

AUG 23 1979

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ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Irwin Levy (Acting)

Irwin Levy

Problem: Authorization of a \$2,050,000 grant for Fiscal Year 1979 and approval of life of Project (LOP) grant funding of \$7.6 million to finance the Alternative Energy Systems Project (No. 538-0032).

Discussion: The Project evolved from an AID-financed survey of the energy needs of the Caribbean region carried out in 1979. As a result of this study, this Project was designed to institutionalize alternative energy capabilities in the region and to test viable alternative energy technologies. The purpose of the Project is to provide assistance to various Caribbean institutions and governments for the development of regional and national skills and technologies in energy related fields. To assist in achieving this purpose, four separate but related activities will be undertaken: (1) policy planning and energy assessments, (2) training, (3) establishment of an energy communication and information network, and (4) field testing of applied energy technologies.

The Caribbean Community Secretariat (CARICOM) and the Caribbean Development Bank (CDB) will be the executing agencies for the Project. Under the Project, a grant will be provided to CARICOM to finance the strengthening of regional and national capabilities in energy planning and policy formulation and to develop policy and energy related technical training programs. The CDB will receive a grant which will enable it to strengthen an existing network, enabling it to disseminate renewable energy information and to provide field testing of a variety of small-scale renewable energy technologies appropriate for use in the Caribbean area. Grant funds will also be made available to the Dominican Republic under this regional Project to undertake an energy assessment and to fund a solar bagasse drying pilot project.

The total Project cost is \$8.5 million over a five year period. A.I.D. will contribute \$7.6 million, of which approximately \$.9 million will be for policy planning and energy assessments, \$1.3 million for technical and analytical training, \$.6 million for communication and information dissemination, \$2.6 million for field testing of alternative energy technologies, and \$2.1 million for institution building activities. Since this is a regional program,

Section 110 (a) of the FAA does not apply, and no counterpart contribution is required. However, CARICOM and the CDB will provide \$105,000 and \$395,000 respectively, and the territories included in the Project will contribute \$376,000.

The Project was not included in the FY 79 Congressional Presentation. An Advice of Program Change was submitted to Congress on July 25, 1979, and the waiting period expired on August 8, 1979. An Initial Environmental Examination was prepared and a negative determination was made by the AA/LAC on May 18, 1979.

The LAC Bureau's Development Assistance Executive Committee reviewed the Project and recommended approval on July 17, 1979, subject to certain revisions in the Project Paper. These revisions have been incorporated into the Project Paper.

Source and origin of goods and services under the Project will be Code 000 and member countries of the CDB and CARICOM (except the U.K. and Canada). Source and origin of goods and services procured for activities carried out in the Dominican Republic and Haiti will be Code 000 and the Dominican Republic and Haiti, respectively. However, because of the nature and scope of energy technologies contemplated and the related training and information sources envisioned under the Project, a waiver is being requested to permit procurement of goods and services of up to \$500,000 from Code 899 countries. This request is the result of findings made during the course of Project development. Those findings indicate that in the area of certain solar, wind, biomass, micro-hydro and other technologies, several Code 899 countries have undertaken more extensive research and possess greater experience and capability than the U.S. For example, India has developed extensive capability in the design, construction and operation of the types of small scale, methane gas production units which would be suitable for use in the Caribbean. A British firm is presently engaged in operating small-scale prototype projects in solar-pumped irrigation in India, Mali, the Philippines and the Sudan. The CDB hopes to include this prototype within the Project, and draw upon the technical expertise already developed, as well as utilize the low cost, low maintenance design made possible through this firm's prior efforts. In addition, a small-scale, wave energy project is being executed by a Code 899 firm in Mauritius, whose adaptation to coral reef features

would be ideally suited to the eastern Caribbean region. The U.S. has no proven capability in this area of small-scale, wave energy technology. An institute affiliated with McGill University in Canada has conducted a broad range of studies and demonstration activities in Barbados on alternative energy technologies. This institute possesses data and expertise which is vital to the Project's success, and the CDB's ability to contract with this institute would considerably facilitate implementation of several phases of the Project. Other instances of probable procurement from other than the U.S. would involve micro-hydro prototypes, small boilers for agricultural waste, algae production, and small-scale charcoal furnaces. Acquisition of publications and resource information would also involve Code 899 countries to the extent that such information is uniquely available from such sources and applicable to activities under the Project.

The waiver will be accompanied by a covenant pursuant to which the CDB will carefully evaluate U.S. availability of goods and services before proceeding with procurement from Code 899 sources. Precedent for this type of arrangement can be found in Chapter 16, B.1 (c) of Supplement B to A.I.D. Handbook 1. Authority to waive the authorized geographic procurement Code for transactions up to \$500,000 has been delegated to the Assistant Administrator under A.I.D. Delegation of Authority No. 40. A.I.D. Handbook 1, Supplement B, Chapter 5B4b and 5C4a, provides that a waiver of geographic code for purchase of, respectively, commodities and services may be based upon non-availability of the required commodity or service from the authorized geographic code. SER/COM clearance on the Project Authorization signifies concurrence with the waiver.

Recommendation: That you (1) approve the Alternative Energy Systems Project and sign the attached Project Authorization and Request for Allotment of Funds, thereby authorizing a grant of \$2,050,000 for FY 1979 funding, and approve incremental funding of the Project up to \$7,600,000; and (2) approve the requested source, origin, and nationality waiver, permitting procurement of grant-financed goods and services up to a total of \$500,000 by signing below, certifying that the exclusion of procurement from Code 899 would seriously impede attainment of U.S. Foreign Policy objectives and the objectives of the Foreign Assistance Program.

Approved: Edward W. Coy

Disapproved: _____

Date : Aug 23 1979

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

**ASSISTANT
ADMINISTRATOR**

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Entities: Caribbean Community Secretariat
Caribbean Development Bank
Dominican Republic

Name of Project: Alternative Energy Systems

Project Number: 538-0032

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to the Caribbean Community Secretariat ("CARICOM") of not to exceed One Million United States Dollars (\$1,000,000), a Grant to the Caribbean Development Bank ("CDB") of not to exceed One Million United States Dollars (\$1,000,000) and a Grant to the Government of the Dominican Republic ("GODR") of not to exceed Fifty Thousand United States Dollars (\$50,000) (such amounts, which in the aggregate equal \$2,050,000, being called the Authorized Amount), to help in financing certain foreign exchange and local currency costs of goods and services required for the project described in the immediately following sentence. The project consists of the establishment of an institutional capability in the Caribbean region for (i) strengthening national energy planning, including conducting country energy needs assessments, conservation studies and renewable energy resource assessments, and (ii) designing, testing, adapting and disseminating alternative energy technologies (the "Project").

I approve the total level of AID appropriated funding planned for the Project of not to exceed Seven Million Six Hundred Thousand United States Dollars (\$7,600,000) of Grant funding, including the Authorized Amount, during the period FY 1979 through FY 1982. I approve further increments during that period of Grant funding up to \$5,550,000, subject to the availability of funds in accordance with AID allotment procedures, as follows: CARICOM \$2,247,300, CDB \$3,002,700, and GODR \$300,000 (subject to the acceptability of a feasibility study).

I hereby authorize the initiation of negotiation and execution of the Project Agreement or Project Agreements, as the case may be, by the officer to whom such authority has been delegated in accordance with AID regulations and Delegations of Authority, subject to the following essential terms, covenants and major conditions, together with such other terms and conditions as AID may deem appropriate:

A. Source and Origin of Goods and Services

Except for ocean shipping, and except as set forth in Section E below, goods and services financed by AID under the Project shall have their source and origin in the United States or, in the case of the Grant to CARICOM, in member countries of CARICOM, or, in the case of the Grant to the CDB, in the countries in the Caribbean which are members of the CDB and which are included in AID Geographic Code 941, or, in the case of activities to be carried out in Haiti and the Dominican Republic, respectively, in Haiti and in the Dominican Republic, respectively, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Project shall be procured in the United States, except as AID may otherwise agree in writing.

B. Conditions Precedent to Disbursement (CARICOM, CDB)

Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement or Project Agreements, to finance activities of the CARICOM Energy Unit or the CDB Energy Group, as the case may be, for other than technical assistance, professional staff salaries and supporting administrative costs, CARICOM or the CDB, as the case may be, shall, except as AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(i) evidence that CARICOM or the CDB, as the case may be, has planned for an adequately staffed Energy Unit or Energy Group, as the case may be, and has a detailed plan governing its operation, including permanent staffing arrangements, and a time-phased work plan governing the use of Project funds for the Policy, Training, Communications and Technical Programs; and

(ii) a copy of a signed contract for technical services to provide CARICOM and the CDB with the necessary expertise for program development and implementation.

C. Covenants (CARICOM, CDB)

Except as AID may otherwise agree in writing, CARICOM and the CDB shall each covenant and agree to:

(i) evaluate the Project using Project funds in the second and fifth years of Project implementation;

(ii) maximize communications between the CARICOM Energy Unit and the CDB Energy Group through consultations on work plans, subprojects and terms of reference;

(iii) utilize guidelines developed by the Project Advisory Committee;

(iv) report periodically to the Project Advisory Committee with respect to Project implementation; and

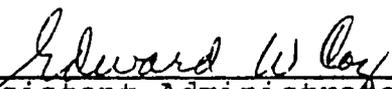
(v) use every effort to secure funds from regular budgeting sources to support the continuation of the staffs of the CARICOM Energy Unit or the CDB Energy Group, as the case may be, beginning in the third year of Project Implementation.

D. Covenant (CDB)

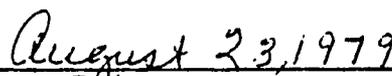
Except as AID may otherwise agree in writing, the CDB shall covenant and agree to use its best efforts to procure goods and services from the countries authorized under Section A above prior to procuring goods and services from countries made eligible for source and origin pursuant to Section E below.

E. Waiver

For the reasons set forth in the Action Memorandum to the Assistant Administrator (LAC), attached hereto, goods and services having a cumulative value of not to exceed \$500,000 may be procured from countries included in AID Geographic Code 899.



Assistant Administrator
Bureau for Latin America
and the Caribbean.



Date

Clearances:

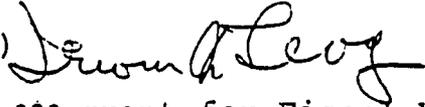
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AUG 23 1979

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FROM: LAC/DR, Irwin Levy (Acting)



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The total Project cost is \$8.5 million over a five year period. A.I.D. will contribute \$7.6 million, of which approximately \$.9 million will be for policy planning and energy assessments, \$1.3 million for technical and analytical training, \$.6 million for communication and information dissemination, \$2.6 million for field testing of alternative energy technologies, and \$2.1 million for institution building activities. Since this is a regional program,

Section 110 (a) of the FAA does not apply, and no counter-part contribution is required. However, CARICOM and the CDB will provide \$105,000 and \$395,000 respectively, and the territories included in the Project will contribute \$376,000.

The Project was not included in the FY 79 Congressional Presentation. An Advice of Program Change was submitted to Congress on July 25, 1979, and the waiting period expired on August 8, 1979. An Initial Environmental Examination was prepared and a negative determination was made by the AA/LAC on May 18, 1979.

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Recommendation: That you (1) approve the Alternative Energy Systems Project and sign the attached Project Authorization and Request for Allotment of Funds, thereby authorizing a grant of \$2,050,000 for FY 1979 funding, and approve incremental funding of the Project up to \$7,600,000; and (2) approve the requested source, origin, and nationality waiver, permitting procurement of grant-financed goods and services up to a total of \$500,000 by signing below, certifying that the exclusion of procurement from Code 899 would seriously impede attainment of U.S. Foreign Policy objectives and the objectives of the Foreign Assistance Program.

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I hereby authorize the initiation of negotiation and execution of the Project Agreement or Project Agreements, as the case may be, by the officer to whom such authority has been delegated in accordance with AID regulations and Delegations of Authority, subject to the following essential terms, covenants and major conditions, together with such other terms and conditions as AID may deem appropriate:

A. Source and Origin of Goods and Services

Except for ocean shipping, and except as set forth in Section E below, goods and services financed by AID under the Project shall have their source and origin in the United States or, in the case of the Grant to CARICOM, in member countries of CARICOM, or, in the case of the Grant to the CDB, in the countries in the Caribbean which are members of the CDB and which are included in AID Geographic Code 941, or, in the case of activities to be carried out in Haiti and the Dominican Republic, respectively, in Haiti and in the Dominican Republic, respectively, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Project shall be procured in the United States, except as AID may otherwise agree in writing.

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(i) evidence that CARICOM or the CDB, as the case may be, has planned for an adequately staffed Energy Unit or Energy Group, as the case may be, and has a detailed plan governing its operation, including permanent staffing arrangements, and a time-phased work plan governing the use of Project funds for the Policy, Training, Communications and Technical Programs; and

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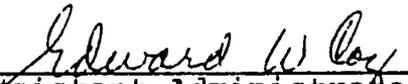
- (i) evaluate the Project using Project funds in the second and fifth years of Project implementation;
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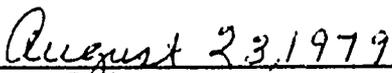
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Assistant Administrator
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Date

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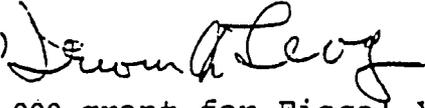
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Approved: _____

Edward W. Coy

Disapproved: _____

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WASHINGTON, D. C. 20523

**ASSISTANT
ADMINISTRATOR**

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Project Number: 538-0032

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to the Caribbean Community Secretariat ("CARICOM") of not to exceed One Million United States Dollars (\$1,000,000), a Grant to the Caribbean Development Bank ("CDB") of not to exceed One Million United States Dollars (\$1,000,000) and a Grant to the Government of the Dominican Republic ("GODR") of not to exceed Fifty Thousand United States Dollars (\$50,000) (such amounts, which in the aggregate equal \$2,050,000, being called the Authorized Amount), to help in financing certain foreign exchange and local currency costs of goods and services required for the project described in the immediately following sentence. The project consists of the establishment of an institutional capability in the Caribbean region for (i) strengthening national energy planning, including conducting country energy needs assessments, conservation studies and renewable energy resource assessments, and (ii) designing, testing, adapting and disseminating alternative energy technologies (the "Project").

I approve the total level of AID appropriated funding planned for the Project of not to exceed Seven Million Six Hundred Thousand United States Dollars (\$7,600,000) of Grant funding, including the Authorized Amount, during the period FY 1979 through FY 1982. I approve further increments during that period of Grant funding up to \$5,550,000, subject to the availability of funds in accordance with AID allotment procedures, as follows: CARICOM \$2,247,300, CDB \$3,002,700, and GODR \$300,000 (subject to the acceptability of a feasibility study).

I hereby authorize the initiation of negotiation and execution of the Project Agreement or Project Agreements, as the case may be, by the officer to whom such authority has been delegated in accordance with AID regulations and Delegations of Authority, subject to the following essential terms, covenants and major conditions, together with such other terms and conditions as AID may deem appropriate:

A. Source and Origin of Goods and Services

Except for ocean shipping, and except as set forth in Section E below, goods and services financed by AID under the Project shall have their source and origin in the United States or, in the case of the Grant to CARICOM, in member countries of CARICOM, or, in the case of the Grant to the CDB, in the countries in the Caribbean which are members of the CDB and which are included in AID Geographic Code 941, or, in the case of activities to be carried out in Haiti and the Dominican Republic, respectively, in Haiti and in the Dominican Republic, respectively, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Project shall be procured in the United States, except as AID may otherwise agree in writing.

B. Conditions Precedent to Disbursement (CARICOM, CDB)

Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement or Project Agreements, to finance activities of the CARICOM Energy Unit or the CDB Energy Group, as the case may be, for other than technical assistance, professional staff salaries and supporting administrative costs, CARICOM or the CDB, as the case may be, shall, except as AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(i) evidence that CARICOM or the CDB, as the case may be, has planned for an adequately staffed Energy Unit or Energy Group, as the case may be, and has a detailed plan governing its operation, including permanent staffing arrangements, and a time-phased work plan governing the use of Project funds for the Policy, Training, Communications and Technical Programs; and

(ii) a copy of a signed contract for technical services to provide CARICOM and the CDB with the necessary expertise for program development and implementation.

C. Covenants (CARICOM, CDB)

Except as AID may otherwise agree in writing, CARICOM and the CDB shall each covenant and agree to:

(i) evaluate the Project using Project funds in the second and fifth years of Project implementation;

(ii) maximize communications between the CARICOM Energy Unit and the CDB Energy Group through consultations on work plans, subprojects and terms of reference;

(iii) utilize guidelines developed by the Project Advisory Committee;

(iv) report periodically to the Project Advisory Committee with respect to Project implementation; and

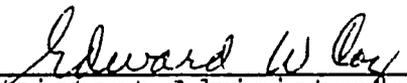
(v) use every effort to secure funds from regular budgeting sources to support the continuation of the staffs of the CARICOM Energy Unit or the CDB Energy Group, as the case may be, beginning in the third year of Project Implementation.

D. Covenant (CDB)

Except as AID may otherwise agree in writing, the CDB shall covenant and agree to use its best efforts to procure goods and services from the countries authorized under Section A above prior to procuring goods and services from countries made eligible for source and origin pursuant to Section E below.

E. Waiver

For the reasons set forth in the Action Memorandum to the Assistant Administrator (LAC), attached hereto, goods and services having a cumulative value of not to exceed \$500,000 may be procured from countries included in AID Geographic Code 899.



Assistant Administrator
Bureau for Latin America
and the Caribbean.



DAta

Clearances:

GC/LAC:JKessler JK/HW Date 8/22/79
LAC/DR:LArmstrong A 2 Date 8/22/79
LAC/DR:MBrown MB Date _____
SER/COM:PHagen PH Date 8/22/79

GC/LAC:GM ~~HW~~ ter:jlo:8/20/79:x29182