

AGENCY FOR INTERNATIONAL DEVELOPMENT
ADVICE OF PROGRAM CHANGE

Date:

Country:	Worldwide
Project Title:	Investment Packaging
Project Number:	940-0002
FY 1982 CP Reference:	None
Appropriation Category:	Selected Development Activities and Agriculture, Rural Development and Nutrition
Life-of Project Funding	\$16,000,000
Intended FY 1982 Obligation:	\$16,000,000 - Grant and Loan Assistance

This is to advise that AID intends to obligate \$16,000,000 for the Investment Packaging Project. This is a new project and was not included in the FY 1982 CP.

The project will enhance the development of the private sector in 10-15 developing countries which are hospitable to, and encourage private enterprise investment. The project will focus on providing loan capital and evaluation assistance for discrete projects that have a high developmental effect on the transfer of managerial and technical expertise from, and investment by, the U.S. private sector, providing advice and technical assistance on improving the investment climate in the host country and on providing management and vocational training of skills specifically related to project needs

PURPOSE: To strengthen the financial, managerial, and policy framework in support of private enterprise activities with significant developmental impact in selected developing countries by financing or providing a portion of credits required by developmentally - oriented private enterprises, and by financing the transfer of managerial and technical expertise and technology and by assisting in managerial and vocational training, by advising on changes needed in the investment climate of the host country.

BACKGROUND: In the developing world, the governments which have adopted laws, regulations and policies which encourage private investment initiative at home, and private investment from abroad, policies throughout the economy which do not distort efficient allocation of resources, are those which have enjoyed a relatively high rate of economic growth.

AID has provided assistance primarily on a government-to-government basis. AID has now determined to incorporate in its program development assistance on a government-to-indigenous private enterprise basis. The goal is not only to encourage the development of the private enterprise environment in the host country, but also to involve U.S. private businesses in making positive investment decisions thus leveraging AID resources and enhancing the development impact.

PROJECT DESCRIPTION: This project will provide financing: (1) to identify, evaluate and assist in funding private enterprises with substantial developmental effect either by direct loans, by loans made in conjunction with banks or other financial institutions or by loans made through an intermediate credit or financial institution; (2) for a facilitative activity to act as a catalyst to assemble parties interested in making investments in developmental projects in host countries, to obtain financing from other sources and to provide private management and vocational training and advice to indigenous private enterprise; and (3) assistance to improve the investment "climate" of the host country through the conducting of reconnaissance missions to assess barriers to investment and opportunities, and reducing impediments to private investment by instituting changes in trade and tax policies, to assist in countries deficiencies in capital institutions and financial infrastructure. Examples are of the type of financing to be made available are: agribusiness funds to be lent to small and medium size businesses engaged in agra and aqua business activities in conjunction with indigenous commercial banks, participation in capitalization of venture capital and leasing companies for on-leading to small and medium-sized industries. Funds for a dairy production facility receiving technical assistance and management from an American cooperation; funds loaned to a indigneous shrimp farming enterprise which has an American partner investor providing technology and management assistance to expand commercial production of a new food

source; funds lent to an indigenous seed company to expand production, research facilities and provide extension services to farmers, funds made available to provide advisory services for the purpose of developing and strengthening financial markets and assisting in creating institutions such as merchant banks, stock exchanges - which will mobilize risk capital for investment. Funds made available to assist in evaluating the commercial and economic feasibility and developmental effect of proposed project assistance. Funds made available for training in basic skills needed to run and manage a business accounting, purchasing, and sanitation.

The project will initially target on at least the following countries in FY 1982: Indonesia, Sri Lanka, Thailand, Pakistan, Egypt, Ivory Coast, Zimbabwe, Kenya, Jamaica and Costa Rica. Haiti, Panama Peru, CBI.

RELATIONSHIP OF PROJECT TO A.I.D. STRATEGY: The project will complement A.I.D.'s government-to-government assistance by providing financing and technical expertise to indigenous private sectors in order to create jobs, increase production of goods and services required to meet basic human needs and to relieve foreign exchange demand. In support of A.I.D.'s objectives to stimulate an increased role for private enterprises in developing countries, this project will be a

basis for the leverage of A.I.D. resources through joint programs with the International Finance Corporation (IFC), commercial and investment banks, specific indigenous and U.S. enterprises, the Trade and Development Program (TDP), OPIC and others.

BENEFICIARIES: The project will benefit primarily the unemployed and underemployed of the host countries by creating jobs and by upgrading technical and managerial skills, and by increasing production of goods and services required to meet basic human needs. The host countries will benefit from the stimulation of the private sector which will create jobs and goods and services, and the foreign exchange generated and/or saved by virtue of the private investment.

HOST COUNTRY AND OTHER DONORS: Host countries may participate in the enterprises resulting from project activity, and will provide cooperation and institutional support for private enterprise development assistance. Other donors will be international entities such as the IFC, financial institutions, and U.S. private business, cooperative and private voluntary organizations.

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<u>MAJOR OUTPUTS</u>	<u>ALL YEARS</u>
Countries Assisted Through Technical Assistance	15
Country Investment Package	10

<u>AID-FINANCED INPUTS:</u>	<u>LIFE OF PROJECT</u> <u>(thousands)</u>
Technical Assistance	3
Other Costs	1
Investment Packages	<u>12</u>
Total	16