE/TR/ARD; James Snell

**Subject:** Waiver of Non-Competitive Procurement: Agricultural Cooperative Development International (ACDI)

**ISSUE:** Agricultural Cooperative Development International (ACDI) has submitted an unsolicited proposal to provide training for members of cooperatives and public agencies involved with cooperatives in the Eastern Europe.

**BACKGROUND:** The East European countries have had a long history of private agricultural and agribusiness cooperatives, pre-dating World War II. These private cooperatives were disbanded after World War II and state directed cooperatives were formed, forcibly in some cases. The management of the state cooperatives were assigned from the central government and the cooperative "members" functioned as labor, rather than owners of their particular cooperative. Self-management or governing skills decreased as previous private cooperative members grew older and moved, retired, or died.

Interest in re-establishing private cooperatives has increased dramatically as a result of the movement toward democracy and open market systems. East European governments are encouraging privatization of the economies and state owned enterprises (SOE) and state directed cooperatives are moving to become private economic enterprises. However, after forty years of having the major decisions made by the central government, the task of moving suddenly to member owned and managed cooperatives is difficult and many of the cooperatives will need a wide range of assistance to overcome the constraints imposed by forty years of state control. Training on how to organize, manage, and operate private cooperatives of all types will be needed.

**DISCUSSION:** The need for training for members of agricultural cooperatives in Poland was identified early in the Farmer-to-Farmer program of the Volunteers in Overseas Cooperative Assistance (VOCA); however, the Farmer-to-Farmer program is not designed to provide training other than through the process of providing technical assistance to cooperatives. ACDI, through close contacts with VOCA and through their own efforts in Eastern Europe, identified the need for significantly more training for cooperative members than could be provided by VOCA volunteers and developed a proposal to fill that need. ACDI proposes to establish a joint office with VOCA in selected East European countries. ACDI will continue to work closely with VOCA. As VOCA identifies constraints that can be overcome by training, ACDI will provide that training. In addition, ACDI will work with other agricultural cooperatives

and public agencies involved with cooperatives to identify training needs and move to provide that training.

Specifically, The purpose of the proposed project is to increase the efficiency and effectiveness of the production and business sectors of the agricultural economies of East European countries. More specific objectives are to:

- o provide innovative farmers, cooperative managers and leaders, agribusiness people, and agricultural extension agents with the production, management, and financial skills appropriate to a market economy;

- o provide training in specific technical areas to increase productivity and efficiency;

- o extend the benefits of existing Farmer-to-Farmer programs by providing a quick response to identified training needs.

The project will be focused on five areas of the agricultural sector: (1) new private agribusiness and associations; (2) enhanced economic results for existing private enterprises; (3) credit and banking services; (4) extension service; and (5) privatization of state agricultural enterprises. In each of the areas, ACDI will base the U.S. training program on needs identified by the Volunteer in Overseas Cooperative Assistance (VOCA) Farmer-to-Farmer volunteers. Four kinds of training activities will be used and generally, a participant's program will involve a mix of the following activities:

1. Study/Observational Tours: programs will be designed to expose participants to the U.S. agricultural sector, including agricultural credit, private agribusiness, and supply, marketing and processing cooperatives.

2. Technical and On-the-Job Training: participants will be placed with ACDI members and affiliated organizations for training and OJT's in a variety of areas including grain elevator management, food processing, fruit and vegetable marketing, extension communications, transportation, etc.

3. University Short Courses: short courses will be arranged at member institutions of the Association of Big Eight Universities. Courses will emphasize the development of practical skills and will be tailored to meet the specific needs of the participants. Courses will generally be coupled with an OJT.

4. Farm Training: participant farmers and private extension agents will enhance their knowledge and skills by working side-by-side with American farmers and experiencing first-hand the many facets of U.S. farm operation and management.

A.I.D. Handbook 13 gives 5 justifications for non-competitive procurement. Section 2B3(b) of Handbook 13 states

"Assistance awards for which one recipient is considered to have exclusive or predominant capability, based on experience, specialized facilities or technical competence, or based on an existing relationship with the cooperating country or beneficiaries:"

is one basis for making a non-competitive award. The ACDI proposal falls into this category.

ACDI has existing relationship with cooperatives in Poland and the Minister of Rural Quality of Life has requested that all Polish administrative organs and offices provide ACDI will all legal assistance possible. ACDI has also established a relationship with Government of Bulgaria and with Bulgarian cooperatives. These two countries will receive the majority of the assistance provided for cooperatives in Eastern Europe. In addition, ACDI has established a close working relationship with VOCA which will be a major part of the A.I.D. assistance to East European cooperatives.

More importantly, ACDI was established by the U.S. cooperative movement as the mechanism with which U.S. cooperatives would provide technical assistance and training to cooperatives in the developing countries. ACDI has established linkages with more than forty major U.S. cooperatives (i.e., member cooperatives of ACDI) and, hence, can draw from a very large pool talent to provide the training needed in Eastern Europe. ACDI also has a wide range of experience in providing needed training to members of cooperatives in developing countries. The experience in providing training, the linkages with a wide range of U.S. cooperatives, and the relationships already established in Eastern Europe gives ACDI a predominant capability in providing the wide range of training needs by members of cooperatives and public agencies involved with cooperatives in Eastern Europe.

Action Requested: That your approve a noncompetitive grant award to Agricultural Cooperative Development International based on the justification cited above in an amount up to \$6,700,000 to be incrementally funded over three (3) years.

Drafted:ENE/TR/ARD;JSnell(justacdi:c:wp51);March 25, 1991;7-7201

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**ACTION MEMORANDUM FOR THE ACTING DEPUTY ASSISTANT ADMINISTRATOR,  
BUREAU FOR EUROPE AND NEAR EAST**

**FROM:** ENE/PDP, Leonard Rogers, Acting Director *RW*  
ENE/EUR, Jock Conly, Acting Director *JMC*

**SUBJECT:** Restructuring Agriculture and Agribusiness (180-0024)  
Request for Authorization

**Issue:** We require your authorization of \$67,000,000 in life-of-project funding for the Restructuring Agriculture and Agribusiness Project (180-0024) with a FY 1991 funding level of \$17,000,000. The project will support the development of an open market system in the Agricultural Sector in Eastern Europe through technical assistance and training to primarily the private agricultural sector and three (3) basic target groups; private agribusiness, private cooperatives, and government agencies needed to facilitate private trade in an open market. Each target group will receive approximately \$6,000,000 in FY 91. The Project Assistance Completion Date (PACD) will be five (5) years from the date of this authorization.

**Background:** After more than forty years of Soviet domination and central planned economies, the countries of Eastern Europe have begun the process of developing a free enterprise, open market economic system. The transition for agriculture will not be easy. In general, the agribusiness subsectors can be described as large state or socially owned vertically and horizontally integrated monopolistic enterprises. Much of the inefficiency is due to the giving priority to meeting social goals rather than economic ones. On the agricultural production side, the farms are large integrated activities, either as state farms, kombinats, or cooperatives with only a small population of private farmers. The notable exception is Poland with approximately 85% of the all farms being privately owned. Bulgaria is moving rapidly on its land tenure reform and may join Poland in having a relatively large number of private farmers.

Poland presents somewhat of a special case. The need to privatize the agribusiness sector is somewhat more pressing than in other Eastern European countries because of a lack of alternative market outlets for the large number of private farmers. At present the small scale private Polish farmers primarily sell their commodities (grains and livestock products) to large scale regional or national monopsonies and buy their inputs from large scale national or regional monopolies. Farmers often must travel considerable distances to deliver (or collect) their commodities (or inputs), often without a clear indication that the buyers are buying (or that inputs are available). Divestiture (privatization) of the parastatals will only change the state monopolies into economic monopolies, leaving the farmers perhaps worse off as the private monopolies will attempt to lower farm prices and restrict purchases. Therefore, new local enterprises must be developed to provide alternative markets for commodities and inputs for farmers;

i.e., conditions for competition in the agribusiness subsector must be established. Increased employment in the local areas will also be a side benefit of developing new firms. Bulgaria may face the same general problems if they continue with their rapid economic reform efforts, including land tenure reform.

While the need to privatize the agribusiness subsectors in the other East European countries is present, the urgency to privatize the agribusiness subsectors is not so great in the short run. In many commodities (grains and livestock products), large parastatal farms face large parastatal agribusiness firms in the "market" and the bargaining power of each is more evenly matched. However, in the fruit and vegetable market, a large segment which is private in most East European countries, competition is required if farmers are to receive appropriate price signals. Further, the above arguments are directed toward competition necessary to provide the price incentives to farmers to encourage continued production. The establishment of new enterprises is equally necessary to provide the "incentives" for agribusiness to operate more efficiently if the large parastatal farms are privatized into smaller private holdings (land reform), the establishment of local private agribusinesses will be equally important.

Discussion: This project was reviewed and approved by the Inter-agency Committee on February 27, 1991. The Project Memorandum (Green Paper), the minutes of the interagency review meeting, and the Project Decision Papers are attached (Attachments A, B, and C). The project will provide technical assistance and training to private agribusiness or state-owned agribusiness wishing to become private and to government agencies necessary to facilitate open trade in an open market system. The technical assistance and training will be available to firms in Poland, Bulgaria, Hungary, and Czechoslovakia. Technical assistance and training may also be made available to Romania and Yugoslavia, depending upon the political developments in these countries. The Project will also provide technical assistance and training to those public sector agencies and organizations that are essential to an open market system and will provide some support to public and private sector organizations to develop linkages between indigenous research organizations and the end users of the research. The activities will focus on agricultural policy analysis, market information and agricultural statistics systems, grades and standards and health and sanitation, agricultural marketing research, and to a lesser degree, agricultural research and extension involving both public and private sector organizations.

A description of the three basic target groups follows:

a) Private Agricultural Cooperatives: There are three activities planned for the cooperative sector in Eastern Europe. The Volunteers in Overseas Cooperative Assistance (VOCA) will implement a program to provide technical assistance to private cooperatives and state cooperatives which wish to become private. This is a three year program with an estimated LOP of \$9,500,000. The

program will be funded incrementally. The award will be made non-competitively, based on follow-on activity of the original FY 1990 Farmer-to-Farmer award (Handbook 13, Section 2B3(d)). The waiver for the non-competitive award is attached (Attachment F). The Agriculture Cooperative Development International (ACDI) will provide training for cooperative members in Eastern Europe. The training will include both in-country training and U.S. training. The U.S.-based training will be composed of internships with cooperatives and agribusinesses and short-term non-degree training from various sources, including universities. VOCA and ACDI will cooperate in identifying training needs which ACDI will fulfill. The ACDI activity will have a three year LOP with an estimated cost of \$6,700,000. The program will be incrementally funded. The award will be made non-competitively, based on predominant capability (Handbook 13, Section 2B3(b)). The waiver for the non-competitive award is attached (Attachment F). The National Cooperative Business Association (NCBA) will provide short-term technical assistance and training to East European cooperatives and private businesses to enhance the prospects of developing mutually beneficial economic relationships between U.S. and EE businesses. NCBA will coordinate with ACDI and VOCA and will share facilities, wherever feasible. The NCBA activity is a five (5) year program with an estimated LOP of \$3,500,000. The project will be incrementally funded. The award will be made non-competitively and will be based on 2B3(a) ("unique and innovative"). The waiver for the non-competitive award is attached (Attachment F). The six NCBA cooperating cooperatives will each provide at least \$25,000 of their own funds for the program.

b) Private Agribusiness: Assistance here will consist of technical assistance and training to the private agribusiness community in Eastern Europe. It is expected that a consortium of U.S. universities, U.S. private operating firms, consulting firms, and foundations will be formed to provide the wide range of technical assistance and training that will be needed. The activity will be competed through a grants or contract competition. It is anticipated that 3 to 5 cooperative agreements or contracts will be awarded for the three (3) year program. The anticipated LOP is \$30,000,000. All cooperative agreements or contracts will be incrementally funded.

c) Public Sector Agencies: The activities with the public sector agencies in East European countries will be carried out by USDA through a 632(b) interagency agreement (Attachment D). USDA, through the Economic Research Service (ERS), will provide technical assistance to those East European governments which request assistance to enhance their ability to collect and disseminate agricultural market information to the private sector. ERS will also provide technical assistance, when requested, in the area of agricultural policy analysis, particularly in the area of agricultural marketing. USDA will also work with the Polish extension service in order to make the extension service more responsive to the private agricultural sector. Bulgaria has requested two (2) long-term policy analysts and supporting short-

erm technical assistance. USDA will provide training for approximately 175 individuals through the Cochran Fellowship program. Additional assistance will be provided in the area of agribusiness marketing research and in agribusiness technology transfer directed toward reducing marketing losses. The program is for three (3) years with an estimated LOP of \$18,000,000. The program will be incrementally funded.

These activities are further described in proposals from VOCA, ACDI, NCBA, and USDA which are available from James Snell, ENE/TR/ARD.

### Implementing Details:

a.) Congressional Notification: The CN for the Restructuring Agriculture and Agribusiness was submitted to Congress on March 13, 1991 and is expected to expire without objection on March 28, 1991. Your authorization of this project is contingent upon the CN clearing Congress without objection.

b.) Host Country Duties and Taxes: A.I.D. shall seek to negotiate arrangements which eliminate or minimize any imposition of host country duties or taxes on funds made available by A.I.D. We anticipate concluding bilateral agreements in the near future with these East European governments which will, inter alia, provide such exemptions for A.I.D.-financed goods and services. Until such agreements are in place, however, this matter will be handled on an ad hoc basis.

c.) Environmental Determination: This project qualifies for a categorical exclusion because it supports the development of open markets through technical assistance and training. A.I.D. assistance for education, technical assistance and training programs are generally categorically excluded from environmental examination under 22 CFR 216 Environmental Procedures in Sections 216.2(c)(1)(i), and 216.2 (c)(2)(i). An Initial Environmental Examination Determination is included as Attachment E. It is recognized that some of the activities of agricultural input firms and agricultural processing may have an impact on the local environment. This project will provide technical assistance and training in these areas to eliminate or reduce to the fullest extent possible the negative environmental impacts. Finally, the Inter-Agency Agreement provides that USDA will be responsible for following its own environmental procedures.

d.) Source/Origin/Nationality:

The eligible source/origin/nationality for goods and services procured under individual grants to U.S. organizations are, in order of preference, the following:

- (A) The United States (Code 000);
- (B) The Cooperating Countries;
- (C) Selected Free World (Code 941); and
- (D) Special Free World (Code 935).

Application of the order of preference will be as specified in the Standard Provisions for grants to U.S. non-government agencies. Cooperating countries are not included in Code 941 or Code 935. Consequently, you are hereby requested to invoke the "notwithstanding other provisions of law" authority in the Appropriations Act, FY 1991, to include the cooperating countries as eligible source/origin/nationality under the project. The eligible source/origin/nationality for goods and services for USDA activities will follow established USDA regulations concerning procurement. The IAA contains language which requires USDA to procure goods and services of U.S. source/origin/nationality where possible.

e.) Evaluation: The program of each grantee, transferee or awardee will be subject to its own evaluation procedures and to evaluation by the Office of the Coordinator for Assistance to Eastern Europe, by A.I.D., or by independent evaluators selected by A.I.D. The entire multi-year program will be formally reviewed by the inter-agency group no less than once each fiscal year.

f.) Audit: Grants, inter-agency agreements and contracts will be subject to audit by the General Accounting Office and the Inspector General of A.I.D. The NGOs, PVOs and private organizations receiving funds under this project will have an annual audit performed by a CPA firm. The grants and contracts will contain a provision for audit by an A.I.D.-determined firm. The Inter-Agency Agreement with USDA contains a clause which provides that the A.I.D. Inspector General will ensure that the activity is audited in full compliance with the provisions of the Inspector General Act of 1978.

g.) Reports: Quarterly reports will be required of each grantee, transferee, or awardee. These reports will contain (1) a narrative report describing the actual project, results and accomplishments, problems identified and methods in which they were resolved, and (2) a financial report comparing amounts budgeted with amounts expended and the amounts expended by country, where applicable. A final report will be required of each grantee, transferee, or awardee at the end of the project. In addition to the usual information contained in the interim progress reports, the final report will include an evaluation of each activity including conclusions and recommendations.

h.) Monitoring: The entire project will be subject to a formal interagency review at least once during the fiscal year. The individual grants, transfers, or awards will be monitored by ENE/TR/ARD on an ongoing basis.

Authority: Chapter 2 of Part I of the Foreign Assistance Act of 1961, as amended, and Title II of the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1991, under the heading "Assistance for Eastern Europe," Section (a)(7) for agriculture and rural development provides the authority for this project.

**Recommendation:**

(a) That by your signature below, subject to proper and complete notification of Congress, you authorize Project 180-0024 in the amount of up to \$67,000,000 under the terms and conditions contained in this Action Memorandum and its attachments. Obligation of funds would be subject to the availability of funds under the A.I.D. OYB allotment process;

(b) That you invoke the "notwithstanding provision" of the FY 1991 Appropriations Act and approve inclusion of the host countries as eligible source/origin/nationality under the project;

(c) That by your signature on the Initial Environmental Determination located at Attachment E, you approve the categorical exclusion of this project from environmental examination under 22 CFR 216 Environmental Procedures in Sections 216.2(c)(1)(i) and 216.2(c)(2)(i).

Approved: 

Disapproved: \_\_\_\_\_

Date: 3-29-91

**Attachments:**

- Tab A - Project Memorandum (Green Cover)
- Tab B - Minutes of Interagency Review Meeting
- Tab C - Project Decision Papers
- Tab D - Inter-Agency Agreement (632(b))
- Tab E - Initial Environmental Determination
- Tab F - Waivers for Non-Competitive Procurement

Special Assistance Initiatives: Assistance for Eastern Europe

Appropriation Symbol: 72-11X1010

Budget Plan Code: QAIX-91-33180-IG-12

Funds Control Number: 1183605

Project Number 180-0024

Funding: \$6,000,000

FUNDS RECEIVED BY:

Initials: lht  
Date Posted: 3/29/91  
PTM/T/A/PNP

OFFICE OF FINANCIAL MANAGEMENT

Action Memorandum to Authorize Project 180-0024

Drafted: JSnell (memo: c:wp51) March 13, 1991: 7-7201

Clearances:

ENE/PDP/EUR:RRedman	_____ in draft _____	Date	_____ 3/26/91 _____
GC/ENE:RSarkar	_____ in draft _____	Date	_____ 3/27/91 _____
ENE/EUR:DLarson	_____ in draft _____	Date	_____ 3/28/91 _____
ENE/TR/ENV:RGreenberg	_____ signed _____	Date	_____ 3/27/91 _____

cc: PPC/PD/C: SMerrill

ENE/PDP/F: JRudisill-Bey (IAA with USDA only)

**ATTACHMENT B**  
**APPROVED MINUTES OF THE INTERAGENCY REVIEW MEETING**

**PROJECT MEMORANDUM  
(Green Cover)**

**Restructuring Agriculture and Agribusiness  
180-0024**

**PROJECT DECISION PAPER****Project: Restructuring Agriculture and Agribusiness (180-0024)**

<b><u>FY 91 Obligations:</u></b>	<b>\$17,000,000</b>
<b><u>LOP Funding:</u></b>	<b>\$67,000,000</b>

**Project Purpose:**

The purpose of the project is to improve and strengthen the ability of East European entrepreneurs and governments to operate an open market system in the agricultural sector.

**Project Rationale:**

The strategy and priorities for assistance to Eastern Europe (EE) were set down by the Coordinating Council for U.S. Assistance in Eastern Europe.<sup>1</sup> The overall priorities are to assist in developing democratic institutions and the rule of law, assist with reforms of economic institutions which will permit transformation to market-based economies, and improve quality of life and environment. The Paper further states that assistance should be concentrated on selected sectors because of their importance to "generating sustained growth, importance to living standards, linkages to other sectors, and ability to stimulate market-oriented reform". One of the selected sectors identified in the Strategy paper is agriculture and agribusiness. In addition to the above mentioned paper, the ENE/EUR Action Plan for Eastern Europe which provides general guidance on program content and implementation included several activities in the agricultural sector.<sup>2</sup> Further, the Program of Action for Agriculture and Agribusiness in Central and Eastern Europe further defines A.I.D.'s presents the short run strategy for agricultural and agribusiness development in Eastern Europe.<sup>3</sup>

While agriculture is one of the most important productive sectors, its development is constrained by the macroeconomic policy environment, the legal system, and the financial/banking sector; hence, the three top macro-level development priorities are macroeconomic stabilization, legal system reform; and

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<sup>1</sup> Strategy and priorities for Assistance to Central and Eastern Europe FY 1991; July 24, 1990, transmitted to the Coordinating Council for U S Assistance in Eastern Europe over the signature of Robert L Barry, Special Advisor of Eastern European Assistance to the Deputy Secretary of State.

<sup>2</sup> Action Plan for A I.D. Assistance to Eastern Europe, September 27, 1990.

<sup>3</sup> A Program of Action for Agriculture and Agribusiness in Eastern Europe, October 31, 1990.

It must be noted that none of the above mentioned papers have been formally approved by A.I.D.

**financial/banking/credit system reform** and are being addressed by other parts of the USG program and by other donors. Reforms in these three sectors are necessary to support overall economic growth but they are not by themselves sufficient to invigorate agriculture. Agricultural policy must be carefully integrated with macroeconomic policy reform to insure that adequate incentives for agriculture are in place and the sector receives sufficient resources to make the transition as a lead growth sector.

Many of the activities supporting agricultural and agribusiness development in the EE region will be implemented under other EUR programs. These programs will receive significant "agricultural input" to ensure the needs of the sector are met. For example, programs of support for the banking sector are being designed to have a part dealing with agricultural credit needs, programs that support a US to EUR university relationship will include an agricultural portion, telecommunications must consider the rural areas, the Restructuring and Privatization Project will work with agribusiness, etc. However, because of the unique conditions in the agricultural sector, A.I.D. support focused directly on the agricultural sector will be necessary.

In all East European countries, the agricultural production subsector has the capability to produce sufficient food and some exportable surpluses with existing technology; however, the marketing process is generally inefficient and the parastatal agribusiness subsector is deteriorating (transportation, storage, processing, etc.). In the short run, funds spent toward increasing the efficiency in the marketing system (through privatization, establishment of new agroprocessing, increased farm storage, farm repair shops, farm input dealers, etc.) promises larger and faster gains in the food supply, and hence, lower food prices, relatively, than from agricultural production oriented programs (research, extension). Nevertheless, some attention must be paid to agricultural research and extension to insure that farmers make to economically correct decisions.

The Action Plan for Agriculture and Agribusiness identifies three crosscutting areas to be addressed; these are **agriculture policy, management** (private and public sector) and **agricultural research and extension**. In addressing these constraints, the Restructuring Agriculture Project will target both the private and public sectors.

Agricultural policy analysis and reform will be critical to the continued production of food and other agricultural commodities for the domestic and international market. Attention must be given to the possible effects on agriculture of the macro policy changes being considered if the correct "signals" are to be sent to agriculture; i.e., agricultural policy must be a part of the broad policy agenda and not an ex post consideration. Much of the policy work anticipated under this project will focus

on the establishment of the institution of a market; i.e., the conditions necessary for the free exchange of goods and services and the determination of price. This will require changes in commercial law as well as agricultural policy. It also includes the possibility of establishing markets such as a national commodity market, trading in grains and other agricultural commodities similar to U.S. Boards of Trade.

The lack of management capacity is the constraint most frequently mentioned by the fledgling EUR private agribusiness sector. In general, this means non-technical side of operating a business such as finance, cost accounting, price setting, identifying markets, marketing, etc. However, specific management-related training is also needed on the technical side of operating a business in such things as quality control, sanitation, packaging, labeling, etc. In addition to the private agribusiness subsector, the EE government agencies will also require assistance in the management of the regulating activities (grades and standards, weights and measures, etc.). One of the critical areas in the agribusiness subsector is the agricultural banking or credit facilities. Agricultural banking requires specialized knowledge, including technical agricultural knowledge, in making and administering loans to farmers and small businesses. The lack of adequate credit facilities can cause serious declines in agricultural output, particularly as the EE economies privatize and adjust to international prices. The privatization efforts in the agricultural sector will also bring about the need for expertise on how parastatals could restructure themselves and how small cooperatives (true cooperatives) can organize to protect their interests.

The technical or production side of agricultural research is satisfactory for the intermediate term as is the technical competency of the researchers. In general, the technology produced has been directed to the parastatal farms with the intent of maximizing production; costs and returns and profit were not part of the decision making process. What is lacking throughout the EE region is the economics (how to make a profit) in the agricultural sector. More attention will need to be given to what traditionally has been called farm management; i.e., how to manage the resources available to make a profit. Linkages will also have to be forged between the research institutions, the extension services, public and private, and the end users of that research in order that the research conducted is relevant to the users.

The national extension services have, in general, been used as control agents and instruments for national policy and programs. While a national extension service can serve many useful functions, in the short run, it appears that alternatives (trade associations, cooperatives, banks, farm supply firms, etc.) to the national extension service may be necessary if needed information is to flow to and be accepted by the users. Further, much of the extension activity will need to be directed

toward private agribusiness, providing both technical and business skills information. This type of extension activity will probably necessitate "merging" of traditional U.S. extension and consulting work (for pay) provided by individuals and firms.

**Project Description:**

The constraints to development in private agriculture and agribusiness will be attacked by providing technical assistance (long and short term) and training (primarily short term) to the agriculture sector, with private agribusiness and cooperatives receiving the bulk of the assistance. The Project will also provide technical assistance and training to those public sector agencies and organizations that are essential to an open market system and will provide some support to public and private sector organizations to develop linkages between indigenous research organizations and the end users of the research. The activities will focus on agricultural policy analysis, market information and agricultural statistics systems, grades and standards and health and sanitation, agricultural marketing research, and to a lesser degree, agricultural research and extension involving both public and private sector organizations. It is difficult to identify specific TA or training needed ex ante as the situation in Eastern Europe is very fluid. Therefore, a "rolling design" concept will be used; i.e., the project implementors and A.I.D. will examine the project achievement on a yearly basis and make needed adjustments. The project will be reviewed at least once a year by an Interagency Review Committee composed of A.I.D., State, and USDA. Contractors and/or grantees may be invited to participate in the review.

**Sector Activities:**

**Private Sector Support:** This component will have two major efforts; one will focus on the cooperative movement in Eastern Europe and the other on other private agribusiness.

The specific objectives for the Private Sector activities are:

- (1) To provide technical assistance for restructuring, privatizing and strengthening open market oriented agribusiness and cooperatives in Eastern Europe;
- (2) To provide training for owners and employees of private agribusiness firms, members of cooperatives, and employees of government agencies with responsibilities to the agriculture sector in Eastern Europe;
- (3) To provide technical assistance to enable private agribusiness and private cooperatives in these countries to form joint ventures and other types of economic cooperation with U.S. agribusiness and cooperatives;

- (4) To provide assistance to Private Voluntary Organizations (PVOs) in developing private sector input distribution systems;

The effort on cooperatives will have four components. (1) The Cooperative Technical Assistance component will be responsible for; a) identifying indigenous cooperatives, cooperative organizations, and government agencies which could benefit from the TA, and b) for providing that TA. (2) The Cooperative Training component will provide short term technical training to cooperative members and managers, and government official, observational study tours, short courses at U.S. universities, and internships with U.S. agribusiness. (3) Economic Cooperation will facilitate economic linkages (joint ventures, sales relationships involving commodities, technology, or expertise) between U.S. cooperatives and host country cooperatives. Potential "partners" may be identified through the Cooperative Technical Assistance activities as well as through the initiatives of the Economic Cooperation subproject. (4) The Agricultural PVO Project, the fourth component, may involve U.S. cooperatives utilizing either PL 480 Title II commodities to help establish private agricultural input distribution systems.

The Agribusiness effort will provide a variety of direct and indirect technical assistance and training services to the agribusiness sector. The technical assistance will be directed toward a) state-owned agribusiness enterprises (SOE) to assist them in privatization efforts, b) providing management services to private agribusiness firms, c) providing financial services, and d) other assistance needed by private agribusinesses. Training will be provided to increase the capacity for East European private agribusiness to become self-managed operations, and to increase the capacity of host country institutions to provide management training to their indigenous agribusiness sector. Technical assistance and training requests will be made through the implementing organization's office in each country and the technical assistance and training services may be provided through existing A.I.D. IQC's, A.I.D. central and regional projects and new contracts and cooperative agreements. Organizations providing the technical assistance and the training will be expected to provide a wide range of services, including various types of technical assistance (managerial, financial, technical, etc.) and training (short term non-degree and degree). In addition, some funds will be provided to facilitate economic activity between U.S. and East European agribusiness.

**Public Sector Support:** The present EE governments do not have experience or knowledge as to how open market systems operate. Nor do they have a good understanding of the proper role of government in facilitating trade in the private sector while providing basic protection to the consumers. This program will provide assistance to the public sector to strengthen and support the activities of the government necessary for an open market

private sector. The activities will focus on agricultural policy analysis, market information and agricultural statistics systems, grades and standards and health and sanitation, agricultural marketing research, and to a lesser degree, agricultural research and extension involving both public and private sector organizations.

The specific objectives for the public sector activities are:

- (1) To provide technical assistance to East European public sector for a) the development of East European public sector agencies and organizations necessary to the operation of a open market economy, and b) the provision of public sector services to the private agricultural sector; and
- (2) To provide training for East European public sector agencies and organizations, and selected private sector groups to enhance the government's ability to support private sector activities.

#### Relationship to Eastern European Strategy:

The priorities for assistance to Eastern Europe are to help develop democratic institutions and the rule of law, help form market based economies and to improve the quality of life. The Coordinating Council for U.S. Assistance in Eastern Europe identified agriculture and agribusiness as one of the six priority areas within the overall assistance strategy for Eastern Europe. Therefore, this project is consistent with the assistance strategy of the U.S. Government. Further, portions of the project will be complementary to programs of the World Bank and of the European Community.

#### Risk Assessment:

The financial risk appear to be relatively small. The total sum of money for the project is substantial but the project will be implemented through various organizations reducing the exposure on any one organization. Further, the funds will remain in U.S. banks and under U.S. accounting procedures. The program will also be incrementally funded, again limiting exposure.

The programmatic risk will be greater. Identifying EE agribusiness firms that can use the TA and training to good advantage will be somewhat difficult; some mistakes will be made and not all firms will survive in a cometicative economy. These "mistakes" are normal ir an open economy. The risk will be country specific; i.e., regressing on the move to open societies and open markets. The probability appears to quite small but the cost of a regression is so great so as to make the risk larger. Countries where this "regression" appears possible will receive smaller programs thus reducing exposure.

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Potential conflict of interest may arise in the implementation of the Agribusiness portion of the project if individuals providing TA also wish to join into economic relationships with the TA recipient. How such situations are to be handled must be spelled out clearly in the contract/grant.

As mentioned in before, the situation in Eastern Europe is very fluid and it is virtually impossible to identify TA and training needs of individual entrepreneurs other than in a general way. The "rolling design" will be used in which A.I.D. and the various project implementors will consult and adjust the subprojects as needed. This will require flexibility on the part of all parties but it will reduce the risk of "over designing" a project which fails to meet the needs of its intended beneficiaries.

#### Evaluation and Auditing:

Annual evaluations will be conducted to determine the effectiveness with which the projects objectives have been achieved. An external Impact Evaluation utilizing U.S. and East European universities and institutions will be conducted.<sup>4</sup>

#### Implementation:

The project will be implemented through non-competitive grants to U.S. cooperative organizations and through competitive grants and/or contracts with U.S. private firms and universities.

Three non-competitive grants are proposed to fund the following programs involving East European cooperatives:

1. Volunteers in Overseas Cooperative Assistance (VOCA) Farmer-to-Farmer program;
2. National Cooperative Business Association (NCBA) Technical assistance for private economic business ventures; and
3. Agricultural Cooperative Development International (ACDI) Training in agribusiness for cooperatives and other private agribusiness.

A competitive grants/contract procedure will be used to fund technical assistance and training activities for private agribusiness organizations.

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<sup>4</sup> A concept paper which briefly describes the concept has been submitted to ENE/PD and ENE/EUR. If approved, the funds for impact evaluation would not come from project funds; hence, no funds have been programmed for evaluations. The contractors/grantees will be required to conduct evaluations from contract or grant funds.

The public sector activity with USDA will be funded through a 632(b) Inter-Agency Agreement.

<b><u>Estimated Budget:</u></b>	<b>FY 91</b>
<b>Private Sector Support</b>	<b>\$11,000,000</b>
<b>Cooperatives</b>	
Cooperative Technical Assistance	\$ 3,100,000
Cooperative Training	\$ 2,000,000
Economic Cooperation	\$ 500,000
Agriculture PVO	TBD
<b>Agribusiness</b>	
New Contracts/Grants	\$ 5,000,000
Buy-ins on Existing Contracts	\$ 400,000
<b>Public Sector Support</b>	<b>\$ 6,000,000</b>
<b>USDA</b>	
Marketing and Internal Trade	\$ 4,000,000
Extension	\$ 1,500,000
Technology Transfer	<u>\$ 500,000</u>
<b>TOTAL</b>	<b>\$17,000,000</b>

The budget amounts are indicative; funds may be moved between line items depending on country needs. The percentage of TA to training will be approximately 67% to 33%.

**Project Timeline:**

<b>Project Decision Paper</b>	
Drafted and distributed EUR	01/28/91
ENE Review Meeting	02/27/91
Interagency Review Meeting	03/06/91
<b>Congressional Notification</b>	
Sent to ENE/PD/EUR	03/01/91
Cleared EUR	03/07/91
Sent to Hill	03/08/91
Expired	03/25/91
<b>Project Memorandum (Authorization)</b>	
Drafted and Distributed	03/08/91
Signed	03/26/91
<b>Contract or Grant: TA Grant (VOCA)</b>	
PIO/T executed	03/26/91
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
Contract Award	03/27/91
<b>Contract or Grant: Training Grant (ACDI)</b>	
PIO/T executed	03/26/91
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
Contract Award	03/27/91
<b>Contract or Grant: Economic Coop (NCBA)</b>	
PIO/T executed	03/26/91
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
Contract Award	03/29/91
<b>Contract or Grant: Agricultural PVO</b>	
PIO/T executed	TBD
CBD Notice Published	TBD
RFP issued	TBD
Deadline for Proposals	TBD
Contract Award	TBD
<b>Contract or Grant: Agribusiness</b>	
PIO/T executed	03/11/91
CBD Notice Published	03/18/91
RFP issued	03/25/91
Deadline for Proposals	04/26/91
Contract Award	05/31/91

**Contract or Grant: USDA (IAA)**

PIO/T executed	n/a
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
IAA Signed	03/29/91

**Drafted:ENE/TR/ARD:JSnell(PDPgreen:c:wp51):February 21, 1991:7-720**

**ATTACHMENT A**  
**PROJECT MEMORANDUM**  
**(GREEN COVER)**

**MEMORANDUM**

**TO:** See Distribution *Ron Redman*  
**FROM:** ENE/PDP/EUR, Ron Redman  
**SUBJECT:** Attached for your information/records are the final approved minutes of the Inter-Agency Meeting on the Restructuring Agriculture and Agribusiness Project.

**DISTRIBUTION:**

ENE/PDP: R.Nachtrieb  
ENE/TR: J.Flynn  
MS/OP/OS/EE: G.Warshaw  
ENE/TR: D.Weller  
ENE/TR: J.Snell  
State D/EEA: K.Volker  
USDA/EESS/EC/FAS: G.Haviland

ENE/DP/EUR:RRedman:ljb:doc:0456u:3-13-91

**PROJECT DECISION PAPER**  
**FOR**

**RESTRUCTURING AGRICULTURE AND AGRIBUSINESS**  
**(180-0025)**

**FEBRUARY 12, 1991**

The meeting was chaired by Robert Nachtrieb, Director of ENE/PDP and was opened with a request for Jim Snell to present a brief overview of the Restructuring Agriculture and Agribusiness Project. After the brief presentation, the floor was opened for issues or comments.

1. Issue: Don Masters said that the project was specified in general terms and was directed more toward inputs than outputs. He recognized that the project was to be "demand driven" and that conditions were changing very rapidly in Eastern Europe, making it difficult to determine, ex ante, exactly what type of technical assistance or training will be most needed. He suggested a yearly review be conducted to determine if the outputs could be better defined.

Decision: The suggestion was accepted. The final Project Memorandum (Green Paper) will include the yearly review process.

2. Issue: Gail Warshaw questioned how the subprojects will be funded, contracts, grants, etc. and which will be competed and which will not. Jim Snell replied that the USDA portion of the project will be handled through an Inter-Agency Agreement 632(b). The cooperative portion will be largely non-competitive grants and the agribusiness portion will be competed. Jim Snell said he would prefer a cooperative agreement because of the difficulty of specifying the technical assistance and training needs of "demand driven" project; however, the implementors of the subproject would include for-profit firms. Gail Warshaw indicated that cooperative agreements would work in such a situation.

Decision: The committee supported the idea of a cooperative agreement. Jim Snell and Gail Warshaw will work together address the issue.

non-competitive procurement. Jim Snell said that this a problem in two cases but that VOCA can be funded non-competitively based on its unique capabilities. page 33 of 63

Decision: Gail Warshaw and Jim Snell will collaborate on this issue.

Overall Decision: The Project was approved. The Green Paper will include the yearly review to address the issue of outputs.

ENE/PD/EUR:DMasters:ljb:doc:0456u:3-1-91

MEMORANDUM

TO: See Distribution *Ron Redman*  
FROM: ENE/PDP/EUR, Ron Redman  
SUBJECT: Attached for your information/records are the final approved minutes of the Inter-Agency Meeting on the Restructuring Agriculture and Agribusiness Project.

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ENE/DP/EUR:RRedman:ljb:doc:0456u:3-13-91

PROJECT DECISION PAPER  
FOR

RESTRUCTURING AGRICULTURE AND AGRIBUSINESS  
(180-0025)

FEBRUARY 12, 1991

The meeting was chaired by Robert Nachtrieb, Director of ENE/PDP and was opened with a request for Jim Snell to present a brief overview of the Restructuring Agriculture and Agribusiness Project. After the brief presentation, the floor was opened for issues or comments.

1. Issue: Don Masters said that the project was specified in general terms and was directed more toward inputs than outputs. He recognized that the project was to be "demand driven" and that conditions were changing very rapidly in Eastern Europe, making it difficult to determine, ex ante, exactly what type of technical assistance or training will be most needed. He suggested a yearly review be conducted to determine if the outputs could be better defined.

Decision: The suggestion was accepted. The final Project Memorandum (Green Paper) will include the yearly review process.

2. Issue: Gail Warshaw questioned how the subprojects will be funded, contracts, grants, etc. and which will be competed and which will not. Jim Snell replied that the USDA portion of the project will be handled through an Inter-Agency Agreement 632(b). The cooperative portion will be largely non-competitive grants and the agribusiness portion will be competed. Jim Snell said he would prefer a cooperative agreement because of the difficulty of specifying the technical assistance and training needs of "demand driven" project; however, the implementors of the subproject would include for-profit firms. Gail Warshaw indicated that cooperative agreements would work in such a situation.

Decision: The committee supported the idea of a cooperative agreement. Jim Snell and Gail Warshaw will work together address the issue.

non-competitive procurement. Jim Snell said that this a page 36 of 63  
problem in two cases but that VOCA can be funded  
non-competitively based on its unique capabilities.

Decision: Gail Warshaw and Jim Snell will collaborate on  
this issue.

Overall Decision: The Project was approved. The Green Paper  
will include the yearly review to address the issue of outputs.

ENE/PD/EUR:DMasters:ljb:doc:0456u:3-1-91

**ATTACHMENT C**  
**PROJECT DECISION PAPER**

**PROJECT DECISION PAPER**

**Project: Restructuring Agriculture and Agribusiness (180-0024)**

**FY 91 Obligations: \$17,000,000**

**LOP Funding: \$67,000,000**

**Project Purpose:**

The purpose of the project is to improve and strengthen the ability of East European entrepreneurs and governments to operate an open market system in the agricultural sector.

**Project Rationale:**

The strategy and priorities for assistance to Eastern Europe (EE) were set down by the Coordinating Council for U.S. Assistance in Eastern Europe.<sup>1</sup> The overall priorities are to assist in developing democratic institutions and the rule of law, assist with reforms of economic institutions which will permit transformation to market-based economies, and improve quality of life and environment. The Paper further states that assistance should be concentrated on selected sectors because of their importance to "generating sustained growth, importance to living standards, linkages to other sectors, and ability to stimulate market-oriented reform". One of the selected sectors identified in the Strategy paper is agriculture and agribusiness. In addition to the above mentioned paper, the ENE/EUR Action Plan for Eastern Europe which provides general guidance on program content and implementation included several activities in the agricultural sector.<sup>2</sup> Further, the Program of Action for Agriculture and Agribusiness in Central and Eastern Europe further defines A.I.D.'s presents the short run strategy for agricultural and agribusiness development in Eastern Europe.<sup>3</sup>

While agriculture is one of the most important productive sectors, its development is constrained by the macroeconomic policy environment, the legal system, and the financial/banking sector; hence, the three top macro-level development priorities are macroeconomic stabilization, legal system reform; and

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<sup>1</sup> Strategy and priorities for Assistance to Central and Eastern Europe FY 1991, July 24, 1990, transmitted to the Coordinating Council for U S Assistance in Eastern Europe over the signature of Robert L Barry, Special Advisor of Eastern European Assistance to the Deputy Secretary of State.

<sup>2</sup> Action Plan for A.I.D. Assistance to Eastern Europe, September 27, 1990.

<sup>3</sup> A Program of Action for Agriculture and Agribusiness in Eastern Europe, October 31, 1990

It must be noted that none of the above mentioned papers have been formally approved by A.I D.

**financial/banking/credit system reform** and are being addressed by other parts of the USG program and by other donors. Reforms in these three sectors are necessary to support overall economic growth but they are not by themselves sufficient to invigorate agriculture. Agricultural policy must be carefully integrated with macroeconomic policy reform to insure that adequate incentives for agriculture are in place and the sector receives sufficient resources to make the transition as a lead growth sector.

Many of the activities supporting agricultural and agribusiness development in the EE region will be implemented under other EUR programs. These programs will receive significant "agricultural input" to ensure the needs of the sector are met. For example, programs of support for the banking sector are being designed to have a part dealing with agricultural credit needs, programs that support a US to EUR university relationship will include an agricultural portion, telecommunications must consider the rural areas, the Restructuring and Privatization Project will work with agribusiness, etc. However, because of the unique conditions in the agricultural sector, A.I.D. support focused directly on the agricultural sector will be necessary.

In all East European countries, the agricultural production subsector has the capability to produce sufficient food and some exportable surpluses with existing technology; however, the marketing process is generally inefficient and the parastatal agribusiness subsector is deteriorating (transportation, storage, processing, etc.). In the short run, funds spent toward increasing the efficiency in the marketing system (through privatization, establishment of new agroprocessing, increased farm storage, farm repair shops, farm input dealers, etc.) promises larger and faster gains in the food supply, and hence, lower food prices, relatively, than from agricultural production oriented programs (research, extension). Nevertheless, some attention must be paid to agricultural research and extension to insure that farmers make economically correct decisions.

The Action Plan for Agriculture and Agribusiness identifies three crosscutting areas to be addressed; these are agriculture policy, management (private and public sector) and agricultural research and extension. In addressing these constraints, the Restructuring Agriculture Project will target both the private and public sectors.

Agricultural policy analysis and reform will be critical to the continued production of food and other agricultural commodities for the domestic and international market. Attention must be given to the possible effects on agriculture of the macro policy changes being considered if the correct "signals" are to be sent to agriculture; i.e., agricultural policy must be a part of the broad policy agenda and not an ex post consideration. Much of the policy work anticipated under this project will focus

on the establishment of the institution of a market; i.e., the conditions necessary for the free exchange of goods and services and the determination of price. This will require changes in commercial law as well as agricultural policy. It also includes the possibility of establishing markets such as a national commodity market, trading in grains and other agricultural commodities similar to U.S. Boards of Trade.

The lack of management capacity is the constraint most frequently mentioned by the fledgling EUR private agribusiness sector. In general, this means non-technical side of operating a business such as finance, cost accounting, price setting, identifying markets, marketing, etc. However, specific management-related training is also needed on the technical side of operating a business in such things as quality control, sanitation, packaging, labeling, etc. In addition to the private agribusiness subsector, the EE government agencies will also require assistance in the management of the regulating activities (grades and standards, weights and measures, etc.). One of the critical areas in the agribusiness subsector is the agricultural banking or credit facilities. Agricultural banking requires specialized knowledge, including technical agricultural knowledge, in making and administering loans to farmers and small businesses. The lack of adequate credit facilities can cause serious declines in agricultural output, particularly as the EE economies privatize and adjust to international prices. The privatization efforts in the agricultural sector will also bring about the need for expertise on how parastatals could restructure themselves and how small cooperatives (true cooperatives) can organize to protect their interests.

The technical or production side of agricultural research is satisfactory for the intermediate term as is the technical competency of the researchers. In general, the technology produced has been directed to the parastatal farms with the intent of maximizing production; costs and returns and profit were not part of the decision making process. What is lacking throughout the EE region is the economics (how to make a profit) in the agricultural sector. More attention will need to be given to what traditionally has been called farm management; i.e., how to manage the resources available to make a profit. Linkages will also have to be forged between the research institutions, the extension services, public and private, and the end users of that research in order that the research conducted is relevant to the users.

The national extension services have, in general, been used as control agents and instruments for national policy and programs. While a national extension service can serve many useful functions, in the short run, it appears that alternatives (trade associations, cooperatives, banks, farm supply firms, etc.) to the national extension service may be necessary if needed information is to flow to and be accepted by the users. Further, much of the extension activity will need to be directed

toward private agribusiness, providing both technical and business skills information. This type of extension activity will probably necessitate "merging" of traditional U.S. extension and consulting work (for pay) provided by individuals and firms.

**Project Description:**

The constraints to development in private agriculture and agribusiness will be attacked by providing technical assistance (long and short term) and training (primarily short term) to the agriculture sector, with private agribusiness and cooperatives receiving the bulk of the assistance. The Project will also provide technical assistance and training to those public sector agencies and organizations that are essential to an open market system and will provide some support to public and private sector organizations to develop linkages between indigenous research organizations and the end users of the research. The activities will focus on agricultural policy analysis, market information and agricultural statistics systems, grades and standards and health and sanitation, agricultural marketing research, and to a lesser degree, agricultural research and extension involving both public and private sector organizations. It is difficult to identify specific TA or training needed ex ante as the situation in Eastern Europe is very fluid. Therefore, a "rolling design" concept will be used; i.e., the project implementors and A.I.D. will examine the project achievement on a yearly basis and make needed adjustments. The project will be reviewed at least once a year by an Interagency Review Committee composed of A.I.D., State, and USDA. Contractors and/or grantees may be invited to participate in the review.

**Sector Activities:**

**Private Sector Support:** This component will have two major efforts; one will focus on the cooperative movement in Eastern Europe and the other on other private agribusiness.

The specific objectives for the Private Sector activities are:

- (1) To provide technical assistance for restructuring, privatizing and strengthening open market oriented agribusiness and cooperatives in Eastern Europe;
- (2) To provide training for owners and employees of private agribusiness firms, members of cooperatives, and employees of government agencies with responsibilities to the agriculture sector in Eastern Europe;
- (3) To provide technical assistance to enable private agribusiness and private cooperatives in these countries to form joint ventures and other types of economic cooperation with U.S. agribusiness and cooperatives;

- (4) To provide assistance to Private Voluntary Organizations (PVOs) in developing private sector input distribution systems;

The effort on cooperatives will have four components. (1) The Cooperative Technical Assistance component will be responsible for; a) identifying indigenous cooperatives, cooperative organizations, and government agencies which could benefit from the TA, and b) for providing that TA. (2) The Cooperative Training component will provide short term technical training to cooperative members and managers, and government official, observational study tours, short courses at U.S. universities, and internships with U.S. agribusiness. (3) Economic Cooperation will facilitate economic linkages (joint ventures, sales relationships involving commodities, technology, or expertise) between U.S. cooperatives and host country cooperatives. Potential "partners" may be identified through the Cooperative Technical Assistance activities as well as through the initiatives of the Economic Cooperation subproject. (4) The Agricultural PVO Project, the fourth component, may involve U.S. cooperatives utilizing either PL 480 Title II commodities to help establish private agricultural input distribution systems.

The Agribusiness effort will provide a variety of direct and indirect technical assistance and training services to the agribusiness sector. The technical assistance will be directed toward a) state-owned agribusiness enterprises (SOE) to assist them in privatization efforts, b) providing management services to private agribusiness firms, c) providing financial services, and d) other assistance needed by private agribusinesses. Training will be provided to increase the capacity for East European private agribusiness to become self-managed operations, and to increase the capacity of host country institutions to provide management training to their indigenous agribusiness sector. Technical assistance and training requests will be made through the implementing organization's office in each country and the technical assistance and training services may be provided through existing A.I.D. IQC's, A.I.D. central and regional projects and new contracts and cooperative agreements. Organizations providing the technical assistance and the training will be expected to provide a wide range of services, including various types of technical assistance (managerial, financial, technical, etc.) and training (short term non-degree and degree). In addition, some funds will be provided to facilitate economic activity between U.S. and East European agribusiness.

**Public Sector Support:** The present EE governments do not have experience or knowledge as to how open market systems operate. Nor do they have a good understanding of the proper role of government in facilitating trade in the private sector while providing basic protection to the consumers. This program will provide assistance to the public sector to strengthen and support the activities of the government necessary for an open market

private sector. The activities will focus on agricultural policy analysis, market information and agricultural statistics systems, grades and standards and health and sanitation, agricultural marketing research, and to a lesser degree, agricultural research and extension involving both public and private sector organizations.

The specific objectives for the public sector activities are:

- (1) To provide technical assistance to East European public sector for a) the development of East European public sector agencies and organizations necessary to the operation of a open market economy, and b) the provision of public sector services to the private agricultural sector; and
- (2) To provide training for East European public sector agencies and organizations, and selected private sector groups to enhance the government's ability to support private sector activities.

#### Relationship to Eastern European Strategy:

The priorities for assistance to Eastern Europe are to help develop democratic institutions and the rule of law, help form market based economies and to improve the quality of life. The Coordinating Council for U.S. Assistance in Eastern Europe identified agriculture and agribusiness as one of the six priority areas within the overall assistance strategy for Eastern Europe. Therefore, this project is consistent with the assistance strategy of the U.S. Government. Further, portions of the project will be complementary to programs of the World Bank and of the European Community.

#### Risk Assessment:

The financial risk appear to be relatively small. The total sum of money for the project is substantial but the project will be implemented through various organizations reducing the exposure on any one organization. Further, the funds will remain in U.S. banks and under U.S. accounting procedures. The program will also be incrementally funded, again limiting exposure.

The programmatic risk will be greater. Identifying EE agribusiness firms that can use the TA and training to good advantage will be somewhat difficult; some mistakes will be made and not all firms will survive in a cometicative economy. These "mistakes" are normal in an open economy. The risk will be country specific; i.e., regressing on the move to open societies and open markets. The probability appears to quite small but the cost of a regression is so great so as to make the risk larger. Countries where this "regression" appears possible will receive smaller programs thus reducing exposure.

Potential conflict of interest may arise in the implementation of the Agribusiness portion of the project if individuals providing TA also wish to join into economic relationships with the TA recipient. How such situations are to be handled must be spelled out clearly in the contract/grant.

As mentioned in before, the situation in Eastern Europe is very fluid and it is virtually impossible to identify TA and training needs of individual entrepreneurs other than in a general way. The "rolling design" will be used in which A.I.D. and the various project implementors will consult and adjust the subprojects as needed. This will require flexibility on the part of all parties but it will reduce the risk of "over designing" a project which fails to meet the needs of its intended beneficiaries.

#### Evaluation and Auditing:

Annual evaluations will be conducted to determine the effectiveness with which the projects objectives have been achieved. An external Impact Evaluation utilizing U.S. and East European universities and institutions will be conducted.<sup>4</sup>

#### Implementation:

The project will be implemented through non-competitive grants to U.S. cooperative organizations and through competitive grants and/or contracts with U.S. private firms and universities.

Three non-competitive grants are proposed to fund the following programs involving East European cooperatives:

1. Volunteers in Overseas Cooperative Assistance (VOCA) Farmer-to-Farmer program;
2. National Cooperative Business Association (NCBA) Technical assistance for private economic business ventures; and
3. Agricultural Cooperative Development International (ACDI) Training in agribusiness for cooperatives and other private agribusiness.

A competitive grants/contract procedure will be used to fund technical assistance and training activities for private agribusiness organizations.

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<sup>4</sup> A concept paper which briefly describes the concept has been submitted to ENE/PD and ENE/EUR. If approved, the funds for impact evaluation would not come from project funds; hence, no funds have been programmed for evaluations. The contractors/grantees will be required to conduct evaluations from contract or grant funds.

The public sector activity with USDA will be funded through a 632(b) Inter-Agency Agreement.

<u>Estimated Budget:</u>	<b>FY 91</b>
<b>Private Sector Support</b>	<b>\$11,000,000</b>
<b>Cooperatives</b>	
Cooperative Technical Assistance	\$ 3,100,000
Cooperative Training	\$ 2,000,000
Economic Cooperation	\$ 500,000
Agriculture PVO	TBD
<b>Agribusiness</b>	
New Contracts/Grants	\$ 5,000,000
Buy-ins on Existing Contracts	\$ 400,000
<b>Public Sector Support</b>	<b>\$ 6,000,000</b>
<b>USDA</b>	
Marketing and Internal Trade	\$ 4,000,000
Extension	\$ 1,500,000
Technology Transfer	<u>\$ 500,000</u>
<b>TOTAL</b>	<b>\$17,000,000</b>

The budget amounts are indicative; funds may be moved between line items depending on country needs. The percentage of TA to training will be approximately 67% to 33%.

**Project Timeline:**

<b>Project Decision Paper</b>	
Drafted and distributed EUR	01/28/91
ENE Review Meeting	02/27/91
Interagency Review Meeting	03/06/91
<b>Congressional Notification</b>	
Sent to ENE/PD/EUR	03/01/91
Cleared EUR	03/07/91
Sent to Hill	03/08/91
Expired	03/25/91
<b>Project Memorandum (Authorization)</b>	
Drafted and Distributed	03/08/91
Signed	03/26/91
<b>Contract or Grant: TA Grant (VOCA)</b>	
PIO/T executed	03/26/91
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
Contract Award	03/27/91
<b>Contract or Grant: Training Grant (ACDI)</b>	
PIO/T executed	03/26/91
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
Contract Award	03/27/91
<b>Contract or Grant: Economic Coop (NCBA)</b>	
PIO/T executed	03/26/91
CBD Notice Published	n/a
RFP issued	n/a
Deadline for Proposals	n/a
Contract Award	03/29/91
<b>Contract or Grant: Agricultural PVO</b>	
PIO/T executed	TBD
CBD Notice Published	TBD
RFP issued	TBD
Deadline for Proposals	TBD
Contract Award	TBD
<b>Contract or Grant: Agribusiness</b>	
PIO/T executed	03/11/91
CBD Notice Published	03/18/91
RFP issued	03/25/91
Deadline for Proposals	04/26/91
Contract Award	05/31/91

Contract or Grant: USDA (IAA)

PIO/T executed

n/a

CBD Notice Published

n/a

RFP issued

n/a

Deadline for Proposals

n/a

IAA Signed

03/29/91

Drafted:ENE/TR/ARD:JSnell (PDPgreen:c:wp51):February 21, 1991:7-720

**ATTACHMENT D**  
**INTERAGENCY AGREEMENT**

**INTER-AGENCY AGREEMENT BETWEEN  
THE AGENCY FOR INTERNATIONAL DEVELOPMENT  
AND  
THE UNITED STATES DEPARTMENT OF AGRICULTURE**

**Subject:** Reimbursement to the United States Department of Agriculture (USDA) for the Implementation of the USDA Technical Assistance and Training Activity in Eastern Europe

**Project Title:** Restructuring Agriculture and Agribusiness

**Project Number:** 180-0024

**I. PURPOSE**

The purpose of this Inter-Agency Agreement (IAA) between the United States Department of Agriculture (USDA) and the Agency for International Development (A.I.D.) is to define the procedures under which A.I.D. shall reimburse funds to USDA pursuant to this Agreement for the purpose of implementing the USDA Technical Assistance and Training Activity in Eastern Europe.

**II. AUTHORITY AND USES OF FUNDS**

Pursuant to the provision headed "Assistance for Eastern Europe," Section (a)(7), Title II of the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1991 (P.L. 101-513) and Section 632(b) of the Foreign Assistance Act of 1961, as amended, A.I.D. shall reimburse \$6.0 million to USDA for implementing the USDA Technical Assistance and Training Activity ("the Activity") as authorized by the Acting Deputy Assistant Administrator, Bureau for Europe and Near East. It is understood that these funds will be used in a manner consistent with the purposes of the Activity and in accordance with the laws and regulations governing the Activity. The Activity consists of technical assistance and training to aid the public sector in the East European countries to strengthen or establish government agencies and organizations necessary for the operation of an open market system in agriculture. In addition, limited technical assistance and training may be for selected private sector organizations to strengthen their open market activities. The activity description is included as Annex A to this IAA.

It is understood that the budget figures presented in the activity description in Annex A are for planning purposes and that funds not expended as indicated above may be used, with A.I.D.'s prior written concurrence, for other activities which promote the overall project goal and objectives. Significant changes to activities described in Annex A shall be discussed in the quarterly narrative reports.

### III. TERMS AND CONDITIONS

This agreement is made under the following terms and conditions:

1. Execution of this Agreement will constitute an obligation by A.I.D. of FY 1991 funding for this Activity. Subject to the availability of funds under the OYB process A.I.D. will consider additional funding for the activity in FY 92.

2. USDA will bill A.I.D. through OPAC procedures or by submitting a standard form 1081 (SF-1081) to: Agency for International Development, FM/CARD, Inter-Agency Billing Unit, SA-2, Room 603, Washington, D.C. 20523-0208.

The amount of the bill will be determined by USDA, and will be treated as an advance by A.I.D. This advance will be expended based on the quarterly reports, mentioned above and further described below, detailing the implementation of the USDA Technical Assistance and Training Activity in Eastern Europe.

Funds not disbursed by USDA upon completion of the Activity, (or disbursed for purposes or activities not authorized by this IAA) shall be promptly refunded to A.I.D. Further, USDA shall keep full and complete records and accounts with respect to said funds in accordance with generally accepted U.S. Government accounting principles.

3. It is understood that the completion date for this Activity shall be three years from the date of this Agreement, unless the Activity is completed at an earlier date. "Completion date" for this purpose refers to the last day for performances of services (and the last day for the delivery of commodities) in Eastern Europe. If the completion date for any activities under this program shall exceed three years, USDA shall obtain prior, written concurrence from A.I.D. before an agreement for any such activity is entered into.

4. USDA agrees to use the funds transferred hereby to cover the administration and related costs of the Activity, and the awards of grants and contracts. The funds will be administered by USDA including procurement actions, monitoring, and follow-up including environmental determinations in accordance with USDA procedures. And, where possible, USDA shall procure or obtain goods and services whose source, origin or nationality is the United States, or as shall be otherwise designated by A.I.D.

5. A.I.D. shall seek to ensure that funds are not used to pay host country duties/taxes. A.I.D. anticipates concluding bilateral agreements in the near future with these East European countries which will, inter alia, provide such exemptions for A.I.D.-financed goods and services. Until such agreements are in place, however, the matter will be handled on an ad hoc basis.

6. USDA shall provide a quarterly financial report showing the amount of the original advance, as well as current quarter and cumulative expenditures as follows:

	<u>Cumulative Commitment</u>	<u>Current Qtr Expenditures</u>	<u>Cumulative Expenditure</u>
Extension			
Marketing and Internal Trade			
Bulgaria			
Economic information Systems			
Ag. Training			
Regulation			
Scientific Research			
Technology Transfer			

The quarterly financial report will be utilized to liquidate the advance authorized hereby. An original and three (3) copies of the financial report shall be submitted to the A.I.D. Office of Financial Management, FM/CARD, Inter-Agency Billing Unit, Room 603, SA-2, Washington, D.C. 20523. The quarterly financial report must be signed in original by an authorized official of USDA/OICD's Budget and Finance staff.

The quarterly financial report shall also include a narrative description of the progress of project activities. The content and format of the narrative portion of the quarterly report will be agreed to by USDA and the A.I.D. Project Officer within thirty (30) days of the date of this Inter-Agency Agreement. An additional copy of the quarterly financial report shall be submitted to A.I.D., ENE/TR/ARD, Room 4440 N.S., Washington, D.C. 20523.

7. USDA hereby agrees to provide A.I.D. with copies of all evaluation (or other) reports generated by federal or outside sources, and such other information as A.I.D. may, from time to time, request concerning the progress, impact or success of the USDA Technical Assistance and Training Activity in Eastern Europe.

8. The audit and inspection requirements as set forth in the Inspector General Act of 1978, as amended, shall apply hereto, and the Office of the Inspector General, Agency for International Development, shall ensure full compliance with all applicable provisions thereof.

9. USDA hereby agrees to follow its own environmental procedures while implementing this Agreement.

10. This IAA may be modified or canceled upon mutual written agreement of both parties.

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Robert N. Nachtrieb  
Acting Deputy Assistant  
Administrator  
Bureau for Europe and  
Near East  
Agency for International  
Development

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Duane Acker  
Administrator  
Office of International  
Cooperation and Development  
United States Department of  
Agriculture

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Funding: \$6 million

Appropriation Symbol:

Budget Plan Code:

Funds Control Number:

55

**ATTACHMENT E**  
**INITIAL ENVIRONMENTAL EXAMINATION**

## INITIAL ENVIRONMENTAL EXAMINATION

- (A) PROGRAM COUNTRY: Poland, Hungary,  
Czechoslovakia, Romania,  
Yugoslavia, and Bulgaria
- (B) ACTIVITY: Technical Assistance and  
Training to agribusiness,  
cooperatives and government  
agencies
- (C) FUNDING: \$67,000,000
- (D) PERIOD OF FUNDING: FY 1991 - FY 1995
- (E) STATEMENT PREPARED BY: James G. Snell, ENE/TR/ARD
- (F) ENVIRONMENTAL ACTION RECOMMENDED: Categorical Exclusions  
under A.I.D. Regulation  
22 CFR 216 Environmental  
Procedures  
216.2(c)(1)(i), and  
216.2(c)(2)(i).

## (G) DECISION OF DEPUTY ASSISTANT ADMINISTRATOR

APPROVED:  \_\_\_\_\_

DISAPPROVED: \_\_\_\_\_

DATE: \_\_\_\_\_

## (H) DECISION OF ENE ENVIRONMENTAL OFFICER

APPROVED:  \_\_\_\_\_

DISAPPROVED: \_\_\_\_\_

DATE: \_\_\_\_\_

(A) DESCRIPTION OF THE PROGRAM

The constraints to development in private agriculture and agribusiness will be attacked by providing technical assistance (long and short term) and training (primarily short term) to the agriculture sector, with private agribusiness and cooperatives receiving the bulk of the assistance. The Project will also provide technical assistance and training to those public sector agencies and organizations that are essential to an open market system and will provide some support to public and private sector organizations to develop linkages between indigenous research organizations and the end users of the research. In those cases where technical assistance is provided to agribusinesses, such as food processing, that might have a negative effect on the environment, technical assistance and training on how to eliminate or significantly reduce the negative effect will also be provided.

(B) RECOMMENDED ENVIRONMENTAL ACTION:

Considering the above-outlined project, a categorical exclusion from A.I.D.'s Initial Environmental Examination requirements is proposed. This proposal is in accordance with A.I.D. Environmental Procedures 22 CFR Part 216, Sections 216.2 (c)(1)(i) which generally provides for a categorical exclusion in situations where the action does not have an effect on the natural or physical environment. Specifically, this activity is categorically excluded under Sections 216.2 (c)(2)(i) for education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.).

DATE: March 11, 1991

TO: SER/OP/OS/ENE; Diane Miller

FM: ENE/TR/ARD; James Snell

Subject: Waiver of Non-Competitive Procurement: Volunteers in Overseas Cooperative Assistance (VOCA)

ISSUE: Volunteers in Overseas Cooperative Assistance (VOCA) has submitted an unsolicited proposal to expand their activities underway in Poland to include the other countries in the Eastern Europe (EE).

BACKGROUND: VOCA was given an earmark of \$1,000,000 in the Support of East European Democracy (SEED) Act to provide technical assistance to cooperatives in Poland and to assist in the privatization of "state" cooperatives. The actual grant to VOCA was \$995,700 (a .43% reduction for the President's drug initiative).

VOCA has preformed in an outstanding manner as indicated by the following comments of Mr. Bill Joslin, A.I.D. Representative in Poland.

1. The VOCA Farmer-to-Farmer program has been highly praised by Head of the GOP office for donor coordination as being very relevant and effective. Other GOP officials have made similar comments. The program and operation is equally accepted by the cooperatives themselves.
2. The A.I.D. Rep made a field visit to a VOCA project site and was impressed by the volunteer as being particularly suited to the activity being carried out. Further, the activity was very appropriate to the situation. The impression was a top quality person doing a professional job on a very relevant subject.
3. The cooperatives undergoing reform need assistance and the assistance is being well used. The VOCA Poland operation is well run, efficient and effective. The VOCA in-country presence is good and they have reached out to other organizations better than any other group in Poland.
4. At present, there is no organization that offers a satisfactory alternative to VOCA in supplying technical assistance to the cooperatives in Poland. The few other organizations in related areas provide services complementary to VOCA, but not the same type of assistance. As other efforts get under way in the agricultural sector, the types of activities being performed by VOCA in Poland will remain unique to the overall effort in agriculture and will

GA

**Discussion:** The proposed expansion of the VOCA program has substantially increased the costs of the program. However, this cost increase is justified given the number of countries to be covered and the increased emphasis given to agriculture in Poland and Bulgaria as a result of requests of the Governments of Poland and Bulgaria.

A.I.D. Handbook 13 gives 5 justifications for non-competitive procurement, two of which are amendments to existing assistance awards (Section 2B3(c)) and "Follow on assistance awards intended to continue or further develop an existing assistance relationship (Section 2B3(d)). The VOCA program qualifies for non-competitive procurement under 2B3(d) as the activities proposed are follow on activities as the successful VOCA program is an expansion of the present VOCA program in Poland and to the other countries in the Eastern Europe.

**Action Requested:** That your approve a non-competitive grant award to Volunteers in Overseas Cooperative Assistance based on the justification cited above in an amount up to \$9,500,000 to be incrementally funded over three years.

  
Drafted: ENE/TR/ARD/JSnell (memo4:c:wp51); March 12, 1991; 7-7201

• DATE: March 11, 1991

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TO: SER/OP/OS/ENE; Diane Miller

FM: ENE/TR/ARD; James Snell

Subject: Waiver of Non-Competitive Procurement: Agricultural Cooperative Development International (ACDI)

ISSUE: Agricultural Cooperative Development International (ACDI) has submitted an unsolicited proposal to provide training for members of cooperatives and public agencies involved with cooperatives in the Eastern Europe.

BACKGROUND: The East European countries have had a long history of private agricultural and agribusiness cooperatives, pre-dating World War II. These private cooperatives were disbanded after World War II and state directed cooperatives were formed, forcibly in some cases. The management of the state cooperatives were assigned from the central government and the cooperative "members" functioned as labor, rather than owners of their particular cooperative. Self-management or governing skills decreased as previous private cooperative members grew older and moved, retired, or died.

Interest in re-establishing private cooperatives has increased dramatically as a result of the movement toward democracy and open market systems. East European governments are encouraging privatization of the economies and state owned enterprises (SOE) and state directed cooperatives are moving to become private economic enterprises. However, after forty years of having the major decisions made by the central government, the task of moving suddenly to member owned and managed cooperatives is difficult and many of the cooperatives will need a wide range of assistance to overcome the constraints imposed by forty years of state control. Training on how to organize, manage, and operate private cooperatives of all types will be needed.

DISCUSSION: The need for training for members of agricultural cooperatives in Poland was identified early in the Farmer-to-Farmer program of the Volunteers in Overseas Cooperative Assistance (VOCA); however, the Farmer-to-Farmer program is not designed to provide training other than through the process of providing technical assistance to cooperatives. ACDI, through close contacts with VOCA and through their own efforts in Eastern Europe, identified the need for significantly more training for cooperative members than could be provided by VOCA volunteers and developed a proposal to fill that need. ACDI proposes to establish a joint office with VOCA in selected East European countries. ACDI will continue to work closely with VOCA. As VOCA identifies constraints that can be overcome by training, ACDI will provide that training. In addition, ACDI will work with other agricultural cooperatives

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Specifically, The purpose of the proposed project is to increase the efficiency and effectiveness of the production and business sectors of the agricultural economies of East European countries. More specific objectives are to:

- o provide innovative farmers, cooperative managers and leaders, agribusiness people, and agricultural extension agents with the production, management, and financial skills appropriate to a market economy;

- o provide training in specific technical areas to increase productivity and efficiency;

- o extend the benefits of existing Farmer-to-Farmer programs by providing a quick response to identified training needs.

The project will be focused on five areas of the agricultural sector: (1) new private agribusiness and associations; (2) enhanced economic results for existing private enterprises; (3) credit and banking services; (4) extension service; and (5) privatization of state agricultural enterprises. In each of the areas, ACDI will base the U.S. training program on needs identified by the Volunteer in Overseas Cooperative Assistance (VOCA) Farmer-to-Farmer volunteers. Four kinds of training activities will be used and generally, a participant's program will involve a mix of the following activities:

1. Study/Observational Tours: programs will be designed to expose participants to the U.S. agricultural sector, including agricultural credit, private agribusiness, and supply, marketing and processing cooperatives.

2. Technical and On-the-Job Training: participants will be placed with ACDI members and affiliated organizations for training and OJT's in a variety of areas including grain elevator management, food processing, fruit and vegetable marketing, extension communications, transportation, etc.

3. University Short Courses: short courses will be arranged at member institutions of the Association of Big Eight Universities. Courses will emphasize the development of practical skills and will be tailored to meet the specific needs of the participants. Courses will generally be coupled with an OJT.

4. Farm Training: participant farmers and private extension agents will enhance their knowledge and skills by working side-by-side with American farmers and experiencing first-hand the many facets of U.S. farm operation and management.

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A.I.D. Handbook 13 gives 5 justifications for non-competitive procurement. Section 2B3(b) of Handbook 13 states

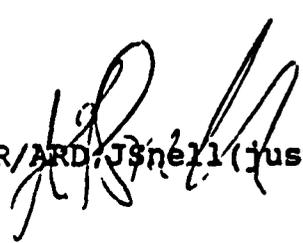
"Assistance awards for which one recipient is considered to have exclusive or predominant capability, based on experience, specialized facilities or technical competence, or based on an existing relationship with the cooperating country or beneficiaries:"

is one basis for making a non-competitive award. The ACDI proposal falls into this category.

ACDI has existing relationship with cooperatives in Poland and the Minister of Rural Quality of Life has requested that all Polish administrative organs and offices provide ACDI will all legal assistance possible. ACDI has also established a relationship with Government of Bulgaria and with Bulgarian cooperatives. These two countries will receive the majority of the assistance provided for cooperatives in Eastern Europe. In addition, ACDI has established a close working relationship with VOCA which will be a major part of the A.I.D. assistance to East European cooperatives.

More importantly, ACDI was established by the U.S. cooperative movement as the mechanism with which U.S. cooperatives would provide technical assistance and training to cooperatives in the developing countries. ACDI has established linkages with more than forty major U.S. cooperatives (i.e., member cooperatives of ACDI) and, hence, can draw from a very large pool talent to provide the training needed in Eastern Europe. ACDI also has a wide range of experience in providing needed training to members of cooperatives in developing countries. The experience in providing training, the linkages with a wide range of U.S. cooperatives, and the relationships already established in Eastern Europe gives ACDI a predominant capability in providing the wide range of training needs by members of cooperatives and public agencies involved with cooperatives in Eastern Europe.

Action Requested: That your approve a noncompetitive grant award to Agricultural Cooperative Development International based on the justification cited above in an amount up to \$6,700,000 to be incrementally funded over three (3) years.

  
Drafted:ENE/TR/ARD,JSnel1(justacdi:c:wp51);March 25, 1991;7-7201

**Date:** March 26, 1991

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**TO:** MS/OP/OS/EE; Diane Miller

**FROM:** ENE/TR/ADD; James Spell

**SUBJECT:** Waiver of Non-Competitive Procurement: National Cooperative Business Association (NCBA)

**ISSUE:** The National Cooperative Business Association has submitted an unsolicited proposal to provide technical assistance and training to East European cooperatives and businesses toward the intended end of increased economic relations between U.S. cooperatives and East European cooperatives and businesses.

**BACKGROUND:** NCBA submitted an unsolicited proposal to A.I.D. to fund the establishment of an East European Cooperative Trade and Business Development Center. The proposal was reviewed by then DAA C. Lewis who found the proposal to be very consistent with the objectives of the A.I.D. program in Eastern Europe. DAA Merrill has come to a similar conclusion. The proposed program builds on the experience of NCBA and its wholly-owned, for-profit subsidiary, Cooperative Business International (CBI). CBI was established by NCBA through a \$1,847,000 seed capital grant from A.I.D. (PRE). The purpose of CBI is to promote and facilitate trade and investment among the world's cooperatives and other businesses. Some of the major accomplishments are as follows:

- o Brought together Land O'Lakes, the Indonesian Dairy cooperatives and a major Indonesian agribusiness firm into a joint venture modeled after India's smallholder dairy operation. The U.S. exported 13,000 head of dairy cattle as of June 30, 1989. Indonesia had not imported any cattle from the U.S. since 1979.
- o Structured a relationship between India's National Agricultural Cooperative Marketing Federation of India, Ltd. and Universal Cooperatives, Inc. (U.S.). Universal imported approximately \$5,000,000 of Indian nigerseed.
- o Established a new market for Indonesian canned fruits and vegetables with a major U.S. importer serving the Chinese food sector. CBI has brokered approximately 100 containers of straw mushrooms, and are developing related products such as baby corn, bamboo shoots, and seafood.
- o Developed an excellent source of vanilla beans for Indonesian cooperatives and are actively marketing them in the U.S. Sales are projected to be \$2,000,000 annually.

WJ

An evaluation of the CBI program by Development Associates, Inc. (for AID/PRE) confirmed that CBI generated almost \$100 million in trade since its inception, created almost 2000 jobs (one quarter to one third for women) and contributed significantly to the ability of Indonesia's private sector to compete in the international market.

**DISCUSSION:** NCBA proposes to create an operation similar to the CBI operation in Indonesia in Eastern Europe and will add direct U.S. cooperative participation from the beginning of the program. The participating U.S. cooperatives are:

Land O'Lakes, Minneapolis, MN (annual product sales exceeds \$2.3 billion);

Ag Processing, Inc. (AGP), Omaha, NE (annual sales of over \$9.6 million);

Indiana Farm Bureau Cooperative Association, Inc./Countrymark, Inc. (annual sales of approximately \$2.0 billion);

Nationwide Mutual Insurance Company (over \$25 billion in assets and \$8.4 billion in premiums in 1989);

Cooperative Development Foundation (noted for launching CARE); and

World Wide Sires, Inc. (exported to approximately 45 countries in 1989).

The Center will combine technical assistance, training, market promotion and development loan/equity programs to promote trade and joint venture among U.S. cooperatives and Eastern European cooperatives and other small/medium sized businesses. The emphasis will be on cooperatives. The specific program objectives are to:

- o Increase production of agricultural cooperative enterprises by providing training, technical assistance, and by developing joint ventures and trade with U.S. cooperatives;
- o Assist Eastern Europe's agricultural sector to restructure and upgrade, and to modernize its business management and technology;
- o Assist Eastern Europe to broaden and modernize its delivery of insurance, health, housing and other consumer services by providing policy advice, training, and technical assistance; and

- o Assist East European cooperatives in their transition to democratically controlled organizations by providing management and organizational assistance.

These objectives are supportive of the objectives of the A.I.D. program in Eastern Europe.

A.I.D. Handbook 13 Section 2B3 provided that competition is not required if

"a. Assistance awards based pm an unsolicited application when the project officer certifies based on explanatory findings and determines that the proposal:

- (1) Was not solicited by A.I.D.; and
- (2) Is unique, innovative, or proprietary, and acceptance would be fair, reasonable, and would represent appropriate use of A.I.D. funds to support or stimulate a public purpose;"

The proposed program is both unique and innovative in that it brings together a wide range of cooperatives and skills, all directed toward helping East European cooperative become private member-managed cooperatives with a market orientation while at the same time enhancing the U.S. cooperatives' opportunities to join into mutually beneficial economic relationships with the East European cooperatives and businesses. No other cooperative group is following this approach in Eastern Europe. The program is also innovative in that it draws U.S. cooperatives with no international experience together with U.S. cooperatives actively involved in international development and trade. The project is consistent with the efforts of the Bureau for Europe and Near East to involve U.S. private enterprises directly in development activities which can lead to increased trade for the U.S. and host country.

**ACTION REQUESTED:** That you approve a non-competitive grant award for National Cooperative Business Association to establish the East European Cooperative Trade and Business Development Center in Eastern Europe based on the justification cited above in an amount up to \$3,500,000 to be funded incrementally over a five year period.

