

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR (LAC)

AUG 1978

FROM: LAC/DR, *J. P. Brown* Marshall D. Brown

Problem: Amendment of Project Authorization for the Guyana Small Farm Development - Black Bush Region - Project No. 504-0075.

Background: The subject Project is designed to increase the production of rice and food crops in the Black Bush Region of Guyana. The global Project includes civil works to improve and increase water supply to small farmers, to rehabilitate irrigation and drainage systems, to improve on-farm development, and to improve agricultural supporting services. The AID-financed component provides a package of services which complement World Bank and other donor-financed civil works. AID financing is provided for A&E services for the design and supervision of the construction phase of the Project, equipment and production and marketing services. The total cost of the Project is estimated at \$42.8 million, complemented by a \$1.4 million AID grant. External financing in the amount of \$8.9 million will be provided by AID (\$7.5 million loan, \$1.4 million grant), \$10.0 (loan) by the World Bank, \$10.0 million (loan) by IFAD, and a total cost of \$2.5 million in loans from the IDB and CIDA. The Government of Guyana will contribute \$6.8 million to the global Project and \$1.0 million to complement the AID grant.

Discussion: This Project was authorized by the Assistant Administrator (LAC) on July 17, 1978. The Amendment of the Proposed Authorization would delete Covenant (V) on page 4 of the Authorization (see TAB A). Under this Covenant the Government of Guyana is to establish and maintain a system to cover operating and maintenance costs and to recover the capital investments in the Project. The Covenant was added to make the AID loan agreement consistent with that of the World Bank. This language, however, is already included in the World Bank's agreement for its \$10.0 million loan to this GOG Project. Since the AID loan agreement will be signed before the World Bank agreement, retaining this Covenant would require that AID take initial responsibility for negotiating a World Bank covenant. We believe that it is preferable for the World Bank to negotiate this covenant because one of their project teams has already discussed it with the GOG. The signature of the World Bank agreement is a condition precedent to disbursement for the AID loan, thus ensuring that this Covenant will form part of the project. Furthermore, the establishment of a cost recovery system is of high priority to the World Bank since the Bank is financing one of the largest shares of the Project and has prime responsibility for the irrigation civil works. AID, a minor donor to the Project, has less leverage in obtaining the Government of Guyana's cooperation in establishing the cost recovery system. Deletion of Covenant (V) will therefore not alter or affect either the objectives of the World Bank Project or the AID-financed components. This deletion involves only a procedural modification in the loan authorization and does not reflect a substantive policy change.

Recommendation: That you sign the attached PAF Amendment.

Attachment

TAB A - Authorization

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

ASSISTANT  
ADMINISTRATOR

AID/BAS-011

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS  
(AMENDMENT)

Name of Country: Guyana  
Name of Project: Small Farm Development -  
Black Bush Region  
Project Number : 504-0075  
Loan Number : 504-T-014

The subject Project Authorization dated July 17, 1978 is hereby amended by deleting subparagraph (v) of Section E - Covenants.

Except as specifically modified hereby all other terms and conditions of the Authorization remain in full force and effect.

Edward W. Coy  
Acting Assistant Administrator  
Bureau for Latin America and the  
Caribbean

August 3, 1978  
Date

Clearance:  
LAC/CAR, JLockard ML Date 8/3  
LAC/DR, WRhodes ML Date 8/2  
LAC/DR, RGomez ML Date 8/3  
LAC/DR, MBrown ML Date 8/3

GC/LAC, JLockard ML: lb: 8/2/78: X23272