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4-5-85

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

JAN 13 1986

ACTION MEMORANDUM TO THE ASSISTANT ADMINISTRATOR (LAC)

FROM : LAC/DR Terry Brown 

SUBJECT: Authorization Amendment for the Ecuador Economic Support Fund (ESF) Program, 518-0058

Problem: To amend the authorization of the FY 1985-86 million ESF Balance of Payments Program for Ecuador to provide the final \$14 million tranche for the program.

Discussion: In September 1985 the DAEC reviewed and approved a \$25 million FY 1985-86 ESF program for Ecuador. Of this amount \$4 million was approved for FY 1985 funding and has been obligated. You recently approved the second tranche of \$6 million made available from a FY 1985 deobligation, per TAB B. The third and final tranche of the program, can now be authorized. The 15-day waiting period for the Congressional Notification expired on December 26. The funds have now been apportioned.

The planned amount of this final tranche was \$15 million, the amount earmarked in the Continuing Resolution. As a result of decisions agreed to by OMB and A.I.D., it was determined that a Gramm-Rudman budget cut of \$1 million would be applied to this tranche. Therefore, the amount to be authorized is \$14 million and the total amount of the program is \$24 million rather than \$25 million.

As indicated in a previous Action Memorandum, we anticipate that this \$14 million tranche will be obligated in a signing ceremony during the visit of Ecuador's President Leon Febres Cordero, now scheduled for January 15, 1986. We again note your decision that the Central Bank exchange rate may be used in the FY 86 program agreement on an exceptional basis but that future A.I.D. actions will require use of the floating "free market" exchange rate.

Your signature of the attached PAAD facesheet amendment is required to authorize this tranche and complete the funding of the FY 1985-86 ESF balance-of-payments program for Ecuador.

Recommendation: That you increase the authorization of the FY 1985-86 grant balance-of payments program for Ecuador by \$14 million by signing the attached PAAD facesheet.

Attachments: TAB A - Program Assistance Authorization Document
TAB B - Action Memorandum dated 12/12/85
TAB C - Action Memorandum dated 9/27/85

CLASSIFICATION:

AIC 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO 518-0058	518-K-601 B
		2. COUNTRY Ecuador	
		3. CATEGORY Cash Transfer	
		4. DATE	
5. TO AA/LAC, Dwight Ink		6. OYS CHANGE NO.	
7. FROM LAC/DR, Terry Brown		8. OYS INCREASE	
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 14,000,000		10. APPROPRIATION - 72-1161037 LESA-86-35518-KG31	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD FY 1986	14. TRANSACTION ELIGIBILITY DATE date of authorization
15. COMMODITIES FINANCED			

N/A

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only:	U.S.: 14,000,000
Limited F.W.:	Industrialized Countries:
Free World:	Local:
Cash: 14,000,000	Other:

18. SUMMARY DESCRIPTION

The purpose of this Program assistance is to provide immediate balance of payments support to Ecuador, thereby ensuring that adequate funding is provided for private sector productive needs and for the continuation of public sector development investments. This program will assist the Government of Ecuador (GOE) to stabilize the current economic situation and continue with the structural reform process already initiated.

This \$14,000,000 (grant) is the third and final tranche of the \$25 million ESF Program approved in September 1985. The tranche will be disbursed as a cash transfer into the U.S. bank account of the GOE. Upon disbursement of the assistance, the GOE will deposit into a Special Account an equivalent amount of sucres, calculated at the Central Bank free market intervention exchange rate. These funds will be used for mutually agreed development purposes consistent with the general criteria of the Foreign Assistance Act, especially Sections 103-106.

The GOE will agree to make available an equivalent amount of dollars to the private sector for imports of raw materials and intermediate goods from the U.S. within six months following the disbursement.

19. CLEARANCES	DATE	20. ACTION
LAC/SA: FAlmaguer <i>FA</i>	12/14/85	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
ARA/ECP: R Beckham <i>WB</i>	12/16/85	<i>Malcolm Zentler</i> 11/14/86 AUTHORIZED SIGNATURE DATE Assistant Administrator (LAC) TITLE
FM: CChristensen <i>ESP/Chris</i>	1/14/86	
GC/LAC: MRiedy <i>MR</i>	1/9/85	
LAC/DR: ILevy <i>IL</i>		
LAC/DP: W!wheeler <i>W</i>		

CLASSIFICATION: