

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE:

A = Add  
 C = Change  
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Centrally Funded

3. PROJECT NUMBER

938-0255

ISN-35968

4. BUREAU/OFFICE

FVA/PVC

1

5. PROJECT TITLE (maximum 30 characters)

Fund for Multinational Management Educ

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
 11 03 85

7. ESTIMATED DATE OF OBLIGATION

(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY 84 B. Quarter 3 C. Final FY 84

8. COSTS (\$000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	FIRST FY <u>84</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( 250 )	( )	( 250 )	( 250 )	( )	( 250 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	250		250	250		250

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD	7601					250		250	
(2)									
(3)									
(4)									
TOTALS						250		250	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To strengthen U.S. PVO programs by providing technical assistance and feasibility study financing for the design of development assistance projects which will be carried out jointly with multinational companies.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY  
 11 03 85

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)

17. APPROVED BY

Signature

Title

Thomas A. McKay, Dir. FVA/PVC

Date Signed

MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

- / -  
UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON DC 20523

MAR 1 1984

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, FVA

FROM: FVA/PVC, Thomas A. McKay *Thomas McKay*

SUBJ: Fund for Multinational Management Education (FMME)

Problem: Your approval is needed to negotiate a \$250,000, eighteen-month cooperative agreement with the Fund for Multinational Management Education (FMME). The purpose of this agreement is to provide technical assistance and "venture capital" for feasibility studies to individual PVOs in designing and implementing development projects with multinational corporations.

Background:

The FMME is a non-profit organization established to bring about greater understanding of the role of private enterprise (domestic and foreign) in economic development, and to deal substantively with the obstacles that inhibit a greater positive contribution. FMME's programs are focussed, therefore, on business-government relationships. Of particular relevance to AID is FMME's objective to promote a greater contribution by private enterprise to development. It was under this private enterprise and development rubric that FMME began its work with AID.

In March 1980 DS/AGR and PVC co-funded a grant to FMME for a workshop to explore how the resources of the private sector could best be enlisted in dealing with the twin problems of agricultural productivity and rural development in third world countries. Many ideas were discussed by participants from the corporate, PVO, and government communities, but two stood out and FMME has pursued projects in both areas. One idea stimulated FMME to undertake work in promoting economically viable and socially constructive linkages between agribusiness companies and farmers of limited resources in developing countries, with the goal of increasing the involvement of small farmers in major business undertakings. With funding from the PRE and LAC Bureaus, FMME brought together representatives from U.S., Canadian, and local agribusiness and financing companies, public development agencies, agricultural associations and PVOs in workshops in Jamaica and the Dominican Republic to discuss specific agribusiness opportunities which require corporate resources and could involve farmers of limited resources. Several projects discussed at these workshops are now in the feasibility or operation planning stages.

The second idea FMME felt worth pursuing was the role PVOs might play as "intermediaries" for the U.S. private sector in their relationships with the public and private sectors of third world countries. The FVA grant of \$115,000 awarded in

August 1982 has enabled FMME to expand on the theme of intermediation through training and technical assistance to PVOs to assist them in developing new means of collaboration with corporations (i.e., on a non-philanthropic basis where the interests of the company and PVO are both served). Based on the assumption that a more business-like approach is required to improve cooperation between PVOs and companies, this eighteen-month training project was designed to provide PVOs with a better understanding of corporate objectives and decision making, as well as an opportunity to meet with major corporate officials in mock negotiations where the PVO learned to identify corporate needs in areas of the PVO's expertise. For these meetings to discuss several specific project ideas identified in the workshop are taking place, while one PVO has successfully completed negotiations with Morgan Guaranty Bank for a project in Chile.

The workshops and individualized technical assistance have brought greater clarity to both the opportunities and obstacles to greater PVO/corporate collaboration. Put simply, the obstacles are three:

- weak PVO skills in marketing and business negotiations;
- insufficient PVO financial resources to undertake essential feasibility studies; and
- lack of knowledge on the part of corporate executives of PVO capabilities and the benefits the company might derive from cooperation.

PVO and corporate participants at the workshop repeatedly expressed their concern that overcoming these obstacles was a task impossible for any single PVO, and would require expertise and financing from outside the PVO community. The PVO/Corporate Subcommittee of the Advisory Committee on Voluntary Foreign Aid (ACVFA), in its report and recommendations to the Administrator, also concluded further work to enhance opportunities for PVO/corporate collaboration was needed and recommended AID assume a more active role in promoting collaborative ventures between corporations and PVOs.

#### Discussion:

FMME's proposal requests AID financing of \$285,101 to support a program to work more directly with PVOs and companies to find opportunities for cooperation and to make such cooperation more feasible. The program provides a means for addressing each of the major obstacles identified above, as follows:

- (1) technical assistance to PVOs in the design and marketing of collaborative projects to improve PVO capabilities;

(2) a feasibility study fund for grants to PVOs to partially finance project design and feasibility studies for proposed PVO/corporate collaborative projects in cases where the PVO has insufficient private resources; and,

(3) briefings before corporate fora and case studies to establish credibility and increase awareness of the opportunities and advantages of PVO/corporate collaboration.

This follow-on project will facilitate the movement of PVOs and corporations interested in collaborative projects from discussion to action. While offering encouragement in the form of technical assistance, grant funding and the use of FMME's good offices to arrange meetings with major companies (e.g., Phillip Morris, Hershey Corp., Gulf & Western, Mobil, Control Data, Xerox, Chase Manhattan, etc.), we recognize that the success of this initiative rests on PVO and corporate commitment to collaboration. Accordingly, grant funding for the feasibility studies will be contingent on both a PVO and corporate contribution to total costs. Furthermore, we believe the small grants program should be used to leverage money, and FMME therefore proposes limiting the grant size to 10% of the estimated project size with a minimum potential project size of \$50,000. Thus, each AID grant for a feasibility study will have the potential for at least a 10-fold return. Projects would also have to be developmentally-oriented and in countries eligible for AID assistance. Grants would also be limited to PVOs with insufficient resources of their own; for example, a PVO with an unrestricted fund reserve of \$75,000 would have to demonstrate that it could not use its own funds for the purpose of conducting a feasibility study.

The FVA/PVC grant review committee has read and discussed FMME's concept paper and proposal for this follow on project. In recommending it for funding, they identified several issues which are addressed in the following paragraphs:

Are the PVOs being asked to contribute a reasonable portion of the feasibility study costs? The original concept paper included a minimum 25% PVO contribution to the costs of any feasibility study supported with grant funds. In the proposal this contribution is increased to 50%, and will require a cash outlay of the PVO beyond the normal salary costs.

With regard to the corporate briefings and research, can FMME provide more detail as to which groups it will reach and will the research make use of data already available (e.g., that material collected by the ACVFA)? FMME has advised us they intend to identify regularly scheduled business roundtable and trade association meetings where they can use their corporate contacts to get 1-2 hours set aside for a presentation; likely fora are meetings of

Business International and the N.Y. Banking Community. As soon as a time frame for the project is agreed on, FMME will be able to provide us with a more detailed plan of meetings and presentations. FMME will also examine the material prepared for the ACVFA, but the objective of the very brief case studies will be to support presentations before the business community and will have to include very specific information that demonstrates the benefits of collaboration. Accordingly, FMME has identified several undocumented examples of collaboration that they believe are better illustrations of the benefits of collaboration that those most commonly referred to, such as PFP and Partners of the Americas.

What is PRE's assessment of this project, and are they able to assist in funding? The PRE Bureau is supportive of the project, citing its merits as follows: it would assist in the validation of a much discussed concept; the approach is logical and systematic; and the FMME is a reputable outfit with a good performance record with the PRE Bureau. They are not, however, able to provide any funding since they do not have grant money available at this time.

Finally the committee recommended that given constraints on FVA/PVC's funding, we reduce the budget to \$250,000. We agreed that the bulk of the cut should be absorbed by reducing the amount available for feasibility studies and thereby require a greater share of the costs to be borne by the PVOs. The committee did not want the FMME level of effort to be reduced, particularly since it is the committee's recommendation that this project be viewed as our last investment in enhancing opportunities for greater PVO/corporate collaboration by demonstrating that it is indeed beneficial to both parties. After this project, we may want to convene a conference to discuss the experience of the past three years, but the validity of the concept should have been proven sufficiently to warrant the investment of the PVOs own funds in project exploration and development with corporations, just as they invest in the development of projects for AID funding.

*Amen!*

A final detailed budget will be worked out with FMME during negotiation of the cooperative agreement. However, AID support will be apportioned along the following lines:

Technical Assistance	50,000
Feasibility Study Fund	115,000
Corporate Briefing and Case Studies	35,000
Project Management	50,000
Total	<u>\$250,000</u>

Recommendation: That you indicate your approval of this project and authorize FVA/PVC to negotiate a cooperative agreement with FMME by signing below.

Approved: *Celia Chay & Joel*

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

Date: *March 5, 1984*

Attachments:

- 1) FMME Proposal
- 2) Congressional Notification.

*\* I would like to know the terms before agreement is finalized*

FVA/PVC:DKennedy:dk:2/7/84:W#1672I

Clearance:

FVA/PVC, S. Bergen (P. Bisek in draft 2/8/84)  
FVA/PVC, A. Heyman (draft 2/9/84)  
FVA/PPE, L. Stamberg 1/5 3/4  
PRE, D. Levintow (Subs)