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TELEGRAM
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ORIGIN AID-40

INFO OCT-01 /041 R

DRAFTED BY LA/APU:PSMATHESON:AR
APPROVED BY AA/LA:HKLEINE
LA/APU:PPAUCETT (DRAFT)
LA/DR:BW HITTLE (DRAFT)
LA/DPNS:CUYEHARA (DRAFT)
LA/DR:RBREEN LA/DR:HS HARLACH (DRAFT)
LA/DP:DERBE (DRAFT)
LA/DR:RSEIFMAN (DRAFT)
LA/GC:LLUNDY (DRAFT)
PPC/DPRE:BODELL (DRAFT)
DESIRED DISTRIBUTION
2L ACTION LA 16 INFO PPC 7 GC GCFLD GCLA AGRIC CHRON 2 3 40P
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R 061944Z DEC 74
FM SECSTATE WASHDC
TO AMEMBASSY MONTEVIDEO

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AIDAC

E.O. 11652:IN/A

TAGS:

SUBJECT: IRR REVIEW, AGRICULTURAL COOPERATIVE DEVELOPMENT
LOAN

1. THE DAEC REVIEWED SUBJECT IRR NOVEMBER 22. THE MISSION IS AUTHORIZED TO PROCEED WITH AN INTENSIVE REVIEW LIMITED AS FOLLOWS. EXPANSION OF THE SUPPLY AND MARKETING ACTIVITIES, TECHNICAL ASSISTANCE AND TRAINING COMPONENTS ARE APPROVED. FINANCING OF THE MACHINERY POOL AND THE SELECTED SMALL FARMER ASSISTANCE FUND ARE NOT APPROVED. DOLLAR COST FINANCING FOR CONSTRUCTION OF THE PACKING PLANT IS APPROVED. THERE IS, HOWEVER, A PRESUMPTION IN FAVOR OF REQUIRING BORROWER TO ARRANGE FOR THE WORKING CAPITAL AND TO EXPLORE THE POSSIBILITY OF

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LOCAL COST FINANCING BY THE BORROWER.

2. FOLLOWING ADDITIONAL GUIDANCE IS PROVIDED FOR PRESENTATION OF CAP.

(1) CAP SHOULD PROVIDE DETAILED STATEMENT OF THE LEGAL STATUS, MEMBERSHIP, ADMINISTRATIVE STRUCTURE, STAFF AND OPERATIONS OF CALFORU. ALSO, CAP SHOULD INCLUDE MECHANICS OF HOW PROJECT WOULD OPERATE AND IDENTIFICATION OF THE TARGET GROUP. WHAT IS MAKEUP OF COOP MEMBERSHIP (AVERAGE NET ASSETS, SIZE OF AND HOLDINGS

AND INCOME LEVEL)? WHO OF THE COOP MEMBERS WILL BENEFIT?

(2) FINANCIAL ANALYSIS OF CALFORU SHOULD INCLUDE EXAMINATION OF EXISTING PORTFOLIO, COLLECTION RECORD AND CAPACITY, DEBT-EQUITY RATIO AND PROJECTED IMPACT OF PROPOSED LOAN OVER CAPITALIZATION, MEMBER INCOME, SUPPLY AND MARKETING ACTIVITIES. A CLEAR STATEMENT OF HOW REPAYMENTS/REVENUE GENERATED BY THE AID LOAN WILL BE USED, IS REQUIRED.

(3) PURPOSE OF LOAN SHOULD BE CLEARLY EXPRESSED. WHAT IS SIGNIFICANTLY ADDITIVE ABOUT THE PROJECT? HOW IS INSTITUTIONAL CAPACITY BUILT UP? HOW ARE PRODUCTIVITY AND INCOME OF FARMER AFFECTED? LOGICAL FRAMEWORK SHOULD HAVE CLEAR STATEMENT OF GOALS, PURPOSE. EVALUATION PLAN SHOULD BE INCLUDED.

(4) AN ADEQUATE FEASIBILITY STUDY WHICH ENCOMPASSES ENGINEERING, FINANCIAL, AND OTHER PLANS NECESSARY TO CARRY OUT THE ASSISTANCE AND PROVIDE A REASONABLY FIRM COST ESTIMATES IS REQUIRED TO INCLUDE CONSTRUCTION COSTS OF THE PACKING PLANT IN THE LOAN. THIS STUDY MUST BE REVIEWED BY AID AND SATISFY OUR TECHNICAL REQUIREMENTS. PLEASE SUBMIT MATERIALS NOW AVAILABLE ASAP. A COST-BENEFIT ANALYSIS ON DEVOTING SUCH A LARGE PERCENTAGE OF THE LOAN TO THIS PACKING PLANT AND DESCRIPTION OF THE FRUIT MARKETING SYSTEM SHOULD BE UNDERTAKEN. CAN THE NUMBER OF BENEFICIARIES BE INCREASED?

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IF EQUIVALENT FEASIBILITY STUDY OF CANNING PLANT NOT ACCOMPLISHED PRIOR TO PREPARATION CAP, MISSION CAN EXPLORE POSSIBILITY OF INCLUDING FUNDING OF STUDY IN LOAN BUT DAEC PREFERENCE IS FOR EXCLUSION OF SUCH RELATIVELY MINOR ITEMS FROM LOAN.

(5) CREDIT SUPPLY/DEMAND ANALYSIS IS NEEDED. WHAT ASSURANCES CAN BE BUILT INTO THE PROGRAM THAT THE NECESSARY CREDIT WILL BE AVAILABLE?

(6) THE 1972 IDS EXPORT DEMAND STUDIES SHOULD BE REVIEWED AND UPDATED AS APPROPRIATE. MISSION MAY WISH TO CONTACT USAID/BRASILIA FOR INFORMATION OR ASSISTANCE IN THIS REGARD.

(7) BASELINE DATA REGARDING WOMEN IN THE COOP MOVEMENT, THEIR EMPLOYMENT IN THE AGRICULTURAL AND PROCESSING ACTIVITIES TO BE FINANCED, AND OTHER SUCH CONCERNS SHOULD BE EXPLORED AND DEVELOPED DURING INTENSIVE REVIEW.

(8) SINCE THE TARGET GROUPS OF THIS PROPOSED LOAN AND OF PROPOSED AGR. RESEARCH/TA LOAN OVERLAP, CAP SHOULD INDICATE WHY TWO LOANS ARE NEEDED AND HOW, IN SPECIFIC DETAIL, THE VARIOUS ACTIONS UNDER THESE TWO LOANS WILL BE COORDINATED. KISSINGER

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