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

39p
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CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

6250714
625-H-002

AFRICA REGIONAL: DAHOMEY - PARAKOU-MALANVILLE ROAD

A.I.D.
Reference Center
Room 1655 NSW

AID-DLC/P-1025/2

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

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AID-DLC/P-1025/2
February 4, 1974

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Africa Regional - Dahomey - Parakou-Malanville
Road

Attached for your review are the recommendations for authorization of an amendment to the above loan in an amount not to exceed \$4.0 million to the Government of the Republic of Dahomey to provide additional funds to assist in financing the foreign exchange and local currency costs of goods and services for the reconstruction and upgrading of the Parakou-Malanville Road.

Please advise us of your concurrence or objection as early as possible, but in no event later than close of business on Monday, February 11, 1974.

Development Loan Committee
Office of Development
Program Review

Attachments:

Summary and Recommendations
Project Analysis
ANNEXES I-VII

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AFRICA REGIONAL: DAHOMEY--PARAKOU-MALANVILLE ROAD LOAN AMENDMENT

TABLE OF CONTENT

	<u>Page</u>
SUMMARY AND RECOMMENDATIONS	i-i
I. <u>INTRODUCTION</u>	1
A. Description and Background	1
B. A.I.D. Development Objectives	1
C. Borrower	2
II. <u>ECONOMIC ANALYSIS</u>	2
A. Costs	2
B. Benefits	3
C. Internal Rate of Return	3
III. <u>TECHNICAL ANALYSIS</u>	4
A. Reasons for Cost Increase	4
B. Difference in Bids for A.I.D. and IDA sections of Road	4
IV. <u>IMPLEMENTATION</u>	5
A. Need for Early Authorization	5
B. Implementation Schedule	5
V. <u>FINANCIAL ANALYSIS</u>	6
A. Financial Plan	6
B. Other Sources of Financing	7
C. Prospects for Repayment	7
VI. <u>ECONOMIC EFFECTS OF LOAN</u>	7
A. Impact on U.S. Economy	7
B. Effect on Private Enterprise	7
C. Impact on U.S. Balance of Payments	7
VII. <u>IMPACT ON THE ENVIRONMENT</u>	7

ANNEXES

- I - Capital Assistance Loan Authorization Amendment
- II - Checklist of Statutory Criteria Development Loan Fund
- III - Internal Rate of Return - Two-Lane Road - Low Traffic

- IV - Internal Rate of Return - Two-Lane - High Traffic
- V - IRR for Two-Lane Road - Low Traffic (50% increase in petroleum costs)
- VI - IRR for Two-Lane Road - High Traffic (50% increase in petroleum costs)
- VII - 611(e) Certification

Africa Regional: Dahomey — Parakou-Malanville Road Loan Amendment

SUMMARY AND RECOMMENDATIONS

1. Borrower: The Borrower is the Government of Dahomey (MRGD)
2. Amount of Loan Amendment: \$4.0 Million
3. Terms:
 - A. Maturity: 40 Years including a 10-year grace period.
 - B. Interest: 2 percent per annum during the grace period on disbursed amounts and 3% during the remaining 30 years.
 - C. Repayment: Interest and principal repayable in U.S. dollars.
4. Total Cost of the Project:

A.I.D. Loan 625-H-002	\$ 8,000,000
Proposed A.I.D. loan Amendment	4,000,000
Government of Dahomey	1,300,000
International Development Association (IDA)	<u>7,704,769</u>
TOTAL	\$21,004,769

5. Project Description: The project consists of the reconstruction and upgrading to a two-lane bituminous surface of a 200-mile road connecting the northern railhead of the Dahomey railroad at Parakou to the Dahomey/Niger border at the bridge crossing the Niger River in Malanville. The A.I.D. loan will finance the reconstruction and upgrading of approximately the northern half of this road. IDA will finance the reconstruction and upgrading of the balance of the road together with supervisory engineering services required for the entire road. Additional project elements for which A.I.D. financing is not being provided include reconstruction of two sections of the Cotonou-Bohicon road, a preinvestment study of the Bohicon-Dassa Zoume road and expansion of the existing IDA road maintenance training program.
6. Purpose of the Loan Amendment: To provide the necessary funds to carry out the project based on the costs of the bids for construction.
7. Background: The UNDP financed Dahomey Land Transport Survey, completed in 1969, recommended the reconstruction of the Parakou-Malanville road as an extremely urgent project in the transportation sector. In January 1972, at the request of the Bank, A.I.D. agreed to consider joint funding for the project. The original A.I.D. loan of \$8.0 million was authorized on May 31, 1972 and signed on July 28, 1972. However, the IDA credit was not executed until July 3, 1973. As a result, bids were not received and opened until October 16, 1973. The lowest bid received for the A.I.D. financed portion of the road was \$11.0 million, \$3.0 million more than available funds. Evaluation of the bids has caused A.I.D. and the MRGD to reconsider the amount necessary for the reconstruction and upgrading of the A.I.D.

portion of the road (see section III, below) and necessitates this \$4.0 million amendment to cover the higher than estimated bid price plus a \$1.0 million contingency.

8. Export-Import Bank Clearance: Clearance of original loan obtained; further clearance not required.
9. Views of A.I.D. and U.S. Missions: The loan amendment is recommended by the Embassies in Cotonou and Niamey, the A.I.D. Regional Development Office (RDO) in Niamey, and the Regional Economic Development Services Office for West Africa (REDSO/WA).
10. Statutory Criteria: The loan amendment will meet all statutory requirements. See Annex II.
11. Issues: None.
12. Recommendation: Authorization of a \$4.0 million Loan Amendment to A.I.D. loan 625-H-002 to provide funds necessary to reconstruct and upgrade the northern portion of the Parakou-Malanville Road.

CAPITAL ASSISTANCE COMMITTEE

	<u>REDSO/WA</u>	<u>A.I.D./W</u>
Design Officer :	N. Schoonover	D. Clark
Engineer :	J. Saccheri	B. Watkins
General Counsel :	J. Phippard	T. Muntsinger
Desk Officer :	J. Hill	D. Blane

I. INTRODUCTION

A. Description and Background

In March 1966, a mission from the IBRD visited Dahomey to study the country's roads, ports, and railways, and to identify projects suitable for Bank group financing. The mission drew attention to the necessity of improving road maintenance and transport coordination and recommended the undertaking of a comprehensive land transport survey. The UNDP agreed to finance the proposed survey with the Bank as Executing Agency. The study was conducted jointly by the Canadian consulting firms, N.D. Lea Associates and Lamarre Valois. The study, completed in July 1969, recommended the urgent reconstruction and upgrading of the Parakou-Malanville road, which had badly deteriorated from insufficient maintenance. Under an IDA credit, a highway maintenance program resulted from the study and included provision for the detailed engineering design of the road by the German firm, Dorsch A.G. After the completion of the first phase of the engineering design in 1971, the consultants were asked to update the economic analysis of the road. This report, completed in November 1971, recommended a two-lane paved road.

In the latter part of 1971, the IBRD submitted this project to A.I.D. for consideration of participation in financing. In January 1972, A.I.D. advised the Bank of its interest in the project and took part in an appraisal mission with the IBRD in February. The original A.I.D. loan of \$8.0 million was authorized on May 31, 1972 and signed on July 28, 1972. The IDA credit, however, was not executed until July 3, 1973 because of the unsettled political situation in Dahomey and a reconsideration of the Bank's position regarding local cost financing. As a result, bids were not received and opened until October 16, 1973. The MRGD received bids from:

Morrison-Knudsen (M-K)	\$11.0 million
Grove International	13.2 million
Ballenger-Central	13.8 million

The low bid has been analyzed by Dorsch and REDSO/WA. The bid is considered to be fully responsive and reasonable in cost after consideration of various factors which account for the increase in cost over initial estimates (see section III). The MRGD has reviewed the bids and is prepared to award the contract to the low bidder as soon as funds for the cost increase are authorized.

B. A.I.D. Development Objectives

This loan amendment is within the framework of A.I.D.'s current program policy in West Africa to support and promote regional cooperation as an essential ingredient for the economic development of this area, particularly as it relates to agriculture. Improved transportation links are of paramount importance to agriculture in ensuring a means of marketing production and reducing costs of both

exports and imports. This project is an essential part of a regional transportation axis between Dahomey and Niger, providing the primary access to the sea for the agricultural production of northern Dahomey and western Niger and a means of importing necessary products for agricultural development and other commercial production. Furthermore, the road plays a major role in relief efforts supplying the interior drought-stricken country, Niger. The project is consistent with U.S. policies of increased cooperation with multilateral international lending institutions and of greater emphasis upon assistance to the "least developed" countries. The project is considered an appropriate allocation of Agency and Bureau resources because of the priority this project has for the general economic development of Dahomey and Niger and because A.I.D. has already demonstrated a financial commitment not only to the MRGD but also to the World Bank by virtue of the authorization of the original loan for \$8.0 million. Furthermore, financing from other donors is unavailable; and in any event, the entrance of a new donor would entail rebidding of the project, thereby creating costly delays in the construction of the road and probably higher costs.

C. Borrower

The borrower is the Government of Dahomey (MRGD). The implementing agency will be Directorate of Public Works (DPW) in the Ministry of Public Works, Mines, and Transport. At present, the DPW is being assisted in a highway maintenance program through a \$3.5 million IDA credit which will directly benefit the project. The IDA credit provides for the overhaul and renewal of the equipment fleet as well as the strengthening and reorganization of the road maintenance organization.

II. ECONOMIC ANALYSIS

A. Costs

The current cost estimates for the Parakou-Malanville Road total \$21,004,769. Contributions are proposed as follows:

1. A.I.D.	\$12,000,000
2. IDA	7,704,769
3. MRGD	<u>1,300,000</u>
TOTAL	\$21,004,769

A.I.D. will finance the reconstruction and upgrading of the northern 169.5 km of the road and IDA will finance the southern 148.1 km. Reasons for the higher cost estimate for the A.I.D. portion will be discussed in part III.

The costs listed above are based on actual bids received for both portions of the road. The MRGD has until February 12, 1974, to accept the low bid for the A.I.D. financed section of the road. The Bank has yet to approve an amount for

the IDA financed segment, but anticipates doing so before mid-February as well. Bids for this section range lower than the A.I.D. financed portion with the low bid of \$6,440,000 including a provision for escalation during construction. Nevertheless, there is some concern that the contractor for this segment has underbid the project and may have difficulty in performing the job.

B. Benefits

The benefits are listed together with the Internal Rate of Return (IRR) analysis in annexes III and IV. As with costs, benefits are listed for both low and high traffic forecasts for the road. However, whereas the costs reflect current amounts, the benefits listed are those determined in early 1972. Because time and the vagaries of today's world petroleum price fluctuations do not allow a thorough analysis of current benefits, the earlier benefits are used in the analysis below. It is important to note that an IRR based on current higher costs and past lower benefits will understate the actual expected return from the project.

The two traffic estimates represent possible but unlikely high and low volumes. The low volume is particularly conservative in that it allows for the possible development of an effective river transport system, and it represents a major shift of traffic from the road to the river system. Probability analysis undertaken by the Bank indicates only a 15% probability that traffic would drop as low as the low traffic estimate.

C. Internal Rate of Return (IRR)

The calculation of the IRR for low and high traffic estimates is shown in annexes III and IV. The IRR for the low traffic estimate is calculated to be approximately 6.6% and for the high traffic estimate, approximately 17.1%. Again, as mentioned above, it is important to recognize that these IRRs are understated since benefits have not been adjusted upward to reflect current conditions.

A more accurate picture may be drawn by making estimates of the impact of updated benefits. For example, it is clear that in view of petroleum price increases, user benefits will increase. That is, less fuel consumption per kilometer becomes more important because fuel is more expensive. Consultants indicate that approximately 1/3 of user benefits from road improvement may be directly attributed to the cost of petroleum. For example, if one assumes that fuel costs have risen by 50% in Dahomey since early 1972, the IRRs become 8.7% and 20.1% respectively for the low and high traffic estimates (see annexes V and VI)

In addition, with price increases in road maintenance equipment and materials, it may be argued that there are other increased benefits as well. In any case, given these IRRs and the strong likelihood that actual traffic will fall between the two estimates, and given the general economic situation and prospects for development in Dahomey, it is clear that reconstruction and up-grading of the Parakou-Malanville Road is justified.

III. TECHNICAL ANALYSIS

A. Reasons for Cost Increase

The original A.I.D. loan of \$8.0 million was authorized on May 31, 1972, and signed on July 28, 1972. The amount of this loan was based on cost estimates provided by Dorsch in their report of November 1971 and updated in April 1972. Bids were not received for the project, however, until October 1973 because of the earlier mentioned delay in the execution of the IDA credit. Since the original cost estimates, several factors have led to an increase in the costs for construction of the road.

Subsequent to the Dorsch cost estimates, there have been two dollar devaluations. In addition, there has been additional uncosted deterioration in the road because of the unanticipated delay in construction. The major reason for the cost increase, however, stems from the recent sharp increase in prices for petroleum and petroleum related goods.

REDSO/WA with assistance from Louis Berger consultants in Abidjan has reviewed the low bid for the A.I.D. financed portion of the road and finds it to be a reasonable bid because of the rise in costs. In addition, the analysis in section B below will show that the bid for the IDA section is reasonable and competitive, and that the low bids for the two portions of the road are comparable.

B. Difference in Bids for A.I.D. and IDA Sections of Road

It is argued that the low bid for the IDA portion is reasonable for and competitive with construction costs in Dahomey for two reasons. First, the low bid comes as a joint venture by two French firms already established in Dahomey as they have other road contracts there. Second, there was considerable competition for the IDA section of the road. Nineteen firms prequalified and five submitted bids.

There are several reasons why the low bid for the A.I.D. financed section of the road is higher than the low bid for the IDA financed section. First, the IDA section is more accessible both to Cotonou and Parakou as this section is the southern part of the road. As a result, transportation costs both for imported equipment and materials from the U.S. and for inland transportation will be greater for the A.I.D. part of the road. Second, the low bid for the A.I.D. section does not contain an escalation clause, while the IDA tenders do include such clauses. Of particular importance here is the recent drastic increase in petroleum costs and subsequent price increases of goods related to petroleum. Third, the A.I.D. section is longer, 169.5 km vs 148.1 km.

REDSO/WA's recent analysis examined the low bid for the A.I.D. section of the road by comparing it with the lowest bid on the IDA financed portion. Unit costs of this lowest bid were applied to the low bidder's quantities for the A.I.D. section. REDSO/WA's analysis included a quantification of the likely impact of inflation on the cost of the IDA section. Without the escalation clause, the low bid for the IDA section is approximately 10.9 million CFA francs per kilometer.

With the escalation clause and the expected inflationary impact, the cost jumps to approximately 14.9 million CFA francs per kilometer. This cost is comparable to the low bid of approximately 14.8 million CFA francs per Kilometer for the A.I.D. portion of the road.

In conclusion, considering again that the low bidder for the A.I.D. section faces higher overhead costs because it isn't established in Dahomey and it has higher transportation costs, and considering that the per kilometer costs of the low bidders are comparable, it is felt that the low bid for the A.I.D. financed portion of the road is a reasonable bid.

IV. IMPLEMENTATION PLAN

A. Need for Early Authorization

The bid contract documents stipulate that the bid tender remains valid for 120 days following the date set for the opening of bid tenders. As bids were opened on October 16, 1973, the bid validity date expires on February 13, 1974. The MRGD has indicated a willingness to accept the low bid, but only when additional funding has been authorized to cover the cost increase in construction. As a result, the loan amendment should be authorized prior to the expiration of the bid validity.

Failure to authorize the loan amendment by February 13 may lead to a withdrawal of the current bid. A new round of bidding probably will be higher because of petroleum price increases in West Africa and the uncertainty of world prices and because the low bidder is aware that it underbid the nearest bidder by more than \$2 million. Consequently, it is felt that if a new round of bidding becomes necessary, a loan amendment for a still higher amount will be needed if A.I.D. is to fulfill its commitment to finance the reconstruction and upgrading of approximately the northern half of the Parakou-Malanville Road.

Should A.I.D. decide to deny any loan increase, three possible courses of action are possible: 1) \$8,000,000 may be enough to attract a bid from a European firm (if bids become permitted from European firms); this would have a negative impact on the U.S. balance of payments and the U.S. economy by taking the job away from an American firm. 2) A.I.D. could shorten the segment of the road it will reconstruct and upgrade; this would involve a very significant decrease in road length because many of the low bidder's construction costs are fixed costs; also in the likely event that no other donor is found, the road would not be complete. 3) A.I.D. could reduce the design standards for its portion of the road, thereby allowing an inferior road and causing difficulties with the World Bank, which is financing the remainder of the road at higher standards. In all three cases, A.I.D. would not be fulfilling its original intentions with regard to reconstruction and upgrading of the road.

B. Implementation Schedule

The revised implementation schedule is as follows:

Bid Award	February 1974
Contract Signed	March 1974
Contractor Mobilization; Begin Construction	April 1974
Complete Construction (2½ years)	October 1976
Certificate of Acceptance	November 1976

V. FINANCIAL ANALYSIS

A. Financial Plan

The revised financial plan as set forth in the table below differs from the original plan largely as a result of the cost increase in the construction of the A.I.D. portion of the road. In addition, the IDA contribution is somewhat higher and the MRGD contribution marginally lower than in the original plan.

Parakou-Malanville Road
(\$ US)

<u>A.I.D. Contribution:</u>	<u>Foreign Exchange</u>	<u>Local Costs</u>	<u>Total</u>
Construction	\$9,228,009	\$1,790,509	\$ 11,018,518
Engineering	-	-	-
Contingencies	821,991	159,491	<u>981,482</u>
			\$ 12,000,000
<u>IDA Contribution:</u>			
Construction	\$5,221,616	\$ 224,824	\$ 5,446,440
Engineering	701,433	87,500	788,933
Contingencies	970,720	498,676	<u>1,469,396</u>
			\$ 7,704,769
<u>MRGD Contribution:</u>			
Construction	-	\$1,000,000	\$ 1,000,000
Engineering	-	-	-
Contingencies	-	300,000	<u>300,000</u>
			\$ 1,300,000
TOTAL FOR PARAKOU-MALANVILLE ROAD			<u>\$ 21,004,769</u>

B. Other Sources of Financing

A.I.D. is participating in this project at the request of the Bank, which has taken the lead in developing the project and arranging financing. Because of the regional and multi-donor aspects of the project, it is particularly appropriate for A.I.D. participation in keeping with its policies for West Africa. Private financing is not available for this type of project, and the Export-Import Bank has stated it was not interested in participating in this project. Furthermore, as mentioned in section IV, the availability of other donors at this time is very unlikely.

C. Prospects for Repayment

There are reasonable prospects for repayment of this loan (see AID-DLC/P-1025)

VI. ECONOMIC EFFECTS OF THE LOAN

A. Impact on U.S. Economy

This loan amendment does not conflict with any U.S. business interests. To the contrary, the loan amendment will assist the U.S. economy by financing approximately \$4 million of U.S. construction services (in addition to the original \$8 million loan).

B. Effect on Private Enterprise

This loan amendment will finance and allow a contract between the Government of Dahomey and a private U.S. construction firm.

C. Impact on U.S. Balance of Payments

The high percentage of the loan amendment used for financing U.S. goods and services will be additional exports for the U.S. economy since without the A.I.D. loan amendment, it is very likely that construction services would be procured elsewhere. The percentage of local cost financing will have a minimal effect on the balance of payments.

VII. IMPACT ON THE ENVIRONMENT

Since the project involves the rehabilitation and upgrading of an existing roadway and alignment, there will be no adverse effect on the existing ecology of the area.

ANNEX I

A.I.D. Loan Nos 625-H-002
625-H-002A
Capital Asst. Paper No. AID/DLC/P-1025/1
Project No.

CAPITAL ASSISTANCE LOAN AUTHORIZATION
AMENDMENT

Africa Regional: Dahomey--Parakou-Malanville Road

Pursuant to the authority vested in the Assistant Administrator for Africa of the Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize an amendment to increase the amount of the above - captioned loan to the Government of the Republic of Dahomey by an amount not to exceed Four Million Dollars (\$4,000,000) to provide additional funds to assist in financing the foreign exchange and local currency costs of goods and services for the reconstruction and upgrading of the Parakou-Malanville Road, subject to the following terms and conditions:

1. Interest Rate and Terms of Repayment

The Borrower shall, in United States dollars:

- (a) Repay the loan to A.I.D. within forty (40) years, including a grace period of not to exceed ten (10) years;
- (b) Pay to A.I.D. interest on the disbursed balance of the loan, and on any interest accrued thereon, at the rate of two percent (2%) per annum during the grace period and three percent (3%) per annum thereafter.

2. Other Terms and Conditions

- (a) Goods and services financed under this loan shall be procured from Dahomey and from countries included in Code 941 of the A.I.D. Geographic Code Book.
- (b) Such other terms and conditions as A.I.D. may deem advisable.

Assistant Administrator for Africa

Date

AID-DLC/P-1025/2
February 1974CHECKLIST OF STATUTORY CRITERIA
DEVELOPMENT LOAN FUNDI. COUNTRY PERFORMANCEA. Progress Towards Country Goals

1. FAA §§ 201(b)(5), 201(b)(7), 201(b)(8), 208. Discuss the extent to which the country is:

(a) Making appropriate efforts to increase food production and improve means for food storage and distribution.

(b) Creating a favorable climate for foreign and domestic private enterprise and investment.

(c) Increasing the people's role in the developmental process.

Dahomey is implementing several projects to increase food production. It is also participating in the Entente Regional Livestock program, including the construction of a modern slaughterhouse. A grain storage program has been successfully completed.

Dahomey encourages both foreign investors and national entrepreneurs. It is participating in the Entente African Enterprises program. There are no specific restrictions on private enterprise development and investment.

Development projects in Dahomey include active participation on the village level. Considerable efforts are continuing at all levels in education.

MAY

(d) Allocating expenditures to development rather than to unnecessary military purposes or intervention in other free countries' affairs.

The level of military expenditures in Dahomey is limited to that required to assure internal order. The major share of the MRGD budget and priorities are expenditures for development.

(e) Willing to contribute funds to the project or program.

The Borrower will contribute funds to the project within its budgetary limitations.

(f) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangement; and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.

The Borrower currently has a program concerned with the more efficient control of government spending, the formation of a more equitable tax base and more effective tax collection. There are several newspapers of divergent political opinions. Private enterprise is encouraged both for national entrepreneurs and foreign investors.

(g) Responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

Dahomey is attempting to effect economic and social reforms for the improvement of living standards by building a resource base, by increasing the production of export crops and by participating in regional development programs. Transportation projects can play an important role in bringing the economies of the various regions of Dahomey into greater harmony and countrywide development.

B. Relations with the United States

1. FAA §620(c). Is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, including arbitration, or (b) the debt is not denied or contested by the government, or (c) the indebtedness arises under such government's, or a predecessor's unconditional guarantee?

None to our knowledge.

2. FAA §620(d). If the loan is intended for construction or operation of any productive enterprise that will compete with U.S. enterprise, has the country agreed that it will establish appropriate procedures to prevent export to the U.S. of more than 20% of its enterprise's annual production during the life of the loan?

Not applicable.

3. FAA §620(e)(1). Has the country's government, or any agency or subdivision thereof, (a) nationalized or expropriated property owned by U.S. citizens or by any business entity not less than 50% beneficially owned by U.S. citizens, (b) taken steps to repudiate or nullify existing contracts or agreements with such citizens or entity, or (c) imposes or enforced discriminatory taxes or other exactions, or restrictive maintenance or operation conditions? If so, and more than six months has elapsed since such occurrence, identify the document indicating that the government, or appropriate agency or subdivision thereof, has taken appropriate steps to discharge its obligations under international law toward such citizen or entity? If less than six months has elapsed, what steps if any has it taken to discharge its obligations?

On January 8, 1974, the MRGD unilaterally announced termination of a concession agreement entered into in 1964 with Union Oil Company of California which provided long-term, exclusive rights to carry out petroleum operations in an offshore concession area. Unless the MRGD can prove that Union relinquished its concession rights, MRGD's action appears contrary to the concession agreement. The MRGD is presently considering a request by Union for a February 15 meeting on the matter.

4. FAA §620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property, and failed to take appropriate measures to prevent a recurrence and to provide adequate compensation for such damage or destruction?

No.

5. FAA §620(l). Has the government instituted an investment guaranty program under FAA §221(b)(1) for the specific risks of inconvertibility and expropriation or confiscation?

There is an AID Investment Guaranty agreement between the United States and Dahomey.

6. FAA §620(o): Fisherman's Protective Act of 1954, as amended, Section 5. Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters? If, as a result of a seizure, the U.S.G. has made reimbursement under the provisions of the Fisherman's Protective Act and such amount has not been paid in full by the seizing country, identify the documentation which describes how the withholding of assistance under the FAA has been or will be accomplished.

No.

7. FAA §620(q). Has the country been in default, during a period in excess of six months, in payment to the U.S. on any FAA loan?

No loan authorization will be made in the event of any default in excess of six months.

8. FAA §620(t). Have diplomatic relations between the country and the U.S. been severed? If so, have they been renewed?

No.

C. Relations with Other Nations and the U.N.

1. FAA §620(i). Has the country been officially represented at any international conference when that representation included planning activities involving insurrection or subversion directed against the U.S. or countries receiving U.S. assistance? No.

2. FAA §§620(a), 620(n); Has the country sold, furnished, or permitted ships or aircraft under its registry to carry to Cuba or North Viet-Nam items of economic, military, or other assistance? No

3. FAA §620(u); App. §108 What is the status of the country's U.N. dues, assessments, or other obligations? Does the loan agreement bar any use of funds to pay U.N. assessments, dues, or arrearages?

As of 11/30/73, the MRGD was \$85,058 in arrears in U.N. dues and assessments. The loan agreement limits the use of the funds to the importation of goods and services or the purchase of local goods and services for the specific project.

D. Military Situation

1. FAA §620(i). Has the country engaged in or prepared for aggressive military efforts directed against the U.S. or countries receiving U.S. assistance? No.

2. FAA §620(s). What is (a) the percentage of the country's budget devoted to military purposes, and (b) the amount of the country's foreign exchange resources used to acquire military equipment? Is the country diverting U.S. development assistance or P.L. 480 sales to military expenditures? Is the country diverting its own resources to unnecessary military expenditures? (Findings on these questions are to be made for each country at least once each fiscal year and, in addition, as often as may be required by a material change in relevant circumstances.) Has the country spent money for sophisticated weapons?

No known change since original CAP. 1/

II. CONDITION OF THE LOAN

A. General Soundness

-- Interest and Repayment

1. FAA §§201(d), 201(w)(2). Is the rate of interest excessive or unreasonable for the borrower? Are there reasonable prospects for repayment? What is the grace period interest rate; the following period interest rate? Is the rate of interest higher than the country's applicable legal rate of interest?

The rate of interest is not excessive or unreasonable. Repayment prospects are favorable. The grace period is 10 years with 2% interest rate per annum and 3% interest rate during the remaining 30 years. The rate of interest is less than the applicable legal rate in Dahomey.

-- Financing

1. FAA §201(b)(1). To what extent can financing on reasonable terms be obtained from other free-world sources, including private sources within the U.S.?

Financing for this project is also being provided by IDA on concessional terms. Private financing for this project is not possible.

-- Economic and Technical Soundness

1. FAA §§201(b)(2), 201(e). The activity's economic and technical soundness to undertake loan; does the loan application, together with information and assurances, indicate that funds will be used in an economically and technically sound manner?

Yes. See sections in the CAP for technical, economic and financial analyses.

2. FAA §611(a)(1). Have engineering, financial, and other plans necessary to carry out assistance, and a reasonably firm estimate of the cost of assistance to the U.S., been completed?

Yes. See Sections III and V of the CAP.

3. FAA §611(b); App. §101. If the loan or grant is for a water or related land-resource construction project or program, do plans include a cost-benefit computation? Does the project or program meet the relevant U.S. construction standards and criteria used in determining feasibility?

Not applicable.

4. FAA §611(e). If this is a Capital Assistance Project with U.S. financing in excess of \$1 million, has the principal A.I.D. officer in the country certified as to the country's capability effectively to maintain and utilize the project?

Yes.

B. Relation to Achievement of Country and Regional Goals

Country Goals

1. FAA §§207, 281(a). Describe this loan's relation to:

a. Institutions needed for a democratic society and to assure maximum participation on the part of the people in the task of economic development.

The project is important in providing transportation between different sections of Dahomey and will therefore permit remote regions distant from the capital to take an increasing role in the country's development.

b. Enabling the country to meet its food needs, both from its own resources and through development, with U.S. help, of infrastructure to support increased agricultural productivity.

c. Meeting increasing need for trained manpower.

d. Developing programs to meet public health needs

e. Assisting other important economic, political, and social development activities, including industrial development; growth of free labor unions; cooperatives and voluntary agencies; improvement of transportation and communication systems; capabilities for planning and public administration; urban development; and modernization of existing laws.

2. FAA §201(b)(4). Describe the activity's consistency with and relationship to other development activities, and its contribution to realizable long-range objectives.

The project will provide the necessary transport network to support agricultural development programs in the regions served by the road. See the CAP.

Adequate training will be provided to the Borrower to assure efficient operations and maintenance of the road network and will contribute generally to the improvement of technical skills of Dahomean transport and road maintenance workers.

Improved transportation routes can be useful in providing medical and public health care through increased accessibility to remote areas of Dahomey.

Adequate transportation is a vital necessity for all the types of development noted. By serving a number of the most important cities and agricultural regions of Dahomey, the road will make an important contribution to the country's overall development plan.

See Section III.B. of the original CAP.

3. FAA §201(b)(9). How will the activity to be financed contribute to the achievement of self-sustaining growth?

As indicated in the original CAP, this project provides the essential transportation link required for Dahomey's economic development. See Section III.B. of the original CAP.

4. FAA §201(f). If this is a project loan, describe how such project will promote the country's economic development, taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development.

See Section III of the original CAP.

5. FAA §201(b)(3). In what ways does the activity give reasonable promise of contributing to development of economic resources, or to increase of productive capacities?

See Section III of the original CAP.

6. FAA §281(b). How does the program under which assistance is provided recognize the particular needs, desires, and capacities of the country's people; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in political processes.

Improved transportation will provide the opportunity for the various regions of Dahomey to have increased contact and exchange and will thus contribute to a better understanding of the requirements of the various areas and of the need to work together in an integrated national effort

7. FAA §601(a). How will this loan encourage the country's efforts to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions?

This project will directly encourage international trade between Dahomey and Niger. The regions being served are participating in a national development program which is attracting private investment, as well as public funds. Within this context, agricultural cooperatives are being encouraged at the village level to insure greater efficiency. The project will also permit better management by facilitating transportation between the regional areas and the government and management centers in the capital city of Cotonou.

8. FAA §202(a). Indicate the amount of money under the loan which is: going directly to private enterprise; going to intermediate credit institutions or other borrowers for use by private enterprise; being used to finance imports from private sources; or otherwise being used to finance procurements from private sources.

The entire loan amount will be used for the procurement of goods and services from private enterprises

9. FAA §611(a)(2). What legislative action is required within the recipient country? What is the basis for a reasonable anticipation that such action will be completed in time to permit orderly accomplishment of purposes of loan?

None required.

Regional Goals

1. FAA §619. *If this loan is assisting a newly independent country, to what extent do the circumstances permit such assistance to be furnished through multilateral organizations or plans?*

The total scope of the project is being financed in part by IDA, a multinational organization. See Sections IV.B. and C. of the original CAP.

2. FAA §209. *If this loan is directed at a problem or an opportunity that is regional in nature, how does assistance under this loan encourage a regional development program? What multilateral assistance is presently being furnished to the country?*

See Sections III.A., B. and IV.D. of the original CAP.

C. Relation to U.S. Economy

-- *Employment, Balance of Payments, Private Enterprise*

1. FAA §§201(b)(6); 102, Fifth. *What are the possible effects of this loan on U.S. economy, with special reference to areas of substantial labor surplus? Describe the extent to which assistance is constituted of U.S. commodities and services, furnished in a manner consistent with improving the U.S. balance of payments position.*

There is no special applicability in reference to areas of substantial labor surplus. See Section VI of the original CAP for a discussion of the impact of the project on the U.S. economy.

2. FAA 00012(b), 030(h). What steps have been taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. and local currencies contributed by the country are utilized to meet the cost of contractual and other services, and that U.S. foreign-owned currencies are utilized in lieu of dollars?

No foreign currencies owned by the U.S. Government are available or could be used for implementation of this project. The MRGD will contribute to local currency costs to the extent possible within its budgetary limitations.

3. FAA 0001(d); App. 0109. If this loan is for a capital project, to what extent has the Agency encouraged utilization of engineering and professional services of U.S. firms and their affiliates? If the loan is to be used to finance direct costs for construction, will any of the contractors be persons other than qualified nationals of the country or qualified citizens of the U.S.? If so, has the required waiver been obtained?

The loan agreement requires that the Borrower contract with a qualified Code 941 construction firm. Supervisory engineering services will be financed by IDA and not under this loan. Agency rules will be followed with regard to the employment of third country nationals.

4. FAA 0001(a). Provide information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.

The loan agreement contains the standard AID provision.

5. FAA 0002. What efforts have been made to assist U.S. small business to participate equitably in the furnishing of commodities and services financed by this loan?

USG and AID normal competitive bidding procedures will be followed.

6. FAA §621. If the loan provides technical assistance, how is private enterprise on a contract basis utilized? If the facilities of other Federal agencies will be utilized, in what ways are they particularly suitable; are they competitive with private enterprise (if so, explain); and how can they be made available without undue interference with domestic programs?

Not applicable. Facilities of other Federal agencies will not be used in the project.

7. FAA §611(c). If this loan involves a contract for construction that obligates in excess of \$100,000, will it be on a competitive basis? If not, are there factors which make it impracticable?

The contract for construction will be on a competitive basis.

Procurement

1. FAA §604(a). Will commodity procurement be restricted to U.S. except as otherwise determined by the President?

Yes.

2. FAA §604(b). Will any part of this loan be used for bulk commodity procurement at adjusted prices higher than the market price prevailing in the U.S. at time of purchase?

No.

3. FAA §604(e). Will any part of this loan be used for procurement of any agricultural commodity or product thereof outside the U.S. when the domestic price of such commodity is less than parity?

No.

D. Other Requirements

1. FAA §201(b). Is the country among the 80 countries in which development loan funds may be used to make loans in this fiscal year?

In light of the regional character of this project (see Section III of the original CAP), the loan falls outside this limitation and is classified as an Africa Regional project.

2. App. §106. Does the loan agreement provide, with respect to capital projects, for U.S. approval of contract terms and firms?

Yes.

3. FAA §620(k). If the loan is for construction of a productive enterprise, with respect to which the aggregate value of assistance to be furnished will exceed \$100 million, what preparation has been made to obtain the express approval of the Congress?

Not applicable.

4. FAA §620(b), 620(f): Yes.
 Has the President determined that the country is not dominated or controlled by the international Communist movement? If the country is a Communist country (including, but not limited to, the countries listed in FAA §620(f)) and the loan is intended for economic assistance, have the findings required by FAA §620(f) been made and reported to the Congress?

5. FAA §620(h). What steps have been taken to insure that the loan will not be used in a manner which, contrary to the best interest of the United States, promotes or assists the foreign aid projects of the Communist-bloc countries?

The standard AID loan provision is included in the loan agreement.

6. App. §110. Will any funds be used to finance procurement of iron and steel products for use in Vietnam other than as contemplated by §110.

No.

7. FAA §836(i). Will any part of this loan be used in financing non-U.S.-manufactured automobiles? If so, has the required waiver been obtained?

No.

8. FAA §§620(a)(1) and (2), 620(p);
*Will any assistance
 be furnished or funds made avail-
 able to the government of Cuba or
 the United Arab Republic?* No.

9. FAA §620(g). *Will any part
 of this loan be used to compensate
 owners for expropriated or nationalized
 property? If any assistance has
 been used for such purpose in the
 past, has appropriate reimbursement
 been made to the U.S. for sums diverted?* No.

10. FAA §201(f). *If this is a
 project loan, what provisions have
 been made for appropriate partici-
 pation by the recipient country's
 private enterprise?*

Dahomey's private enterprise
 will have an opportunity to
 contribute goods and services
 to the project by supplying
 materials and other local
 services.

11. App. §104. *Does the loan
 agreement bar any use of funds to
 pay pensions, etc., for persons
 who are serving or who have served
 in the recipient country's armed
 forces?*

Yes; the loan agreement so
 limits the use of the loan
 funds.

12. MMA § 901.b. Does the loan agreement provide, for compliance with U.S. shipping requirements, that at least 50% of the gross tonnage of all commodities financed with funds made available under this loan (computed separately by geographic area for dry bulk carriers, dry cargo liners, and tankers) be transported on privately owned U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates for U.S. flag vessels. Does the loan agreement also provide for compliance with U.S. shipping requirements, that at least 50% of the gross freight revenues of goods shipped under this loan must be earned by privately owned U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates for U.S.-flag vessels?
- Yes.
13. FAA. Section 481. Has the country failed to take adequate steps to prevent narcotic drugs from entering the U.S. unlawfully?
- No. To the best of our knowledge Dahomey cooperates with the U.S. and international organizations in the control of narcotic drugs.
14. FAA. Section 604.e. Has there been compliance with restriction against procuring with AID funds agricultural commodities outside the U.S. when the domestic price of such commodity is less than parity.
- Yes.

ANNEX IV

INTERNAL RATE OF RETURN
TWO LANE ROAD -- HIGH TRAFFIC
(In thousands of dollars)

<u>Time Period</u>	<u>Costs</u>	<u>Net Benefits</u>	<u>Discounted at 18%</u>		<u>Discounted at 17%</u>	
			<u>Costs</u>	<u>Benefits</u>	<u>Costs</u>	<u>Benefits</u>
1974	6,302	-	6,302	-	6,302	-
1975	8,402	2,608	7,116	2,209	7,184	2,230
1976	6,301	2,628	4,524	1,887	4,606	1,921
1977		2,876		1,751		1,795
1978		3,028		1,562		1,617
1979		3,192		1,395		1,456
1980		3,368		1,246		1,314
1981		3,548		1,114		1,181
1982		152		40		43
1983		3,928		884		955
1984		4,164		795		866
1985		4,388		711		781
1986		4,632		635		704
1987		4,904		569		638
1988		5,176		512		575
1989		5,548		466		527
1990		2,055		146		166
1991		6,108		366		421
1992		6,444		329		380
1993		6,788		292		346
1994		7,100		263		305
TOTAL.			17,942	17,172	18,092	18,221

The IRR is estimated through linear interpolation to be 17.14%.

ANNEX V

IRR FOR TWO-LANE ROAD -- LOW TRAFFIC

(\$000, and with benefits reflecting a 50% increase in petroleum costs)

<u>Time Period</u>	<u>Costs</u>	<u>Net Benefits</u>	<u>Discounted at 9%</u>		<u>Discounted at 8%</u>	
			<u>Costs</u>	<u>Benefits</u>	<u>Costs</u>	<u>Benefits</u>
1974	6,302	-	6,302	-	6,302	-
1975	8,402	2,049	7,705	1,879	7,780	1,897
1976	6,301	1,699	5,305	1,431	5,400	1,456
1977		2,005		1,548		1,592
1978		2,033		1,439		1,494
1979		2,043		1,328		1,391
1980		2,000		1,192		1,260
1981		2,120		1,160		1,236
1982		-1,403		- 704		- 758
1983		2,289		1,053		1,145
1984		2,391		1,009		1,107
1985		2,483		963		1,065
1986		2,607		928		1,035
1987		2,754		898		1,013
1988		2,942		880		1,000
1989		3,207		882		1,010
1990		- 508		- 128		- 148
1991		3,461		799		934
1992		3,695		783		924
1993		3,893		755		903
1994		4,031		718		867
			<u>19,312</u>	<u>18,813</u>	<u>19,482</u>	<u>20,423</u>

The IRR is estimated through linear interpolation to be 8.65%.

ANNEX VI

IRR FOR TWO-LANE ROAD -- HIGH TRAFFIC
(\$000, and with benefits reflecting a 50% increase in petroleum costs)

<u>Time Period</u>	<u>Costs</u>	<u>Benefits</u>	<u>Costs</u>	<u>Benefits</u>	<u>Costs</u>	<u>Benefits</u>
1974	6,302	-	6,302	-	6,302	-
1975	8,402	2,976	6,940	2,458	6,999	2,479
1976	6,301	3,020	4,304	2,063	4,373	2,096
1977		3,305		1,864		1,914
1978		3,480		1,625		1,677
1979		3,669		1,416		1,475
1980		3,871		1,235		1,297
1981		4,079		1,073		1,138
1982		711		155		166
1983		4,516		813		876
1984		4,792		714		776
1985		5,047		621		681
1986		5,327		543		597
1987		5,639		474		524
1988		5,954		411		464
1989		6,366		363		414
1990		2,919		137		158
1991		7,026		274		316
1992		7,413		237		282
1993		7,809		211		242
1994		8,174		180		213
			<u>17,546</u>	<u>16,867</u>	<u>17,674</u>	<u>17,785</u>

The IRR is estimated through linear interpolation to be 20.14%.

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. Albert P. Disdier, Director, AFR/CDF -
AID/W

FROM : Sarah Jane Littlefield
Regional Development Officer

SUBJECT: Parakou-Malanville Road 611E Certification

DATE: APR 25 1972

I, Sarah Jane Littlefield, the principal officer of the Agency for International Development for the Entente States (Dahomey, Ivory Coast, Niger, Togo and Upper Volta), having taken into account, among other things, the maintenance and utilization of projects in Dahomey previously financed or assisted by the United States, the Ministry of Works and Communications' responsibility for maintaining roads throughout Dahomey, and the previous assistance from other donors specifically directed to road construction and maintenance, do hereby certify that in my judgment the Government of Dahomey has both the financial capability and human resource capability to effectively maintain and utilize the capital assistance project, the Parakou-Malanville Road.

