

UNCLASSIFIED

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 82

ANDEAN REGIONAL

JUNE 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

ANDEAN REGIONAL PROGRAM

FY 1982 Annual Budget Submission

<u>Table of Contents</u>	<u>Page</u>
Table I Long Range Plan	1
Table III Project Obligations	2
Table IV Project Budget Data	3
Project Narrative	4
Decision Package Narrative	6
Table V Proposed Program Ranking	8
Table VI Project Summary	9
Table VII Operating Expense Funded Personnel	10
Table VIII Operating Expense Summary	12
Table IX Staff Position Requirements	14
Table X Special Concerns	15

FY 1982 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)

Development Assistance	FY 1980 EST.	FY 1981 EST.	Decision Unit			ANDEAN REGIONAL			
			FY 1982 REQUEST			PLANNING PERIOD			
			MIN	CURR	AARL	1983	1984	1985	1986
Agriculture Rural Development & Nutrition									
Grants	-	400	600	600	600	400	-	-	-
Loans	-	3,100	6,000	6,000	6,000	10,000	-	-	-
Selected Development Activities									
Grants	-	40	100	100	100	150	850	150	1,100
Loans	-	-	-	-	-	-	-	6,000	8,000
TOTAL D.A. ACCTS.	-	3,540	6,700	6,700	6,700	10,550	850	6,150	9,100

TOTAL PERSONNEL

USDH	-	1	1	-	1	1	1	1	1
FNDH	-	1	1	-	1	1	1	1	1

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
 FY 1980 TO FY 1982
 (\$ thousands)

Decision Unit ANDEAN REGIONAL

APPROPRIATION ACCOUNT	L/G	FY 1980	FY 1981	FISCAL YEAR 1982		
				MINIMUM	CURRENT	AAPL
<u>ARDN</u>						
595-0000 Program Development and Support	G	-	100	-	-	-
595-0001 Agro-Industrial Development	L	-	3,100	6,000	6,000	6,000
595-0002 Rural Technology Network	G	-	300	300	300	300
595-0004 Environmental Improvement	G	-	-	300	300	300
<u>SDA</u>						
595-0000 Program Development and Support	G	-	40	100	100	100
TOTAL ALL DA APPROPRIATION ACCOUNTS						
Grant		-	440	700	700	700
Loan		-	<u>3,100</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
			3,540	6,700	6,700	6,700

PROJECT NUMBER		ESTIMATED U.S. DOLLAR COST (\$000)										DECISION UNIT			
		OBLIGATION DATE		DATE OF NEXT PLANNED REVIEW ROUTINE EVAL.	CUM. PIPELINE AS OF 9/30/79	FY 1980			FY 1981			FY 1982 SAFL OBLG.	FORWARD FUNDED TO (MO/YR)	FUTURE YEAR OBLIGATIONS	
		INITIAL	FINAL			OBLG.	EXPEND.	CUM. PIPELINE	OBLG.	EXPEND.	CUM. PIPELINE				
ARDN	595-0000	G	FY 80	FY 81	-	65	40	25	100	50	75	-	N.A.	-	-
		L	FY 81	FY 82	-	-	-	-	3,100	400	2,700	6,000	Mar85	-	-
		G	FY 81	FY 83	-	-	-	-	300	100	200	300	Mar83	400	-
		L/G	FY 82	FY 82	-	-	-	-	-	-	-	300	Mar83	10,000	-
SDA	595-0000	G	FY 81	Cont.	-	-	-	-	40	20	20	100	N.A.	150	-

PROJECT NARRATIVE

Project No. and Title: 595-0004
Andean Regional Environmental Improvement

Grant Funding: FY 1982: \$300,000
Life of Project: \$300,000

Loan Funding: FY 1983: \$10,000,000
Life of Project: \$10,000,000

Functional Account: Agriculture, Rural Development and Nutrition

Purpose: To create an institutional capacity to formulate and carry out a strategy for environmental improvement and natural resource planning for environmentally sound economic growth in the Andean Region.

Background: Due to the nature of past economic growth in the countries of the Andean Region, these countries are now confronting a variety of environmental problems in a uniquely exaggerated form. Extractive industries predominate in all of the Andean countries, accompanied by a host of smelters, refineries, extensive transportation networks, and one of the highest urbanization rates in the world. The environmental consequences of this pattern of industrial and urban development are in many cases already apparent, including pollution of major river systems, damage to soils irrigated from these rivers, and serious health hazards from air and water pollution owing to out-dated manufacturing processes and inadequate waste treatment. In other cases, the environmental consequences are as yet unknown, such as those arising from oil pipelines, railroad grids, and electric power lines which traverse wide expanses of virgin territory. Natural resources are abused in other ways, as fertile land is turned over to housing projects and industrial complexes to keep pace with urban growth, and, in the rural areas, a fast declining land-to-man ratio has led to over-grazing, over-fishing, deforestation, and erosion and mineral-depletion of soils.

Tentative first steps have been taken by the Andean governments in response to some of these environmental problems. But such efforts are limited by lack of technical knowledge, financial resources, and, institutional and policy coordination. Since environmental protection demands the application of new technologies, it will require major investments in research and development, industrial design, and natural resource utilization.

Moreover, any environmental protection plan which is to be viable demands an integrated regional approach. First, many of the current problems are shared by all or most of the countries in the region, and some, involving frontier resources, can only be treated regionally. Further, given economic interdependence among the Andean countries, which are directly linked by trade, there is an interest in resolving environmental problems which go beyond national borders. And last, a uniform strategy and standardized controls are necessary to fairly distribute the costs of environmental protection.

Project Description: This project will provide the necessary technical and financial assistance to assist the Andean Region in planning and implementing a meaningful environmental protection program.

This program will be initiated with up to \$300,000 in grant-funded technical assistance in FY 82. The purpose of this activity will be (1) to identify regional personnel and institutions which are sensitive to environmental concerns and have a capability of articulating these concerns within the host-country context; (2) to make a preliminary assessment of the most critical environmental problems which affect the region; and (3) to outline proposals for implementation of a broad environmental improvement program on a regional basis.

Based on this preparatory work, a \$10 million loan will be developed for authorization in FY 83. The loan program will include the following elements:

(1) Technical Assistance in Regional Environmental Planning: Up to \$1.0 million in A.I.D. loan funds will be allocated to finance training, technical assistance, and special studies to develop scientific and managerial expertise within an Environmental Policy Unit to be established in the Andean Pact.

(2) Environmental Institution-Building Fund: An estimated \$1.5 million in A.I.D. loan funds will be allocated for the development of institutions capable of providing advisory services in the field of environmental protection. These may include member governments wishing to establish an institutional capacity to make environmental protection programs, as well as private consulting firms seeking to broaden their technical services in environmental analysis.

(3) Environmental Improvement Fund: The major project component will be credit to establish a fund in the CAF to finance pilot projects utilizing environmental protection technologies. This fund will be capitalized with up to \$7.5 million in A.I.D. loan funds and up to \$10 million in contributions from member countries. Credit from this fund will be made available for: (1) natural resource protection programs, including reforestation, erosion control, river defense, water storage, and cleaning up polluted rivers and oceans; (2) public infrastructure, such as waste disposal systems and clean and energy-efficient transportation projects; and (3) industrial investments in pollution control and development of renewable sources of energy. Credit from this fund will be given on concessional terms, and will be available to finance both feasibility studies and capital investments.

Beneficiaries: The beneficiaries of the project's activities will include the general population of the Andean Region. However, A.I.D. assistance in support of member country efforts to manage their natural resources will most directly benefit the poor, since the poor tend to incur a disproportionate share of environmental costs: as urban slum-dwellers, the poor are subject to health hazards from air and water pollution from nearby industries; as subsistence farmers, progressive mineral depletion and erosion of soils continually reduce their productivity. By protecting the poor from these environmental costs, the project will have a significantly positive impact on the quality of life and future productivity of the region's poor.

FY 1982 ANUAL BUDGET

Decision Package: Minimum/AAPL

Only one decision package is being presented for the Andean Regional program. Although the package must be presented as AAPL, it is considered to be the minimum package below which no adequate contribution can be made toward achieving the goals of the Small Program Strategy Statement.

Encouragement of regional cooperation is a major objective of the Latin American program as outlined in the Bureau's Congressional Presentation. In South America, the most important cooperative effort has been that of the Andean Pact. A.I.D. support for the Pact's activities has to date been limited due both to technical and political difficulties that the Pact has encountered in its early efforts. With the restoration of the democratic process in Ecuador and Peru, and the prospect of elections in Bolivia, renewed and expanded USG commitment to the Pact is important in order to complement the bilateral programs in those three countries as well as to show support for the Andean countries' positive human rights record.

Prospects for better US relations with the Pact have been enhanced by recent developments: the visit of a high-level US delegation to the headquarters of the Andean Junta in Lima in October 1979 and the high-level Andean Commission-USG discussions in Washington in November 1979. These contacts have been supplemented by a three-person USDA team visit in May 1980. In January 1980, a preliminary project statement in the agriculture sector was submitted by the Junta to AID along with three coal technology projects for DOE.

The Junta, which in the past directed few efforts toward alleviating the problems of the poorest Andean groups, has recently undertaken new initiatives in agricultural development and nutrition improvement. These initiatives include: Junta collaboration with member country Ministries of Agriculture to coordinate agricultural policy; activities related to agro-industrial development; plans for activities in seed technology and food crop production; and development of high nutrition food supplements using agricultural products grown in the sub-region. At the Washington talks, the Junta expressed interest in activities to promote development in science and technology, agricultural and livestock production, intermediate industrial technology, use of remote sensing, and a sub-regional technology information system.

A.I.D. funds will be used to support activities in these areas of concern, both to carry out specific programs designed to benefit the region's poor and to encourage policy measures in the areas of agricultural and rural development, choice of technology, environmental protection, and resource planning. Thus, projects to be funded in FY 1981 include a Rural Development Technology Network grant and a Regional Agro-Industrial Development loan in addition to Program Development and Support funds. In the succeeding year, an Environmental Improvement grant/loan is proposed, to be followed by an Energy/Science and Technology project and a Satellite Technology Application project in FY 1984. This proposed program is innovative, addressing new problems in sectors such as energy, technology, and the

environment, and could be important as a catalyst for change in the direction of Andean Regional development strategy away from the past emphasis on import substitution and toward concrete activities in agricultural and rural development and the areas of technology, energy, and the environment.

The proposed package is considered the minimum level of assistance to the Andean Pact that is acceptable in order to show USG support of regional cooperative efforts. One US direct-hire employee stationed in Lima, Peru and one local-hire secretary will be required for this regional program. These projects will be developed and managed by this direct-hire employee with the assistance of AID/W and field staff in the USAID Mission in Lima.

TABLE V . FY 1982 PROPOSED PROGRAM RANKING

RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	PIPELINE/ ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Positions)			
					INCR	CUM	INCR	CUM	INCR	CUM
DECISION PACKAGE MINIMUM/AAPL										
1.	595-0002 Rural Development Technology Network	0	G	FN	300	300	-	-	-	-
2.	595-0001 Regional Agro-Industrial Development	0	L	FN	6,000	6,300	-	-	-	-
3.	595-0004 Environmental Improvement	N	G	FN	300	6,600	-	-	-	-
4.	595-0000 Program Development and Support	0	G	SD	100	6,700	1	1	1	1

**TABLE VI
PROJECT SUMMARY**

NUMBER OF PROJECTS

	FY 79	FY 80	FY 81	FY 82 MIN	FY 82 CURR	FY 82 AAPL
IMPLEMENTATION AT BEGINNING OF YEAR.....	-	-	-	2	2	2
MOVING FROM DESIGN TO IMPLEMENTATION DURING YEAR.....	-	-	2	1	1	1
DESIGN FOR FUTURE YEAR IMPLEMENTATION.....	-	-	-	-	-	-
SUBTOTAL.....	-	-	2	3	3	3
NUMBER OF NON-PROJECT ACTIVITIES.....	-	-	2	1	1	1
TOTAL.....	-	-	4	4	4	4

IMPLEMENTATION AT BEGINNING OF YEAR.....
 MOVING FROM DESIGN TO IMPLEMENTATION DURING YEAR.....
 DESIGN FOR FUTURE YEAR IMPLEMENTATION.....
SUBTOTAL.....
 NUMBER OF NON-PROJECT ACTIVITIES.....
TOTAL.....

NUMBER OF PROJECTS MOVING FROM DESIGN TO IMPLEMENTATION BY PROJECT SIZE

AID'S CONTRIBUTION TO LIFE OF PROJECT COST

	FY 79	FY 80	FY 81	FY 82 MIN	FY 82 CURR	FY 82 AAPL
LESS THAN \$1 MILLION.....	-	-	1	2	2	2
\$1 TO \$5 MILLION.....	-	-	1	1	1	1
\$5 TO \$15 MILLION.....	-	-	-	-	-	-
\$15 TO \$25 MILLION.....	-	-	-	-	-	-
MORE THAN \$25 MILLION.....	-	-	-	-	-	-

LESS THAN \$1 MILLION.....
 \$1 TO \$5 MILLION.....
 \$5 TO \$15 MILLION.....
 \$15 TO \$25 MILLION.....
 MORE THAN \$25 MILLION.....

**TABLE VII
OPERATING EXPENSE FUNDED PERSONNEL
YEAR END POSITIONS**

FUNCTIONS	FY 79				FY 80				FY 81			
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
<u>Executive Direction</u>												
<u>Program Planning</u>												
<u>Project Design</u>												
<u>Project Implementation</u>									1			
<u>Financial Management</u>												
<u>Mission Support</u>										1		
<u>Non Mission Specific</u>												
TOTAL.....	-	-	-	-	-	-	-	-	1	1	-	-
PLUS: PASAs (OE & Program)	-				-				-			
LESS: JAO Details	-	IDIs			-	IDIs			-	IDIs		
MODE Required	-				-				1			

TABLE VII

FUNCTIONS	FY 82 MINIMUM			FY 82 CURRENT			FY 82 AAPL					
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
<u>Executive Direction</u>	-	-	-	-	-	-	-	-	-	-	-	-
<u>Program Planning</u>	-	-	-	-	-	-	-	-	-	-	-	-
<u>Project Design</u>	-	-	-	-	-	-	-	-	-	-	-	-
<u>Project Implementation</u>	1	-	-	-	1	-	-	-	1	-	-	-
<u>Financial Management</u>	-	-	-	-	-	-	-	-	-	-	-	-
<u>Mission Support</u>	-	1	-	-	-	1	-	-	-	1	-	-
<u>Non Mission Specific</u>	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL.....	1	1	-	-	1	1	-	-	1	1	-	-
PLUS: PASAs (OE & Program)	-	-	-	-	-	-	-	-	-	-	-	-
LESS: JAO Details	-	IDIs	-	-	-	IDIs	-	-	-	IDIs	-	-
MODE Required	1	-	-	1	1	-	-	1	1	-	-	-

TABLE VIII

OPERATING EXPENSE SUMMARY

	FY 1979			FY 1980			FY 1981		
	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
<u>COST SUMMARIES</u>									
US Direct Hire							52.2	1	52.2
FN Direct Hire							8.4	1	8.4
US Contract Pers.							-	-	-
FN Contract Pers.							-	-	-
Housing Expense							7.0	1	7.0
Office Operations		XX	XX		XX	XX	5.0	XX	XX
Total Budget	-	XXX	XXX	-	XX	XX	72.6	XX	XX
Mission Allotment	-	XXX	XXX	-	XX	XX	35.4	XX	XX
PAAS	-	XXX	XXX	-	XX	XX	-	XX	XX
Trust Fund	-	XXX	XXX	-	XX	XX	-	XX	XX

TABLE VIII

	FY 1982 MINIMUM		FY 1982 CURRENT		FY 1982 AAPL		
	(\$000's)	Related Workyear	(000's)	Related Workyear	(\$000's)	Related Workyear	Unit Cost
US Direct Hire	53.2	1	53.2	1	53.2	1	53.2
FN Direct Hire	9.7	1	9.7	1	9.7	1	9.7
US Contract Pers.	-	-	-	-	-	-	-
FN Contract Pers.	-	-	-	-	-	-	-
Housing Expense	7.0	1	7.0	1	7.0	1	7.0
Office Operations	5.0	XX	5.0	XX	5.0	XX	XX
Total Budget	74.9	XX	74.9	XX	74.9	XX	XX
Mission Allotment	37.7	XX	37.7	XX	37.7	XX	XX
FAAS	-	XX	-	XX	-	XX	XX
Trust Fund	-	XX	-	XX	-	XX	XX

COST SUMMARIES

US Direct Hire

FN Direct Hire

US Contract Pers.

FN Contract Pers.

Housing Expense

Office Operations

Total Budget

Mission Allotment

FAAS

Trust Fund

**TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING
POSITION REQUIREMENTS - FY 1980-1982**
(By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	NUMBER OF POSITIONS													
	FY 1980			FY 1981			FY 1982			Current			AAPL	
	Minimum		Current		Minimum		Current		Minimum		Current		AAPL	
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH
Project Design and Implementation Capital Development Office	-	-	1	-	1	1	-	-	1	-	1	1	-	1
Project Officer	-	-	-	1	-	-	1	-	-	-	1	-	-	1
All Other (Non-Professional)	-	-	1	1	1	1	1	1	1	1	1	1	1	1
Total	-	-	2	2	3	3	2	2	2	2	2	2	2	2

TABLE X SPECIAL CONCERNS
ADDITIONAL PROJECTS

PROJECT NUMBER AND TITLE	APPROP	CONCERN CODE		FUNDING FOR SPECIAL CONCERN (\$000)				
		PRIME	SUB 1/	FY 1980	FY 1981	FY 1982		
						MINIMUM	CURRENT	AAPL
595-004 Environmental Improvement	FN	ENVR	4	-	-	300	300	300

1/ Use only for Environment Activities