

UNCLASSIFIED

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AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

AMENDMENT #2

REGIONAL: Private Enterprise Development
(398-0050)

January 27, 1989

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE
 A = Add
 C = Change
 D = Delete
 Amendment Number 2
 DOCUMENT CODE 3

2. COUNTRY/ENTITY
 Asia Near East Region

3. PROJECT NUMBER
398-0050

4. BUREAU/OFFICE
 Asia Near East Bureau

5. PROJECT TITLE (maximum 40 characters)
Regional Private Enterprise Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
 MM DD YY
09 30 93

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B' below, enter 1, 2, 3, or 4)
 A. Initial FY 89 B. Quarter C. Final FY 93

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)	(500)	()	(500)	(8,000)	()	(8,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	500		500	8,000		8,000

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) 106	800	840		2125		750		6525	
(2) 103	164	150		175		100		675	
(3) 104	580	510				50		300	
(4) 105	600	690				100		500	
TOTALS				2300		1000		8000	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

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

13. PROJECT PURPOSE (maximum 480 characters)

To encourage priority initiatives for private sector development through a rapid response funding mechanism.

14. SCHEDULED EVALUATIONS

Interim	MM	YY	MM	YY	Final	MM	YY
			09	91		03	93

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.)
 Amendment to funding appropriations, life of project. In addition, administrative modifications to improve implementation.

17. APPROVED BY
 Signature: *[Signature]*
 Title: Director, Project Development
 Asia Near East Bureau
 Date Signed: MM DD YY
01 27 89

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

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION AMENDMENT

Name of Country: Asia and Near East Region Name of Project: Regional Private Enterprise Development
Number of Project: 398-0050

Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Near East Regional Private Enterprise Project was authorized on April 5, 1984. That authorization was subsequently amended on January 8, 1988. The authorization as amended is hereby further amended to read, in its entirety, as follows:

1. Pursuant to Sections 103, 104, 105, and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Regional Private Enterprise Development Project ("the project") involving planned obligations not to exceed Eight Million Dollars (\$8,000,000) in grant funds over a nine year period from the original date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of project is nine years and five months from the date of initial obligation, with a planned Project Assistance Completion Date (PACD) of September 30, 1993.
2. The project consists of subprojects to be authorized, in accord with approved procedures, that will support private sector development initiatives in the Asia and Near East region.
3. The Project Agreement(s) or other agreements which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and conditions as A.I.D. may deem appropriate.
4. Source and Origin of Commodities, Nationality of Sources. Commodities financed by A.I.D. under the project shall have their source and origin in the pertinent cooperating country or in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the pertinent cooperating country or the

United States as their place of nationality except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Carol C. Adelman

Carol C. Adelman
Assistant Administrator
Bureau for Asia and Near East

2/14/89
Date

Clearances:

DAA/ANE:WFuller	<i>WJ</i>	Date	<u>27/1/88</u>
ANE/PD:BJOdell	<i>Go</i>	Date	<u>1/22/89</u>
ANE/DP:PBenedict	<i>PB</i>	Date	<u>1/26/89</u>
ANE/EA:RGomez	<i>R</i>	Date	<u>1/26/89</u>
ANE/TR:BTurner	<i>BT</i>	Date	<u>1/26/89</u>
GC/ANE:JSilverstone	<i>JS</i>	Date	<u>1/24/89</u>

GC/ANE:JSilverstone:skc/eb:1/24/89:76504:1130g

TABLE OF CONTENTS

I.	Introduction	1
	A. Background	
	B. Activities	
	C. ANE Private Sector Development	
	D. Project Paper Changes	
II.	The Project	7
	A. Goal	
	B. Purpose	
	C. Project Activities	
	D. Cost Sharing	
	E. Eligibility	
III.	Financial Plan	10
IV.	Project Implementation	13
	A. Background	
	B. Improving Flexibility - Project Procurement Mechanisms	
	C. ANE Implementation Procedures	
V.	Monitoring and Evaluation Plan	19
	A. Monitoring	
	B. Evaluation	
VI.	Other	20
VII.	Logframe	

Annexes

1. Logframe
2. Original Project Paper (including Action Memorandum Authorization)
3. State cable 017308 dated January 21, 1988
4. Missions' responses to state cable 017308
5. FY 1984-1988 Subproject Listing
6. Statutory Checklist

PROJECT PAPER SUPPLEMENT

The Project Paper Supplement is formatted to follow the Section sequence of the original Project Paper, attached as Annex I.

I. INTRODUCTION

A. Background

The Regional Private Enterprise Development Project (398-0050) was authorized April 5, 1984, to provide the Near East Bureau Missions with funds to promote private sector development. The original level of funding for the project was \$2,800,000; this amount was later increased to \$2,975,000. The current termination date for the project is April 30, 1991.

As originally authorized, the goal of the project was to assist in fostering the development and growth of private enterprise in the AID recipient countries in the Near East region. The purpose of the project was to provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development through institution building, technical assistance, and the transfer of U.S. technology. It was designed to (a) identify constraints to private enterprise development and (b) design and implement activities to overcome impediments identified as constraining private sector development. Eligible countries included Jordan, Lebanon, Morocco, Oman, Portugal, Tunisia, Turkey and Yemen. (Two NE countries were excluded: Egypt, because its private sector program had sufficient funds, and Italy, because its program was limited to disaster relief.)

The project provided for the following types of assistance:

1. Studies of economic policy, sector policy, and business environments;
2. Technical and managerial assistance to small and medium scale firms, and support for business and trade associations;
3. Technical assistance to improve the investment climate in developing countries;

4. Technical assistance to develop capital markets;
5. Vocational, entrepreneurial and management training;
6. Assistance in encouraging U.S. private investment in the Near East developing countries.

The project was amended in early 1988 to expand the project's funding and authorized countries for operation to include all Missions in the Asia and Near East Bureau and the ASEAN and South Pacific Regional programs. The ceiling for sub-project approval at the Office Director level was increased from an original ceiling of \$75,000 to \$100,000.

B. Activities

Between FY 1984 and FY 1988, \$2.3 million in Project 398-0050 funds and \$210,000 in PD&S funds were used to support activities which fit the project purpose and/or the criteria established for sample activities. A summary of the activities funded is attached as Annex 5. The summary shows that ANE/W usage of project funding has increased significantly; that many activities have responded to agribusiness and health sector requests; and that Mission usage of project funding has been mixed. For example, Morocco has used the project to test the rationale of programming Mission resources in certain areas involving the private sector. It has since developed projects following up on earlier results. Support of ASEAN actions (the FY 1988 support to the U.S. Trade Representative) has resulted in ASEAN program development of trade and investment initiatives. On the other hand, USAID/Yemen has used the project as a budgetary supplement without allocating resources for follow-on work (IESC), while Turkey and Portugal activities currently lack continuity.

While the Project Paper called for monitoring, reporting, and evaluation activities (pg. 32-33 of PP), little in the way of organized attention seems to have been spent in follow-up on those areas. Project files contain copies of reports; some patterns can be traced on achievement or accomplishment under the project. It would appear, however, that as a general statement one can say that these mechanisms need attention to benefit from lessons learned through the project.

This supplement is designed to reflect ANE Bureau priorities regarding private sector support and to assist Missions to initiate or respond to private sector needs in a rapid, flexible manner. The supplement also modifies implementation, monitoring, and evaluation procedures to improve the management of the project.

C. Asia and Near East Private Sector Development

In mid-1988, the ANE Bureau created a new Office of Private Sector Development to:

- promote the development of open and outward-oriented markets as a means of accelerating self-sustainable, efficient economic growth led by the private sector; and
- strengthen and expand the role of the private sector in developing countries in order to increase private sector investment and reduce barriers to more rapid growth.

Because these are broad topics, the ANE Bureau recognized that focus and prioritization would be required if any impact was to be achieved. Five priority areas have been established. They are:

1. Trade and Investment Development:

A key Bureau priority for private sector development is to promote trade and investment in the Asia Near East region. At the ANE Mission Directors' Conference in November 1987, Bureau and Mission management discussed future directions for private sector assistance in the Asia Near East region. An important new direction for the region was trade and investment. The Bureau is particularly interested in the development of new and innovative approaches to promote trade and investment consistent with our development mandate.

The promotion of trade and investment activities is an exceedingly broad objective. This new direction is closely linked with technology transfer and human resource development as elements of economic growth. While the activities supported should reflect country-specific situations, priority will be given to the areas where the U.S. private sector has a demonstrated capability, such as new technology transfer, power and telecommunications support, agribusiness development, biotechnology development, and services.

The demand for additional resources, in light of new directions in ANE's private sector programs, highlighted the need for a quick and flexible funding mechanism. The Regional Private Enterprise Development Project can provide the funding required to develop such initiatives.

2. Private Sector Support:

ANE private sector programs have been targeted to provide assistance to strengthen business and professional associations that serve all levels of the private sector. Such associations have the potential to serve as important conduits

for information; they also serve as a forum for dialogue between the private and public sectors. Association strengthening, support for host country - U.S. chambers, and development of trade councils may result in more open markets and reduction of governmental constraints to entry in the marketplace.

In early 1988, ANE's focus on microenterprise activities strengthened due to the recognition that considerable trade in goods and services provided by the private sector is done informally and that these transactions are often unmeasured and only partially understood. Small enterprises have the greatest potential to generate new employment in developing countries, but frequently lack the institutional support provided to larger firms. The Bureau concluded that more emphasis on understanding microenterprise activities and the institutional constraints affecting microenterprises would have a favorable impact on private sector development.

The Regional Private Enterprise Development Project was identified as the most appropriate vehicle for financing the development of the new private sector initiatives mentioned above. As noted above, the scope of the project is sufficiently broad to encompass a wide range of private sector initiatives, including trade and investment and microbusiness activities. In addition, regional funding can frequently remove a major obstacle to financing private sector activities, that is, host-country resistance to the use of bilateral funds for non-governmental activities. Regional funding also increases Bureau and Mission control of activities and often permits a more rapid pace of implementation.

3. Training and Business Exchanges:

Recognizing human resource development as a key in long-term country growth, and A.I.D.'s strong track-record in providing training, the ANE Bureau aims to extend and strengthen training opportunities for private sector participants. This includes U.S. and host country training, and training at the managerial, technical and vocational levels. Another important form of private sector training is "on-site" training, for example, through the IESC programs, internships in U.S. companies, business exchanges such as those provided through Entrepreneurs International, and corporate sponsored conferences and seminars. The aim is to encourage and support long-term U.S. and host-country relationships through training. Much of the original project's resources have supported this priority area.

4. Financial Systems Development:

The development of effective financial systems is a necessary corollary to private sector development. Without access to efficient sources of capital and opportunities for

investment, the growth of the private sector in developing countries will be very limited. The ANE Bureau's programs aim to improve the environment for financial systems development through changes in the legal, fiscal and regulatory constraints, as well as monetary constraints. The Regional Private Enterprise Development Project can assist by funding technical assistance for such specific activities as debt-equity swap assistance, stock market and ESOP experiments, health sector financing, and expert assistance for host-country analysis of debt and foreign exchange strategies.

5. Privatization:

For many developing countries, privatization of state-owned assets has become an imperative to promote private sector participation in its economy. Governments can no longer afford to maintain the heavy financial burden of public enterprises. On the other hand, privatization frequently raises difficult issues: potentially adverse employment effects, the difficulty of placing a value on public assets and other issues. ANE Bureau's private sector programs aim to provide assistance at the policy and technical levels to deal with specific difficult issues and to assist in implementing government's privatization programs. One priority area would be the privatization of health services. Another would be privatizing municipal services. The Regional Private Enterprise Development Project can also leverage Mission funds to investigate privatization possibilities.

D. Project Paper Changes

A description and justification for the changes in the project paper is provided in the following section. To briefly summarize the proposed changes:

Problem: Since the original design of the project, the ANE Bureau and Missions have gained considerable experience in private sector activities. This has enabled the Bureau to better define its objectives and priorities for regional private sector development. The goal in the original project paper remains valid. The statement of purpose and the priorities for sub-projects have changed, however, due to the development of other funding sources such as PRE, S&T and PPC, and modifications in ANE's private sector strategies and focus which include trade and investment, especially in areas where the U.S. private sector has a predominant capability such as agribusiness, health sector privatization and financing, and power generation, and increased emphasis on micro-and-small business development.

Amendment: The project purpose and the priorities for funding have been modified to reflect changes in the ANE Bureau's strategy and approach to private sector development.

Problem: There is a significant and increasing demand for regional bureau funding for private sector activities. FY 1988 Mission requests for regional private sector funds exceeded \$1,400,000 and Bureau-initiated requests were above \$200,000. The authorized level of funding for the project is inadequate to meet ANE's growing demand for funds for private sector activities.

Amendment: It is proposed that the planned level of funding for the project be increased from \$2,975,000 to \$8,000,000 in accordance with the increased demand for regional funding. Because much past activity has included agro-industrial and health financing interests and because of requests for training and managerial exchange, funding from Section 103, 108, 105, and 106 accounts is proposed. It is also proposed that the project's PACD be extended from April 30, 1991 to September 30, 1993.

Problem: The implementation mechanisms set forth in the original project paper have proven to be time-consuming in accessing technical assistance.

Amendment: This amendment proposes that ANE Bureau contract for technical assistance and support to ensure services will be available when needed. This mechanism will provide specific task-oriented draw-downs when activities are identified to ensure quick access to technical services. Project funds may be used to co-finance Mission requests for buy-ins to other Bureau contracts.

Problem: The project approval process is time consuming and A.I.D. management staff is needlessly encumbered with the current requirement that all sub-activities must have multi-office ANE approval.

Amendment: To streamline the project approval process the supplement proposes that ANE/PSD screen all proposals without a requirement that other Bureau offices also screen the proposals, and that the Director, ANE/PSD, be given authority to approve sub-project activities up to \$200,000. Note: Final task orders will be cleared by all relevant offices.

II. THE PROJECT

This supplement proposes that the activities funded through the Regional Private Enterprise Development Project be derived from the five themes mentioned above. The impact of incorporating these themes into the original project paper's description of eligible activities (III.C.3.04, Annex 1) is to better focus the use of Project funds, e.g., five major areas of usage; sub-sectors for T and I emphasis. The areas of Project fund usage in Section 2.10 are superseded by the above descriptions.

A. Goal

The goal of the project remains the same: To assist in fostering the development and growth of private enterprise so that it can gradually assume the leading role in providing the long term economic growth needed in AID-recipient countries in the Asia Near East region.

B. Purpose

The purpose of the project is modified as follows: To encourage priority initiatives for private sector development through a rapid response funding mechanism. The project will provide the ANE Bureau and Missions with the flexibility to make timely responses for private sector development activities.

C. Project Activities

The priorities for project activities have been changed to reflect the ANE Bureau's Private Sector priority areas as described above in Section I.

Within these priority areas, all proposals submitted by Missions for regional funding must meet the following criteria:

- o Proposals must support and be directly related to the themes in Section I of this supplement.
- o Proposals must address a major constraint to private sector development in the country.
- o Proposals must aim to have an impact on achieving sustainable and increased economic growth and employment and must state the expected impact.

Within the five targets for assistance discussed in Section I.C, the first priority is clearly innovative trade and investment support, especially in fields where the U.S. has a competitive advantage or where there would be a transfer of technology. Proposals that focus on the other four targets will be supported in accordance with funding availability and their relevance to meeting the Mission's objectives set out in

their respective private sector strategies.

The activities which may be funded are consistent elements shown in the original PP's Section 3.04, and with Sec. 4.02 in the original project paper. Examples of activities are detailed on pages 13 - 18 of the project paper.

The original project paper's Annex A, "Subproject Eligibility and Sector Criteria," also describes eligible activities. This amendment adds high-tech industry emphasis (such as telecommunications, electronics, biotechnology and computer componentry), agribusiness support, health sector financing and privatization, and private power experiments. It also adds the following to Annex A:

"12. Facilitate efforts to bring a country's "informal" sector into the mainstream of ANE country economies."

D. Cost Sharing:

Section 9.05 provides guidelines for sharing of foreign exchange costs. These guidelines remain applicable except that the reference in 9.05(2) to the International Executive Service Corps (IESC) is to be deleted. IESC is but one of many groups which can provide assistance under the project. Missions are free to select any provider of assistance.

The original project allowed cost sharing with U.S. investors for feasibility study support (see Section 9.05.3, Annex A, B and Annex C to the original PP). With regard to feasibility studies, prior to financing any new feasibility studies under the amended project, the Bureau will agree on procedures and legal authorities that will apply to these studies. Annex B and Annex C of the original PP are eliminated.

E. Eligibility:

Assistance requests under the project should relate to the project purpose. Assistance involving a parastatal, or a governmental entity, is not precluded if a direct, favorable impact on the private sector can be demonstrated through the assistance.

Although Annex B to the Project Paper is deleted as a requirement for all activities, each Mission is to exercise prudent judgement in documenting its rationale for an activity, and requests are required to be consistent with the criteria in Section I above. Review and subsequent implementation of all project activities for funding will take into account all applicable A.I.D. policies including those related to impacts on U.S. business. No assistance under the project should benefit industries or exporters of commodities that might

reasonably be expected to cause substantial injury to U.S. producers of the same or competing commodities; no funds will be used to pay for research related to abortions or involuntary sterilization; no funds will be provided for any activity that would clearly result in the degradation of national parks or undegraded forest land; and no support will be provided for gambling or other enterprises which are offensive or frivolous.

The redesigned project is expected to fund the following distribution of activities.

Anticipated Project Outputs
(Interventions Funded)

	<u>TRADE & INVESTMENT</u>	<u>PRIVATE SECTOR</u>	<u>TRAINING & EXCHANGE</u>	<u>FIN. SYST. DEVELOPMENT</u>	<u>PRIVATI- ZATION</u>	<u>TOTAL</u>
I. STUDIES						
Policy	2	--	--	3	1	6
Consultants	3	1	--	4	1	9
Sector Surveys	5	--	--	--	--	5
II. SERVICES						
TA						
Seminars	8	--	3	1	1	13
Targeted Support Feasibility Studies	10	5	1	1	--	17
Studies	4	--	--	--	--	4
III. CONFERENCES						
Workshops	3	2	--	--	--	5
	6	3	8	--	--	17
IV. TRAINING PROGRAMS						
Business Exch.	--	--	3	--	--	3
	--	--	8	--	--	20
V. EVALUATIONS						
	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>
TOTAL	43	12	36	10	4	105

III. FINANCIAL PLAN

Shortly after amending the project in January 1988, the ANE Bureau sent a cable (State 017308) to Missions to announce the changes in the project; a copy of the cable is included in Annex 3. The cable also asked Missions to estimate their current and future demand for regional private sector funds. While State 0178308 caught many Missions unprepared to respond, the responses received by ANE indicate that there is significant and growing demand for regional bureau financing of private sector activities, particularly in light of the increased emphasis on new trade and investment activities. The Missions' responses are included in Annex 3.

There is significant and increasing demand among ANE Missions for regional bureau funding of private sector activities. Based on those Mission requests, which specifically included funding requirements, the current demand for regional funds exceeds \$1,400,000. A true estimate may approach \$2 million annually.

Other Missions, including Morocco, Indonesia, India, Pakistan, and Thailand are now developing new proposals for using these funds. It is not always clear from the cables whether they seek an implementation mechanism to "buy-in" with bilateral funds or whether they will require additional funds. It is clear, however, that the smaller Missions believe that a buy-in provision would place undue strain on their PD&S funds.

On a regional ANE level, support of ASEAN trade and investment initiatives, commercialization of technology experiments, and informal sector support in FY 1988 alone amounted to over \$255,000. These activities all surfaced with the January 1988 project amendment which expanded the project to Asia and regional programs. FY 1989 estimated requirements exceed \$500,000.

The project is currently authorized at a level of \$2,975,000, of which approximately \$2,300,000 has been obligated. The funds remaining in the project are not sufficient to finance current requests for regional funding. They will clearly be inadequate to finance future needs for regional private sector funds.

Strong demand for regional private sector funds exists, and is likely to increase due to the following factors:

- o The expansion of the project from six Near East countries to all countries in the Asia & Near East region, combined with a flexible implementation mechanism;
- o The ANE Bureau management's increased emphasis on private sector development, and in particular, its new directions in trade and investment and in microenterprise development; and

- o The recognition that regional funding can remove a major obstacle to the financing of private sector activities, that is, host-country resistance to the use of bilateral funds for non-government activities.

The current composition of Regional Private Enterprise Development funding is: \$175,000 ARDN and \$2,800,000 PSEE (SDA). Based on the priorities established in Section II and past usage, future funding requirements are estimated as follows:

	<u>Current</u> (\$ 000)	<u>Planned</u> (\$ 000)	<u>TOTAL</u> (\$ 000)
ARDN	175	500	675
HEALTH	---	300	300
EDUCATION & HUMAN RESOURCES	---	500	500
SDA (PSEE)	<u>2,800</u>	<u>3,725</u>	<u>6,525</u>
TOTAL	2,975	5,025	8,000

Funding by fiscal year is projected below. Annual updates, budgeting exercises and reviews will ensure accuracy for future levels.

	(\$ 000)					
	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>TOTAL</u>
ARDN	100	100	100	100	100	500
HEALTH	50	50	50	75	75	300
ED&HR	100	100	100	100	100	500
PSEE	<u>---</u>	<u>625</u>	<u>1000</u>	<u>1000</u>	<u>1100</u>	<u>3725</u>
Subtotal	250	875	1250	1275	1375	5025
Current PSEE (est)	750	150	---	---	---	900
TOTAL	1000	1025	1250	1275	1375	5925

Funds will be used for the following illustrative types of activities:

	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>TOTAL</u>	<u>(%)</u>
Trade & Investment	500	600	650	700	725	3175	54
Private Sector Support	200	200	300	300	300	1300	22
Training & Business Exchange	100	100	150	150	150	650	11
Financial Systems Development	150	100	100	100	200	650	11
Privatization	<u>50</u>	<u>25</u>	<u>50</u>	<u>25</u>	<u>---</u>	<u>150</u>	<u>2</u>
TOTAL	1000	1025	1250	1275	1375	5925	100

The composition of goods and services procured for the remainder of the project are estimated as follows:

	<u>Technical Assistance</u>	<u>Training</u>	<u>Evaluation</u>	<u>Total</u>
Trade and Investment	2900	175	100	3175
Private Sector Support	1250	--	50	1300
Training and Business Exchange	100	525	25	650
Financial Systems Development	500	125	25	650
Privatization	<u>125</u>	<u>25</u>	<u>--</u>	<u>150</u>
TOTAL	4775	850	200	5925

Section 5.02 of the original Project Paper required that funds for a fiscal year be fully obligated in that FY. That requirement is maintained in this amendment.

Local currency requirements for at least 25% of costs for each subproject will be sought from the applicable host country and/or private sector entity where the subproject is intended to assist the host country. Project development or "pilot" activities or experiments may be excluded from this consideration.

IV. PROJECT IMPLEMENTATION

A. Background

The key to successful implementation of the Regional Private Enterprise Development Project is flexibility and rapid response. The original project design desired flexibility, and this feature will be retained in this supplement. The implementation procedures in the original design did not, however, ensure rapid response. Some Missions noted in their response to the State cable that a more rapid implementation mechanism was needed for the project. The purpose of modifying the implementation procedures in the project is to help ensure that assistance is provided on a timely and flexible basis.

Another purpose in modifying the implementation procedures is to strengthen the components in the project which deal with monitoring and evaluation. As noted earlier in this supplement, scheduled evaluations were not performed, and reporting cables from the Missions on activity results were not always obtained. These deficiencies are corrected in this supplement.

B. Improving Flexibility - Project Procurement Mechanisms:

Section 9.07 of the PP is deleted and the following is substituted for it:

"9.07. ANE/PSD intends to engage a contractor to provide technical support for the project on a call-type contract basis.

The following procurement mechanisms are expected to be the most frequently utilized:

(a) A multi-year level-of-effort contract to provide technical assistance and support required under the project.

(b) Utilization of the Project's funds, with Mission funds, to buy into PRE and S&T technical assistance contracts.

(c) Purchase order procurements as appropriate.

C. ANE Implementation Procedures

Section 9.03 of the original PP is deleted and the following is substituted in its place.

9.03. Implementation procedures for approval of subprojects.

1. Coordination and Management

The management responsibilities for the Regional Private Enterprise Development Project will be centered in the ANE Private Sector Development Office. ANE/PSD chairs the Bureau's task forces for Trade and Investment and Microenterprise/Informal Sector initiatives. Representatives from ANE staff offices (DP, PD, TR) are represented on these task forces, as are representatives from other Agency Bureaus (PRE, PPC, S&T, ITIP). In addition, the Office Directors of PSD, DP, PD, TR, and EMS regularly coordinate on matters concerning Bureau private sector activities. The ANE task force representatives provide continuity for project decisions and a forum to discuss possible issues on proposed funding requests. Appropriate "project committee" members can be drawn from the task forces.

Early in the fiscal year, Missions will be asked to submit proposals for project funds. These will be screened in accordance with the process outlined below and, to the extent possible, funds for the year will be earmarked for acceptable activities to be funded during the rest of the year. Remaining project funds will be earmarked and committed on a case by case basis during the rest of the year.

(a) For Mission Originated Activities

Requests for assistance will be submitted to ANE/PSD via cable or Fax in PIO/T format. Missions should indicate if they wish to utilize the ANE technical support contract or buy

in to a PRE or S&T project (see C.3 below). The request for assistance should explain the nature of the problem and the type of assistance required. Missions should include the following information:

- a description of the problem to be addressed;
- a description of its relationship to the Bureau's private sector priorities described in Sections I and II above;

After the proposal is submitted, the technical support contractor may be asked by ANE/PSD to provide:

- recommendations on the merits of assistance requests, and/or help Missions redefine their requests;
- a summary of what each activity performed should accomplish and recommendations for Bureau follow-up;
- a suggested scope of work;
- suggested qualifications of consultants to be considered in obtaining services;
- estimated timing and duration of assignment; and
- information on special working conditions in the country.

Requests for assistance under the Technical Support Contract will be fully funded by the Bureau. Requests for assistance which will buy-in to PRE and S&T contracts utilizing Regional Private Sector Development Project funding should include a contribution to total costs by the Mission.

Upon receipt of the Mission request, ANE/PSD will screen the proposal in accordance with project criteria and will be responsible for determining that the relevant statutory and policy requirements are met. If the activity is clearly relevant and proper as described, ANE/PSD will:

- prepare a task order if the activity is to be funded under the technical support contract;
- prepare a PIO/T if the activity is to buy-in to a PRE or S&T project.

The selected document will then be circulated to representatives in the following offices for clearance:

- the appropriate desk office;
- ANE/PD and/or ANE/TR, as appropriate for project backstopping;
- ANE/DP, as appropriate for funding and when dealing with economic policy implications or evaluation;
- GC/ANE if special circumstances, such as assistance for Portugal or Turkey, warrant.
- OP/OS/ANE will initially review task orders in excess of \$25,000 related to the Technical Support Contract. It will receive information copies of all other Task Orders executed under the Contract.

If a task order exceeds \$200,000, based on an estimated level of effort, an Action Memorandum to AA/ANE, cleared by the appropriate Office Directors, will be prepared. No task order in excess of \$200,000 will be issued without AA/ANE approval.

For those assistance requests for PRE or S&T project buy-ins, the clearing of the PIO/T by ANE as described above, and by PRE/S&T as appropriate, will serve as concurrence with the Mission request. If the Project is requested to fund in excess of \$200,000, the PIO/T will require AA/ANE approval.

If the case arises that there is an activity which raises policy issues or on which there is substantial disagreement, it will be referred to AA/ANE with a recommendation by ANE/PSD.

(b) For AID/W Originated Activities

The description/review/approval procedures described above will be followed.

(c) For Activities in Countries without Mission Representatives

Activities brought to ANE for consideration from economic or commercial staff at U.S. embassies, or by Chamber of Commerce representatives will be evaluated in AID/W by ANE/PSD, similar to the procedures described above.

2. The Technical Support Contracting Mechanism:

ANE will contract with a firm to provide technical consulting services in private enterprise development. The contract will be negotiated at a particular level of effort and budgeted at a corresponding dollar amount; additional funding will be provided in increments in accordance with the anticipated level of activity for the forthcoming years if funding is available, and if the contractor's performance is acceptable to ANE.

The technical support contract will cover a 3 year period. Missions will be requested to submit estimates of activity under the Regional Private Enterprise Development Project at the beginning of each fiscal year. These estimates will serve as the basis for establishing annual level-of-effort ceilings.

The contractors' work will be task-order driven. ANE/PSD will issue separate task orders for each assignment to be carried out by the contractor. Before an assignment is approved, the contractor will submit a firm budget outlining the cost of carrying out the assignment.

The funds obligated in the contract will be expended on the basis of task orders. Assuming that the demand for technical services under the project continues to be high, the initial funds may be drawn down quickly.

The overall contract scope of work will define the types of assistance to be provided under the contract. The Missions' needs for private sector assistance vary widely. The overall scope of work will reflect these varied and diverse needs. Scopes for task orders will be more specific.

Total funding to be obligated at signing of the contract will depend on needs determined by the initial programming exercise, but it is expected to approximate \$500,000. As FY 90 funding availabilities are developed, and as demand and performance warrants, additional funds can be added to the contract. In light of the kind of work that will be required of the contractor, \$500,000 in FY 1989 could buy the following:

- Five advisory teams for 12 person weeks each, to perform tasks described in the statement of work, at \$60,000 per team, for a total cost of \$300,000;
- Three support activities for ANE for a total of 25 person weeks, for a total cost of \$100,000;

- One training seminar for field personnel, at a cost of \$70,000; and
- Miscellaneous activities: \$30,000.

Key deliverable items or benchmarks under the contract will include the timeliness and quality of technical assistance provided project activities in the field, the stimulation of new private sector activities in the field, encouragement of Missions to expand upon project-funded activities with bilateral funding, and modifications to Mission strategy documents flowing from the five priority policy areas contained in the project supplement. Replication of project private sector activities by host countries is an important but secondary objective of the project. AID/W will receive cables from field Missions assessing the contractor's success in achieving the above benchmark. Interim and final project evaluations performed by an outside contractor will confirm the project's and contract's success in achieving these objectives.

While a contract could absorb up to \$1.0 million annually, it is recommended that funding be reserved for buy-ins to PRE and S&T projects. This will allow greater flexibility to respond to various Mission needs.

3. PRE and S&T Buy-In Mechanisms

The Private Enterprise Bureau and the Bureau for Science and Technology have several contracts in place to provide technical assistance to Mission in private enterprise development. Key PRE contracts are the Private Enterprise Development Support project, the Financial Markets Development project and the Center for Privatization project. S&T contracts include the Employment and Enterprise Policy Analysis Project (EEPA), the Assistance to Resource Institutions for Enterprise Support Project (ARIES) being redesigned as GEMINI, the Appropriate Technology International Project (ATI) and a new Technology, Trade and Investment Initiative Project (TTII). All of the projects have buy-in mechanisms which would enable the ANE Bureau to leverage its funds with those of PRE and S&T. Furthermore, the services provided under these projects are closely tied to the priorities of the ANE private sector program.

While these buy-in mechanisms are available, regional competition for services under these projects is high. Key team members may not be available to assist Missions in a timely manner. Usage priorities are set by the Bureau which administers these contracts, and contractors under these projects respond to the source of core funding with higher motivation than to regional bureau concerns. It is expected that privatization, financial system analysis, and microenterprise activities will be requested for most buy-ins.

In summary, the flexibility to access technical services through the technical support contracting mechanism or through buy-ins to PRE and S&T contracts will enable the ANE Bureau to respond quickly to Mission requests for technical assistance. This in turn will stimulate additional demand for project services.

4. Implementation Schedule

The implementation schedule for project amendment approval is as follows:

<u>DATE</u>	<u>ACTION</u>	<u>RESPONSIBILITY</u>
12/88	PP Amendment Approval	ANE/PSD - ANE/PD
01/89	AA/ANE Authorization	ANE/PSD - GC/ANE
01/89	USAID Notification	ANE/PSD
01/89	Contractor Process Initiated	ANE/PSD - SER/OS
03/89	Contract Award	SER/OS

All ANE Missions will receive a cable summarizing the changes in project orientation and the new implementation procedures. They will be requested to update their anticipated requirements and to send them, with budget estimates to ANE/PSD

V. MONITORING AND EVALUATION PLAN

A. Monitoring

The monitoring process for the project will be improved under the supplement to provide better feedback on status of activities and performance of contractor personnel. This will be accomplished by (a) requiring the contractor to submit reports documenting progress and problems, and (b) requesting the Missions benefitting from the project to report on the contractors performances and on how the results of the contractor services will be utilized. Missions will also regularly suggest improvements to the project process, as appropriate, to make the project more useful to them.

Data from the contractors and Missions will be used as inputs for the semi-annual Project Implementation Reviews as well as during periodic meetings of Private Sector Task Force representatives which can function as the project committee, as described above, under Implementation Arrangements. Proposals to improve project performance based on the reports will be entertained at these fora.

B. Evaluation

Although the project has not been formally evaluated to date, results were analyzed during the preparation of this project supplement. Analysis showed that while funds appeared to be used for purposes intended, little data was available on results. Up to now, the project has served as a quick response mechanism to help provide additional resources for a broad range of private sector activities in the Bureau, and the project focused on being helpful to Missions in developing their private sector programs. This supplement focuses more specifically on the promotion of high priority ANE Bureau activities. It accordingly may be evaluated on its success in encouraging new initiatives in these priority areas by (1) assessing the immediate results each new initiative financed under the project, and (2) evaluating the success of the project in promoting follow-on activities to new initiatives under this project.

Data on immediate impacts of each project activity will be gathered as part of the monitoring process described above. These data will be grouped and analyzed during an evaluation at an appropriate point during implementation, along with an assessment of how missions and host countries used the project activities to foster new initiatives in the ANE priority areas. For example, if the project finances a seminar on trade and investment, what immediate results can be documented and what follow-on activities can be traced to the seminar? This analysis will be used during the evaluation exercise to determine whether the project successfully facilitated ANE Bureau priorities and how this purpose might be better achieved.

VI. OTHER

There is no change from the Project Paper's discussion of the economic, environmental and social analysis.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Private Sector Development (398-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To assist in fostering the development and growth of private enterprise so that it can gradually assume the leading role in providing the long term economic growth needed in the Asia Near East region.</p>	<p>Measures of Goal Achievement:</p> <p>Increasing share by the private sector of:</p> <ul style="list-style-type: none">(1) total investment(2) production capacity(3) financial resources(4) trade	<p>Analyses of data from host government national accounts.</p> <p>Analyses of specific survey data.</p>	<p>Assumptions for achieving goal targets:</p> <p>Host governments are committed to private sector development and growth and policy/strategy statements in this area are not merely rhetoric.</p>

121

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Private Sector Development (398-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>To facilitate ANE Bureau encouragement of priority initiatives for private sector development through a rapid response funding mechanism.</p>	<p>Conditions that will indicate purpose has been achieved: End of Project Status:</p> <ol style="list-style-type: none">1. Project funds utilized to carry out initiatives within the ANE priority areas for private sector development.2. Mission and/or host country activities developed as project follow-ons.3. Mission planning documents reflect increased emphasis of ANE priorities for private sector development.4. Increased private sector activity consistent with project priorities.	<ol style="list-style-type: none">1. Project records showing use of funds2. Activity funding requests.3. Mission Action Plans, CDSS, strategy documents, project proposals.4. Training entity records.5. Changes in host government regulations on agribusiness and health delivery via the private sector.6. Host government and business association regulations.7. Private sector company statements.8. Formal agreements/ understandings between U.S. and host country associations.	<p>Assumptions for achieving purpose:</p> <p>Congruence of ANE, Mission and host government's private sector interests.</p>

22

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Private Sector Development (398-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <ol style="list-style-type: none">1. Sector Surveys;2. Investment Project Feasibility Studies;3. Investment Conferences, Seminars and Workshops;4. Recommendations for Vocational, Management, Finance and Entrepreneurial Training Programs;5. Policy Analysis/Formulation Training Program Recommendations;6. Technical/Management Advisory Services.	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none">1. Studies<ol style="list-style-type: none">(a) 6 Policy Studies(b) 9 Constraint Studies(c) 5 Sector Surveys2. Private Sector Support<ol style="list-style-type: none">(a) Advisory support to business association on selected basis.3. Investment Promotion<ol style="list-style-type: none">(a) 10 Country-Specific Interventions(b) 4 Feasibility Studies(c) 3 Conferences, 6 Workshops4. Training<ol style="list-style-type: none">(a) 8 Training Workshops(b) 3 Entrepreneurial or Management Training(c) 20 Business Exchanges	<p>Program Records</p>	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none">1. Accurate/reliable information available to contractors and evaluators.2. USAIDs are properly staffed to monitor activities.

23

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Private Sector Development (398-0050)

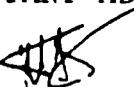
NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p>Study services, technical/ managerial assistance and technology will be provided through the U.S. private sector by:</p> <p>(1) management/technical consulting firms;</p> <p>(2) financial institutions; and</p> <p>(3) associations, Chambers-of-Commerce, etc.</p> <p>U.S. government agencies will also be used, e.g., SEC and the Federal Reserve.</p> <p>8(a) and PSC contracts will be used.</p>	<p>Implementation Target (Type and Quantity)</p> <p>1. AID/W Contracted Studies/ Surveys/Training Program Design/Implementation</p> <p>2. Short term PSC support</p> <p>3. Grants for financial support to associations.</p> <p>4. PSC for Conference, Seminars, and Workshops.</p>	<p>Program Records</p>	<p>Assumptions for providing inputs:</p> <p>1. Financing is sufficient.</p> <p>2. Implementation procedure is reasonable.</p> <p>3. SER/OS can service contracting requirements.</p> <p>4. Qualified contractors are available.</p>

22

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

April 2, 1984

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, NEAR EAST

FROM: NE/PD, Robert H. Bell 

SUBJECT: Regional Private Enterprise Development
(Project No. 298-0050)

Problem: Your signature is requested to authorize this project in a life-of-project amount of \$2,800,000 from DA regional funds. Initial funding in FY 1984 would be \$500,000.

Background: The Regional Private Enterprise Development project will foster private sector development through institution building, technical and managerial assistance, human resource development and transfer of U.S. technology. The project will provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development in cases where Missions do not already have suitable projects for financing new private sector activities. Countries eligible for assistance are: Jordan, Lebanon, Morocco, Oman, Portugal, Tunisia, Turkey and Yemen. Two NE Mission/Representative countries have been excluded: Egypt, because its private sector program is adequately funded, and Italy, because its program is limited to earthquake disaster relief.

The NEAC met on December 5, 1983, and decided that implementation procedures should be defined in more detail and that cost sharing guidelines for private sector beneficiaries should be established. Both of these items were discussed in a subsequent meeting outside of the NEAC and the PP has been revised to reflect those decisions. (Relevant excerpts from the PP are attached to this memo.) In addition to these two items, the NEAC raised other questions, and the PP has been revised according to NEAC decisions.

Project: The project will directly support U.S. efforts to encourage the private sector to take an expanded role in the economic development of eight NE countries. The project will finance:

- (1) Studies of economic policy, sector policy, and business environment;
- (2) Technical and managerial assistance to be provided by IESC, PVOs and other organizations to small and medium scale private companies and support to business/trade associations;

25

- (3) Investment promotion including sector surveys, feasibility studies, and investor conferences; and
- (4) Training including vocational training, entrepreneurial training, management training, and management assistance/training to financial institutions.

Implementation

Individual missions, host governments, private sector entities, and AID/W can initiate subprojects lasting one year or less. Proposals will be reviewed by the originating entity for conformity to subproject eligibility and selection criteria (described in the PP) and completeness of subproject financing information (described in the PP). NE/PD will prepare a short approval memorandum, to be cleared by designated NE offices and others, as appropriate. Subprojects will be approved by the Office Director, NL/PD, up to \$75,000 and by AA/NE above \$75,000.

Procurement of goods and services will generally be done on an AID Direct contracting basis. For instance, for services, IQC and Section 8(a) Small Business contract modes will be used; also, PASA and PSC modes will be used. In some cases AID Direct contracts are not appropriate, such as for IESC services, PVO services or feasibility studies by potential private investors; in these cases, other contracting modes are planned.

Notification to the Congress: Congress was notified on March 14, 1984 of our intent to obligate funds for this project. The 15 day waiting period expired on March 28, 1984, with no objections expressed.

Evaluation: A two-step evaluation process is planned. The first step, to be performed in March 1985, is a two-week desk evaluation. The second step, to be performed in August 1986, will be more comprehensive, will evaluate the impact of subprojects on private sector development, and will make recommendations on the continuation of the project.

Project Funding: The project will be fully authorized but incrementally funded over six fiscal years for a seven year life-of-project.

Funds are being authorized from the DA account because all ESF funds are presently allocated. However, DA funds are to be used only in DA countries, and ESF funds in ESF countries. We expect small amounts of ESF funds to become available over the year to finance ESF country subprojects.

Recommendation: We recommend that you authorize funding for the proposed project in the amount of \$2,800,000 of which \$500,000 is expected to be obligated during FY 84 by signing the attached authorization.

26

UNITED STATES INTERNATIONAL DEVELOPMENT COORDINATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION

Name of Country: Near East Region Name of Project: Regional Private Enterprise Development

Number of Project: 298-0050

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Near East Regional Private Enterprise Development Project involving planned obligations of not to exceed \$2,800,000 in grant funds over a six-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYE/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is seven years from the date of initial obligation.

2. The project will provide Near East Bureau Missions with financial resources which will allow them the flexibility to respond to host country priorities for private sector development. It will permit Missions to respond in a timely manner to Near East countries that want to promote private enterprise development through institution building, technical assistance and the transfer of U.S. technology.

3. The Project Agreements which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall contain such terms and conditions as A.I.D. may deem appropriate.

4. Commodities financed by A.I.D. under the project shall have their source and origin in the particular recipient country in which a project activity is being conducted or the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the particular recipient country in which a project activity is being conducted or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.


W. Antoinette Ford
Assistant Administrator
Bureau for Near East

05 APR 1984
Date

21

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: **A**
 A = Add
 C = Change
 D = Delete

Amendment Number: _____

DOCUMENT CODE: **3**

2. COUNTRY/ENTITY: **NEAR EAST REGION**

3. PROJECT NUMBER: **298-0050**

4. BUREAU/OFFICE: **NEAR EAST BUREAU**

5. PROJECT TITLE (maximum 40 characters): **Regional Private Enterprise Development**

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): **09/30/90**

7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4):
 A. Initial FY **84** B. Quarter C. Final FY **89**

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

A. FUNDING SOURCE	FIRST FY 84			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(500)	(To be)	()	(2,800)	()	(2,800)
(Loan)	()	(deter-	()	()	()	()
Other:		mined)				
U.S.:						
Host Country:						
Other Donors:						
TOTALS	500			2,800		2,800

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)	5005	5005				500		2,800	
(2)									
(3)									
(4)									
TOTALS						500		2,800	

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 450 characters):

Foster private enterprise development through institution building, technical and managerial assistance, human resource development and the transfer of U.S. technology.

14. SCHEDULED EVALUATIONS

Interim: MM YY **03/85** MM YY **05/86** Final: MM YY **03/89**

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: **Assistant Administrator Bureau for Near East**
 Date Signed: MM DD YY **04/05/84**

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY _____

TABLE OF CONTENTS

	Page
Annexes	iii
Abbreviations	iv
Summary and Recommendations	v
I. INTRODUCTION	1
II. BACKGROUND	3
A. Near East Bureau Private Sector Strategy	3
B. Near East Bureau Reconnaissance Missions	5
III. THE PROJECT	7
A. Goal	7
B. Purpose	9
C. Project Description	9
IV. TECHNICAL DESCRIPTION	11
A. General	11
B. Implementation Mechanism	12
C. Detailed Descriptions	13
V. FINANCIAL PLAN	19
A. Source of Funds	19
B. Application of Funds	19
C. Budget (Cost Estimate)	21
VI. ECONOMIC ANALYSIS	22
VII. ENVIRONMENTAL ANALYSIS	23
VIII. SOCIAL ANALYSIS	24
IX. PROJECT IMPLEMENTATION	26
A. Implementation Plan	26
B. Procurement Methodology	30
C. Implementation Schedule	31
D. Monitoring and Reporting	32
E. Evaluation	33

29

ANNEXES

- A. Subproject Eligibility Criteria
- B. Subproject Financing Request Information Requirements
- C. Sample Feasibility Studies Agreement
- D. Logical Framework
- E. Jordan - Private Sector Team Report
- F. Portugal - Private Sector Team Report
- G. Tunisia - Private Sector Team Report
- H. Turkey - Private Sector Team Report
- I. Egypt - Private Sector Team Report
- J. Environmental Determination
- K. Private Sector Projects in the Near East Bureau
- L. Statutory Checklist

ABBREVIATIONS

Agency	Agency for International Development
AID	Agency for International Development
AID/W	Agency for International Development - Washington
GCE	Government of Egypt
GCO	Government of Jordan
GOL	Government of Lebanon
GOM	Government of Morocco
GOP	Government of Portugal
GOT	Government of Tunisia
GOT	Government of Turkey
GOY	Government of Yemen
HC	Host Government
IESC	International Executive Service Corps
IFC	International Finance Corporation
IQC	Indefinite Quantity Contract
NE Bureau	Near East Bureau
NE PD	Near East Bureau - Office of Project Development
PACT	Project Assistance Completion Date
PASA	Participating Agency Services Agreement
PIOC	Project Implementation Order/Commodities
PIOP	Project Implementation Order/Participant Training
PIOT	Project Implementation Order/Technical Services
PPC	Bureau for Program and Policy Coordination
PEB	Private Enterprise Bureau
IPS	Indigenous Private Sector
PSC	Personal Services Contract
PVO	Private Voluntary Organization
SER/CM	Contracts Management Office
SER/COM	Commodity Management Office
S&T/IT	Bureau for Science and Technology, Office of International Training
Team	Private Sector Reconnaissance Team
USAIDs	Near East Bureau Missions

SUMMARY AND RECOMMENDATIONS

- A. Project Title : Regional Private Enterprise Development
- B. Project Number : 298-0050
- C. Source of Funds : Near East Bureau Regional Development Assistance Funds (Section 106)
- D. Total Project Amount : \$2.8 Million
- E. Terms : Grant
- F. Grantee : Funds will be made available to NE region host governments and to the indigenous and U.S. private sectors
- G. Coordinating Entities: Near East Bureau Missions and Near East Bureau/Project Development Office
- H. Implementing Entities: NE Bureau Missions and AID/W - NE/PD; host government; and private sector
- I. Life of Project : Seven years
- J. Goal/Purpose:

The goal of this project is to assist in fostering the development and growth of private enterprise so that it can gradually assume the leading role in providing the long term economic growth needed in the AID recipient countries of the Near East region. The purpose of this project is to provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development and provide the NE Bureau with the flexibility to respond in a timely manner to those NE region countries that are willing and in a position to rapidly implement activities that will foster private enterprise development through institution building, technical assistance and the transfer of U.S. technology.

K. Major Pre-Authorization Achievement:

A major result of the Private Sector Team reconnaissance visits to selected countries in the NE region was the repeated request by host governments and the private sectors alike for greater AID involvement in assisting private enterprise growth.

L. Recommendations:

The Near East Bureau's Office of Project Development recommends authorization of a grant in the amount of \$2.8 million. This grant will be used to fund the U.S. dollar costs of technical and managerial assistance, training, studies, surveys, conferences and workshops and possibly, a limited quantity of related commodities.

INTRODUCTIO:

- 1.01 The Agency has four priority areas in which it is concentrating its efforts to meet AID's Congressionally mandated objective of assisting recipient countries meet the basic human needs of their poor majorities through sustained, broadly-based economic growth. Those priority areas include:
- Economic Policy Reform;
 - Institutional and Human Resource Development;
 - Private Sector Initiatives; and
 - Technology Development and Transfer
- 1.02 Of these areas, Private Sector Initiatives have become the primary vehicle for the Agency to achieve this objective. The AID Policy Paper on Private Enterprise Development states: "AID intends to encourage indigenous private sector development across all of its development activities because private enterprise, in a free and competitive market environment, is the engine that makes economic growth, and thereby, the alleviation of poverty, occur most quickly."
- 1.03 The goal of the Agency's private sector initiative is to foster the growth of productive, self-sustaining, income and job producing private sectors in developing countries using the financial, technological, and managerial expertise of the U.S. private sector, indigenous resources, multilateral institutions and Agency resources where appropriate.
- 1.04 To achieve this goal the Agency's private sector strategy has two major thrusts. They are:
- To identify and address constraints to enhancing the role of private enterprises in development; and
 - To promote developing country private enterprise.
- 1.05 Irrational government economic policies, disfunctioning markets, inadequate and/or deteriorating physical infrastructure, insufficient supply of investable funds, undeveloped managerial/entrepreneurial skills, unskilled labor, lack of and/or inappropriate technology, and insufficient foreign private investment have all been

identified by the Agency as major impediments to private sector growth.

- 1.06 The Agency's initial strategy thrust is to identify specific constraints to private sector growth and development within the broad impediment categories mentioned above in all AID recipient countries.
- 1.07 After this identification process, the strategy thrust is to promote private enterprise development with programs and projects that will assist the AID recipient countries address and ultimately alleviate these constraints. The Agency's approach is to develop programs and projects that will:
 - Improve the functioning of markets in these countries, primarily through encouraging policy reform, strengthening institutions which serve the private sector and developing human resources through training and management development; and
 - Increasing the flow of technical and financial resources utilizing to the maximum extent private U.S. entities.
- 1.08 The Agency is concentrating its efforts in four priority sectors. They are: (1) agriculture, (2) agribusiness, (3) small and medium scale industry, and (4) privately owned and operated service enterprises. However, private sector activities are not limited to these areas and will vary from country to country depending on the level of development and identified needs.
- 1.09 The Private Enterprise Bureau (PRE) has been established as a key element in the Agency's private sector initiative and serves as the Agency's laboratory for experimentation with innovative project and program ideas. Ten countries have been identified in which they will concentrate their efforts.
- 1.10 The Agency's private sector initiative is not, however, concentrated only in PRE. It is the responsibility of each regional and staff bureau to review its program objectives and strategies and assess how the private enterprise initiative can be incorporated to achieve Agency objectives, utilizing, where possible, previous AID experience and the results of PRE experiments, if available.

35

II. BACKGROUND

A. Near East Bureau Private Sector Strategy

- 2.01 The objective of the NE Bureau's private sector initiative in the NE region parallels that for the Agency as a whole. That objective is to stimulate indigenous private sector development and assist it to become the major catalyst to broad based economic growth and development through increasing the employment, productivity and incomes of the poor. Furthermore, in supporting a strong indigenous private sector, the Bureau believes that this will improve the climate for U.S. trade and investment in the area.
- 2.02 In a number of countries in the NE region, the host governments have, to a great extent, pre-empted private sector growth, by controlling investment through public policy. In most instances, however, these governments have recognized the virtues of private sector development, as demonstrated by the middle income nations of Korea, Taiwan, Turkey, Brazil and Chile, and are actively investigating or instituting methods of encouraging indigenous private sector growth and foreign private investment in many, if not most, sectors of their economies, particularly in those areas of comparative advantage (i.e., Turkey - agribusiness and agricultural exports).
- 2.03 There are structural impediments to private sector development in all of the NE region countries and these impediments seriously affect the environment in which the private sector operates. Impediments include, but are not limited to:
- Government economic policies, e.g., controlled prices, interest rates, etc. which distort the economy and act as disincentives to the expansion of private sector activities;
 - Cumbersome governmental procedures for the review, approval and monitoring of private investments;
 - Inappropriate and inadequate tax, trade and investment laws;
 - Lack of debt and equity financing facilities;

- A lack of vocational, entrepreneurial, and mid and senior level management skills and appropriately trained labor; and
 - Outmoded technology applications.
- 2.04 The governments together with the private sectors of most of the AID recipient countries in the NE region have requested AID assistance in ameliorating the effects of these impediments on expanding private sector activities.
- 2.05 With AID's programs in Portugal and Tunisia phasing out and funding levels limited for all countries in the NE region, except Egypt, the NE Bureau supports small interventions that best advance the institutional development of private sector entities.
- 2.06 Accordingly, the major thrust of our private sector program in the NE region is to accomplish the following:
- Public and private institutional reforms through technical assistance in areas of policy formulation and analysis.
 - Training to improve managerial, technical, and vocational skills to foster and encourage private sector growth;
 - Legal reform of economic, commercial, tax and trade laws governing private investment to improve the financial, legal and administrative environment within which the private sector operates;
 - Capital market development as the major vehicle for channeling domestic savings into productive private enterprises through debt and equity instruments;
 - Provision of term foreign exchange credit to the private sector through intermediate credit institutions (in Egypt only) and mobilizing indigenous foreign exchange and local resources for private sector financing through existing and new financial institutions; and
 - Encouragement of joint ventures between private business organizations and U.S. companies primarily as a device to transfer technology, management and technical skills and, in some instances, capital.

2.07 We are implementing this strategy utilizing the resources of AID, the U.S. private sector through management and technical consultancies, and cooperation with other U.S. government agencies such as the Departments of Commerce, Agriculture and State, the Trade and Development Program, the U.S. Trade Representatives Office, the Overseas Private Investment Corporation and the Export-Import Bank, and other international donor agencies such as the World Bank, International Finance Corporation, the Arab Funds and the African Development Bank.

F. Near East Bureau Reconnaissance Missions

2.08 In conjunction with the NE Bureau Private Sector strategy and initiatives, Private Sector Teams (Team) visited Egypt, Tunisia, Jordan, Turkey and Portugal in March and June 1982. The primary purpose of these visits was to assess the climate for private sector development with particular emphasis on identifying problems and opportunities where AID could be of assistance to the local private sector. A secondary purpose was to identify opportunities for U.S. investment, trade and technology transfer. Assistance programs were examined primarily in the context of ways to improve the policy dialogue to help stimulate private sector development and growth, institution building and related technical assistance, the creation of better links with U.S. technology and to stimulate improved U.S. investment and trade. The Team was particularly interested in identifying areas where the U.S. had a particular technological and technical capability to contribute to problem solving and institution building. (A Team is planned to visit Morocco with the same Terms-of-Reference.) Together with Lebanon, the NE Bureau views these countries as providing the best opportunities for significant private sector growth and receptivity to AID assistance in these areas.

2.09 In each country, the Team met with local private businessmen, business associations, and banks; U.S. businessmen in country and U.S. bank branch and representative offices; officials of the U.S. Embassy and AID Mission; and pertinent host government officials.

2.10 During the course of these visits, a number of important areas were identified where AID could be of assistance in improving private sector growth and development. These include:

1. Technical assistance for capital markets authorities to help improve and expand various forms of financial intermediaries as well as assistance in disclosure and capital market regulation.
 2. Assistance for investment promotion authorities in helping identify and stimulate priority investments.
 3. Technical assistance for public and private development banks including assistance for small-scale enterprise financing.
 4. Entrepreneurial, vocational, and mid-level and advanced management training.
 5. Technical assistance to agribusiness development, particularly involving food processing and food production.
 6. Assistance to develop relationships between professional societies in the developing countries and in the U.S., e.g., relationships between engineering and construction organizations.
 7. Assistance in developing and fostering relationships between Chambers of Commerce in the U.S., and in the developing countries to provide for an exchange of trade and investment information.
 8. Assistance to expand activities of the International Executive Services Corps (IESC), particularly in small and medium-scale enterprises.
 9. Assisting host countries with packaging of investment proposals with U.S. companies, to support U.S. trade and investment.
- 2.11 The Team's findings, conclusions and identification of opportunities for AID assistance, as well as experience gained in other private sector programs, such as in Egypt, forms the basis for this project.

29

III. THE PROJECT

A. Goal

- 3.01 The goal of this project is consistent with the private sector objectives and strategies of the Agency and is reflective of the NE Bureau's objective. That goal is, in conjunction with other private and public efforts, to assist in fostering the development and growth of private enterprise in the AID recipient countries of the Near East region, both individually and collectively, so that it might assume an increasing burden and the leading role in providing the long term economic growth needed.
- 3.02 The goal of this project also conforms with the programs and strategies of the AID recipient countries in the NE region. Below is a synopsis of strategies regarding private sector development espoused by the host governments that the Team visited:

1. Jordan

The Government of Jordan (GOJ) hopes to achieve its development objectives through adherence to a free economic system based on the private initiative with public sector participation only where absolutely necessary. It is the GOJ's policy not to interfere in private sector activities. The GOJ has embarked upon a strategy of encouraging both private indigenous and foreign investment in regional export and import substitution industries in an effort to become self-sustaining in generating foreign exchange to finance its substantial trade imbalance. The GOJ is also in the process of improving its ability to support private sector initiatives through an on-going effort to modify and refine legislation affecting the private sector, providing infrastructure through establishing free zones and industrial estates, rationalizing education opportunities and allowing the expansion of specialized credit institutions.

2. Tunisia

To achieve its development objectives, the Government of Tunisia (GOT) indicates in its Sixth Development Plan the private sector generating a greater share of total investment. An initial major step in this direction was the establishment of five Tunisian-Arab

40

Investment/Development Banks capitalized at \$1 billion by the Tunisian and Arab governments primarily for the establishment of projects in the private sector. The Plan's guidelines call for financial, administrative and fiscal reforms to stimulate that increase in private investment. The GOT is currently giving high priority to encouraging private investment in export industries and industries that provide significant employment generation. The Government is also looking for ways to expand science and technology relationships with the U.S., including engineering and construction links to U.S. companies.

3. Turkey

With the assistance of the International Monetary Fund and structural adjustment loans from the World Bank, as well as balance-of-payments support from the United States government and other donors, the Turkish government has initiated an economic reform program to stabilize its economy. The government initiated this program in January 1980 and it is a distinct departure from past government attempts to attack the above problems because of: (1) its orientation toward maximum reliance on free market forces and away from the previously utilized direct government intervention/central planning scheme; and (2) a shift from an import substitution policy steeped in the public sector towards an export oriented economy based in the private sector. A major element of the Turkish government's restructuring strategy is to draw a clear line of distinction between public and private sector activities. The Turks are well on their way to achieving this goal through the adoption of policies designed to reallocate public sector investment resources away from the inefficient State Economic Enterprises (SEEs) and toward infrastructure development to support private sector investment and growth in the energy, agriculture/agribusiness and industry sectors, the latter two sectors oriented towards exports to enhance the country's balance-of-payments position.

4. Portugal

The Government of Portugal's (GOP) stated objective is to develop and implement medium term policies to rationalize the economy and operate it on as much of a free enterprise basis as possible. The GOP has

indicated that it is committed to private sector growth and its taking on an increasing share of national investment. Two means of achieving this objective include providing fiscal and financial incentives to foster private productive investment and implementing budgetary policies which will permit private sector growth at a higher rate than that for the public. GOP actions in these and other areas to foster private sector growth are becoming increasingly important and maybe even critical as the time approaches to entering the European Common Market.

B. Purpose

3.03 With the exception of the Egypt and Israel programs, funds for NE Bureau economic assistance are scarce and, therefore, limited. The purpose of this project is to provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development. The project also provides the NE Bureau and Missions the flexibility to respond, in a timely manner to those NE region countries that are willing and that have positioned themselves to rapidly implement activities that will foster private enterprise development. In concert with the NE Bureau private sector strategy, the project will assist the Missions accomplish the following:

- Identify constraints to private enterprise development; and
- Design and implement activities to promote private enterprise activities which will address the impediments identified through institution building and technical/managerial assistance activities and fostering the transfer of U.S. technology and, where feasible, investment capital.

C. Project Description

3.04 The project will fund the following types of programs and activities identified by the Missions, host governments and the indigenous private sectors. The project provides for:

1. Technical assistance to: (a) define host government economic policy constraints to economic and private sector growth and the identification of alternative

42'

policy approaches given the prevailing circumstances, which can in-turn provide the basis for a meaningful economic policy dialogue with host governments, and (b) assistance to host governments to improve policy analysis and formulation capacity and reformulate and rationalize economic policies that encourage market development and foster private enterprise growth;

2. Technical assistance to host government institutions with direct or indirect impact on private sector development to improve both the investment climate and the environment in which private business is conducted.
3. Technical assistance in establishing the framework for the development or continued development of money and capital markets.
4. Technical and managerial assistance directly to indigenous small to medium scale private enterprises to improve performance, efficiency and upgrade technical and marketing capabilities.
5. Technical and managerial assistance and training to public and private financial institutions to improve analytical capabilities and operational efficiency.
6. Vocational, entrepreneurial, and middle/advanced management training.
7. Technical assistance and training in formulating investment policy, setting investment priorities and strengthening investment promotion capabilities.
8. Assistance in the development of links between indigenous and U.S. business associations to strengthen the capacity of the indigenous associations, to represent to their respective governments and to the public, private business interest.
9. Assistance in encouraging private U.S. investment through sector surveys, feasibility studies, and investor conferences.

IV. TECHNICAL DESCRIPTION

A. General

- 4.01 As a regional project encompassing assistance to several different countries at different levels of economic and private sector development and sophistication, the demand for project resources, within the broad categories mentioned above, will be varied. Accordingly, there will be a number of quite different and discrete activities within the broad categories defined above, from the respective countries, that will be funded by the project, as each attempts to satisfy its needs. Project funds are to be directed to those new private sector activities that would not be financed by other Mission funds.
- 4.02 The activities funded can be those that:
- Are new and discrete;
 - Supplement on-going Mission private sector initiatives with the host government and/or private sector;
 - Support other U.S. government private sector initiatives, e.g., TDP, OPIC, ExIm.
 - Support PRE initiatives; and
 - Complement or be designed in conjunction with other Domestic, Regional and International Donor private sector efforts (i.e., IFC).
- 4.03 To ensure maximum project flexibility and maintain absolute control over funding utilization, bilateral grant agreements will not be executed with the respective AID recipient governments of the NE region. Some countries are more active in private sector development activities than others (e.g., Tunisia, Jordan and Turkey vs. Yemen and Morocco) and are, therefore, better prepared to utilize the resources provided by this project. It is the intention of this project to provide the maximum financial support to those countries, and in those instances, where concerted efforts are being taken to privatize the economy and foster private enterprise growth and development. To do so the project needs the flexibility to allocate and reallocate resources to where they are needed most and used most efficiently. When appropriate these private

441

enterprise funds could be made available directly to the private sector in these countries.

- 4.04 Countries eligible to participate in this project include all NE countries which have AID Missions/Representative Offices (except for Egypt and Italy) and Turkey. AID has a strong interest in encouraging all of these countries to expand the role of the private sector as part of their economic development strategies. In the case of countries where AID is phasing out (presently Portugal and Tunisia) it is particularly appropriate to provide assistance of the kind proposed in this project as they become more self-reliant. However, subprojects in these two countries and Turkey must show specific benefits both to the country and to U.S. interests. Two NE country Mission/Representative Offices are excluded from this project: Egypt because the Agency's program is adequately funded from ESF and Italy because of the Agency's exclusive focus on earthquake disaster relief. This list of eligible countries is:

1. Jordan.
2. Lebanon
3. Morocco
4. Oman.
5. Portugal
6. Tunisia
7. Turkey
8. Yemen.

B. Implementation Mechanism

- 4.05 Subprojects will be utilized as the implementing mechanism for this project. (Detailed implementation procedures are provided in Section IX of this paper.) Subproject proposals will originate with a proposal from the entity requesting assistance. The NE Bureau Missions, with assistance from AID/W, and in conjunction with the host governments and the private sector will be individually and jointly responsible for the identification, development and implementation of subprojects to be funded from the project. The one exception will be Turkey where, because of the absence of an AID Mission, private sector development activities will be implemented by NE/PD.
- 4.06 While some discrete activities have already been identified (e.g., Madiera Investment Promotion) and Terms-of-Reference written, many activities have yet to be developed. Consequently, subproject eligibility criteria have been developed and are provided in Annex A. These

45'

2. Technical/Managerial Assistance

a. IESC

This element of the project will depend to a great extent on the services of the International Executive Service Corps (IESC) and appropriate Private Voluntary Organizations (PVO). IESC, through the use of retired U.S. business executives, will provide technical and managerial assistance to small and medium scale private enterprises to solve specific operational problems. In the process they will transfer technical know-how, managerial techniques and, in some instances, technology, to the recipient companies.

IESC, partially financed by PRE, is active in the NE region countries of Portugal, Egypt, and Turkey. Mission supported IESC programs are under development in Tunisia and Jordan. The Portugal and Egypt programs are Mission supported. This project element will assist the Missions maintain financial support for IESC, and items eligible for reimbursement will be determined by IESC and the AID Mission.

b. Support to Business Associations

Subprojects financed in this category of activities will be designed to forge relationships between U.S. and host country private professional associations/societies. Technical and management/organizational advisory assistance will be provided by the U.S. counterpart organization. For example, in Egypt a project is being developed to strengthen and modernize Egypt's accounting, financial and auditing systems through the development of a relationship between U.S. National Association of Accountants and the Egyptian Syndicate. Similar subprojects are envisioned for activities in this category.

3. Investment Promotion

Subprojects in this activity category will be designed to improve the quality and quantity of information available to indigenous and foreign private investors. Sector surveys, feasibility

46'

studies, and investor conferences, seminars and workshops will be financed.

a. Sector Surveys

Sector surveys will be performed for priority sectors identified by the host governments. They will be brief profiles and identify markets, import requirements, present state of manufacturing, raw material and labor availabilities, potential for export, pricing restrictions, etc. Once completed they can be widely distributed to U.S. and local private businessmen.

Feasibility Studies

Potential U.S. investors can apply to AID for a grant to partially recover the cost of conducting pre-investment feasibility studies. These studies will be designed to allow the U.S. company to develop preliminary engineering and design cost estimates so that they may have the information required to make an informed investment decision.

c. Investor Conferences, etc.

Subprojects in this category can finance conferences, seminars or workshops that promote U.S. investment and technology transfer to the NE region AID recipient countries. The conferences, etc. can be held either in the U.S. or the host country. The subprojects can be supportive of both public and private sector investment promotion efforts. The conferences, etc. can focus on several sectors or concentrate on only one. Funds will be utilized for facilities and expenses of resource people only. Funds cannot be used to finance the maintenance expenses of the potential investors themselves.

4. Training

a. Vocational Training

Subprojects in this area will be designed to establish new and/or upgrade the capabilities of existing vocational training facilities.

411

criteria provide uniformity and consistency to the program and are reflective of the Agency and Bureau private sector objectives and strategies, experience in the implementation of on-going private sector programs such as in Egypt, as well as the findings of the Private Sector Team. These criteria are to be applied across the board in all NE region countries utilizing this project.

- 4.08 The Missions will be responsible for determining subproject eligibility. Subproject proposals will take the form of subproject financing requests. The information and its format for submittal to the Missions is provided in Annex B.
- 4.09 All contracting, whether for services, training or commodities, will be performed on an AID-Direct Contracting basis. (Bilateral agreements are a prerequisite to host country contracting.) Accordingly, the Project Implementation Order (PIO) for Technical Services, Training, and Commodities will be utilized to reserve funds under the project. All services, training and commodities will be of U.S. source and origin, except as set forth in Section 5.03. For technical assistance, the use of Section 8(a) Small Business firms and the Indefinite Quantity Contract, Requirements Contract, Participating Agency Service Agreement, and Personal Services Contract will be used to the maximum extent possible and will enable a rapid response to subproject financing requests.

C. Detailed Descriptions

1. Studies

a. Economic Policy

Subprojects in this category will finance studies in economic policy areas such as monetary and fiscal policy, subsidies, divestiture, exports, the foreign exchange regime, trade, etc., all of which have a major impact on the functioning of markets in the host countries. These studies will have the two-fold purpose of providing the NE Missions with a basis for policy dialogue with the host government and provide the host government with the basis for reformulating policy. These subprojects will also finance advisory assistance in formulating policies in the above mentioned areas and training in policy analysis and formulation.

b. Sector Policy

Subprojects in this category will provide funding for sector policy development where none now exists or for policy reformulation, geared to assisting the host government institute policies which will allow them to take advantage of their comparative advantage in a particular sector. Advisory assistance can also be funded to provide policy implementation assistance. For example, export promotion and agricultural products brand development are key agricultural policy development and implementation issues in the NE region.

c. Business Environment

Subprojects in this category of activities will be designed to support private and public sector efforts to modernize and improve the financial, legal and administrative environment within which the private sector operates. Resources will be directed primarily at the investment and business infrastructure in four major areas: (1) Accounting and Auditing Standards; (2) Capital Markets Program; (3) Legal and Tax Services; and (4) Investment Facilitation, Information Systems and Policy Planning.

For example, Capital Market assistance can focus on the following areas: (1) education and promotion to demonstrate the benefits and potential of securities markets, both for savers of funds and users of funds, (2) efforts to increase the supply of and demand for securities, (3) introduction of new types of securities and new securities intermediaries, (4) emphasis of the development role of a capital markets authority, (5) improvement of disclosure requirements for companies traded in the market, (6) new financial legislation covering the capital market, underwriting and leasing and identification and removal of legal impediments to capital markets activities, (7) training of securities professionals, and (8) modernization of procedures and facilities for trading securities.

49'

Activities can include the development of: (a) training courses that meet the skill needs of individual companies; (b) methodologies for increasing the accessibility to vocational training for additional population categories, and (c) technical assistance programs and commodities to upgrade the capabilities of training centers, including curricula, teaching methodology and instructional materials.

b. Entrepreneurial Training

Subprojects in this area will be designed to implement tailored training programs, seminars and workshops for indigenous individuals with high success potential who can be trained as entrepreneurs. The greatest need for such a program is in Portugal.

c. Management Training

Project funds can be used to finance subprojects which: (1) design management development programs, (2) encourage the development of and foster existing relationships between U.S. business school programs and those of the educational institutions in the host countries and between private U.S. and host country private training organizations, and (3) support U.S. and host country management seminars.

Activities similar to the AID supported joint University of Lisbon and Wharton Business School MBA program as well as Jordan's Management Institute Project will be encouraged.

d. Management Assistance and Training to Financial Institutions

(1) Management Assistance

This element will consist of advisory assistance from an individual or firm who will provide advice and guidance on policy, strategy, organization and procedures.

(2) Training

This element will provide a source of funds to send selected financial institution employees to the U.S. for individualized formal training and/or on-the-job informal training. It will also finance short-term services to provide workshops and seminars in credit analyses and financial and procurement administration.

V. FINANCIAL PLAN

A. Source of Funds

- 5.01 The project will be financed from NE Bureau Regional funds. An allocation will be initially made against the Development Assistance Section 106 account. However, DA countries will use DA funds, and ESF countries will use ESF funds. It is assumed that some ESF funds will become available during the year to finance ESF country subprojects. Further, in view of the scarcity of DA Section 1.06 funds, subprojects may be charged to other DA section accounts if appropriate, say, for a subproject dealing with private sector health activities. \$500,000 will be earmarked or set-aside for the first year. Subsequent annual funding is expected to be \$400,000 - \$600,000 per year, depending upon availability of funds, during the next five fiscal years FY 1985 through FY 1989, for a total project cost of \$2.8 million.
- 5.02 Funds for a given fiscal year (FY) must be fully obligated in that FY. Otherwise funding for that FY will be lost to other Bureau uses. NE/PD will be responsible for monitoring obligations and will report on project obligation status at regular intervals to the Missions and the Development Planning Office of the NE Bureau (NE/DP). All authorized funds not obligated by July 15 of a given FY will be returned for reallocation to other NE Bureau activities ready for immediate implementation.

B. Application of Funds

- 5.03 All AID funds will be provided on a grant basis. AID funds will be used to finance the costs of U.S. source and origin services and goods and will be used to finance ~~local currency costs~~ only on an exceptional basis. The respective host governments and private sector entities will provide local currency and in-kind services for all local currency financing needs for subproject financing requests they submit. Allocation of certain cost items (e.g., per diem) will be determined by Missions according to customary practices. Also, sharing of foreign exchange costs will be required for certain activities undertaken for individual private investors, as described in Section 9.05 below.

53'

- 5.04 Project funds will be reserved by Project Implementation Order, whether for technical and managerial services, equipment/commodities or training. The use of a contract as the obligating document rather than a bilateral agreement provides the Mission with maximum flexibility in implementation. Using this method, the Missions will not be encumbered with developing a mechanism that provides for every subproject to be approved by the host government. It allows the Mission to work directly with the private sector, without having to obtain formal host government approval.
- 5.05 Each Mission, however, must develop its own procedures in regard to the necessity for obtaining host government approval of subprojects. It is fully recognized that this must be accomplished within the general context of the Mission's relationship with the host government.
- 5.06 Use of the PIO as the reserving document also provides the NE Bureau with maximum flexibility in programming project resources. Bilateral agreements require prior allocation of resources to individual governments. The PIO allows for channeling resources to those host countries and/or to specific sectors in host countries that are prepared to utilize the resources in the most efficient and effective manner without having to secure deobligation - reobligation authority.
- 5.07 Generally, subprojects will be limited to a maximum of \$75,000; however, larger subprojects may be approved. Support for feasibility studies is limited to 50% reimbursement of eligible U.S. dollar costs up to a maximum of the \$75,000 subproject limit.
- 5.08 The project budget has been developed based on host country and AID-Direct contract cost experience for similar activities in the NE region, primarily Egypt.

C. Budget

1.	<u>Studies (14)</u>		
a.	<u>Economic Policy</u>		
	5 @ \$75,000	\$	375,000
b.	<u>Sector Policy</u>		
	5 @ \$75,000		375,000
c.	<u>Business Environment</u>		
	4 @ \$75,000		300,000
ii.	<u>Technical/Managerial Services</u>		
a.	<u>IESC</u>		
	4 Agreements @ \$75,000		300,000
b.	<u>Support to Business Associations</u>		40,000
iii.	<u>Investment Promotion (13)</u>		
a.	<u>Sector Surveys</u>		
	4 @ \$75,000		300,000
b.	<u>Feasibility Studies</u>		
	5 @ \$75,000		375,000
c.	<u>Conferences, Seminars, Workshops</u>		
	4 @ \$50,000		200,000
IV.	<u>Training</u>		
a.	Vocational		100,000
b.	Entrepreneurial		50,000
c.	Management		100,000
d.	Financial Institutions		<u>210,000</u>
V.	<u>Evaluation</u>		
a.	<u>Consultants</u>		
	(2 X 6 person weeks)	40,000	
b.	Air travel, per diem, etc.		
	(5 X \$7,000)	35,000	<u>75,000</u>
			\$2,800,000

VI ECONOMIC ANALYSIS

- 6.01 The economic benefits to be derived from this project, at this point, are impossible to quantify. Demand and least-cost analysis are not appropriate in this instance either. This is a regional project that will provide funding to many and very different types of discrete activities. While these activities have been generally identified, many have not yet been designed. Therefore, it is not a useful exercise to conduct an economic analysis from a purely theoretical basis.
- 6.02 Where appropriate, whether performed under AID auspices or others, an economic analysis will be provided for AID supported activities that are designed to have marketable economic outputs.

95

VII. ENVIRONMENTAL ANALYSIS

- 7.01 This project will provide financial and technical assistance to a wide range of host country private and public sector entities. The major activities will be the conduct of policy and sector surveys and studies and the funding of technical/management assistance and training activities.
- 7.02 The project will have no adverse environmental impact. it will not directly finance industrial or infrastructure projects requiring engineering and construction services. For anticipated feasibility studies and IESC technical and managerial assistance activities, project eligibility guidelines will contain provisions for a statement concerning the proposed investment's environmental impact. Those judged to be potentially negative will not be funded. The project will utilize AID's "Impact Identification and Evaluation Form" for making an initial environmental examination. The Environmental Coordinator for the NE Bureau has reviewed the proposed project and has recommended that it be granted a "Categorical Exclusion" under the provisions of 22 CFR 216.2(c), "AID Environmental Procedures."

- 36 -

VIII. SOCIAL ANALYSIS

- 8.01 As stated in the Near East Bureau's Private Sector Strategy section of this paper, in the Agency's and NE Bureau's private sector initiative, the objectives are the same. That is to stimulate indigenous private sector development and assist it to become the major catalyst to broad based economic growth and development through increasing the employment, productivity and incomes of the poor. The private enterprise thrust is seen as a needed complement to existing programs aimed at improving the quality of life by meeting basic human needs of the poor majority of the developing world.
- 8.02 Initially the direct beneficiaries of this project will be the direct recipients of the AID funding - the public institutions and private companies and institutions. However, in the long run, the labor force will be the major beneficiary, as opportunities expand for growth in productivity, income, skill levels, and standards of living. However, the success of this project will to a large extent, depend on how these entities utilize AID and other funding within the context of an open economy. It is widely recognized that those countries classified as LDCs less than twenty years ago that consciously adopted an outward looking, free market approach have achieved rapid economic growth. Examples include the East Asian City-States of Hong Kong and Singapore and countries of Korea and Taiwan, all of which have registered impressive gains in employment creation, productivity, per capita income and overall standards-of-living for the general populace. Their economies have all experienced broad based self-sustaining economic growth, achieving diversity and stability and are all less vulnerable to external economic upheavals. Political stability in these areas can be directly attributable to the success of this strategy. While political dissent exists, social unrest relative to other areas of the world is virtually nonexistent.
- 8.03 The activities that this project proposes to finance can assist in providing to NE region AID recipients the basis for similar development. Below are examples of how the activities proposed by this project can have an impact on the development issues of employment and income generation.
- a. Assistance in Capital Market development will provide a conduit for an increased flow of savings or term investable funds to the indigenous private sector for

productive investment which will expand and modernize industry providing for a better utilization of the underemployed, creating jobs, increasing productivity and producing additional national and individual income.

- b. Vocational training will directly provide the labor pool with new and appropriate skills, increasing productivity and thereby the capacity to increase individual income earning capacity. Management training will provide current and future managers with techniques that will bolster their productivity and the productivity of subordinates. This will provide for a more efficient utilization of management, capital, and labor resources, which will ultimately translate into viable competitive enterprises. This can, in-turn, provide for greater growth opportunities for private companies and their employees.
- c. The promotion of U.S. investment can provide for the transfer of new and appropriate technologies raising the general skill levels of the labor pool.
- d. Direct technical and managerial assistance to small and medium scale private companies will directly benefit entrepreneurs, management and labor as they increase efficiency and productivity through the use of improved production methods and management techniques. As individuals and companies improve aspects such as operations and product quality the opportunity for expanded markets and growth improve, providing additional jobs and income for the enterprise or company and its employees.

IX. PROJECT IMPLEMENTATION

A. Implementation Plan

- 9.01 Individual Missions, host governments, private sector entities and AID/W can all originate subproject proposals. The criteria for subprojects eligible for project funding are described in Annex A and information requirements for subproject financing requests are provided in Annex B.
- 9.02 Availability of project funding is to be publicized by word of mouth, and Missions are requested to seek out appropriate subprojects which support private sector development. Missions will want to draw upon appropriate organizations to help identify suitable subprojects, particularly Embassy economic/commercial offices, government ministries, development banks, business associations, leading businessmen, etc.
- 9.03 Implementation procedures for approval of subprojects are outlined below:
1. AID Mission/Representative Office - Originated Activities
 - a. The Mission/Representative Office recommends subprojects for financing. Each Mission is responsible for developing its own internal procedures for making the Mission recommendation. At a minimum, it must:
 - (1) Determine subproject eligibility in accordance with PP Annex A (Subproject Eligibility and Selection Criteria);
 - (2) Review the subproject financing request for adequacy of information as described in PP Annex B (Subproject Financing Request Information Requirements);
 - (3) Comment on non-availability of other Mission funds for this purpose; and
 - (4) In phase-down countries (presently, Portugal and Tunisia), explain in detail the specific benefits to the country and to the U.S. Also, the Mission/Representative

Office should explain how subproject monitoring will not delay planned phase-down by requiring substantial USDH or FSN input.

- b. After the Mission recommends approval, it forwards one copy to NE/PD of the following documents:
 - (1) Mission recommendation
 - (2) Eligibility criteria description
 - (3) Subproject financing request
 - (4) Draft PIO/T-C-P

- c. Upon receipt of documentation, NE/PD will review the request and prepare a one-page Action Memo recommending approval/disapproval of the subproject.
 - (1) The Action Memo will comment on:
 - The subproject's consistency with the project purpose;
 - Issues, if any;
 - Compatibility with other projects/studies financed by AID, World Bank, etc.;
 - Proposed method of contracting;
 - Requirements for competitive procurement, if applicable;
 - Proposed cost sharing arrangements (please see Section 9.05 below); and
 - In countries where there is no AID Mission/Representative (presently, Turkey) the specific benefits to the country and to the U.S.

 - (2) The Action Memo will be approved by: the Office Director, NE/PD if the request for project funds is \$75,000 or less; or by AA/NE, if the request for project funds is greater than \$75,000. The memo will be cleared by: the appropriate NE country desk; NE/GC; NE/DP; NE/TECH and/or other

offices, as relevant to the technical area of the subproject; and other bureaus, such as PRE, S&T, or PPC, as appropriate.

2. Embassy - Originated Activities

For eligible countries where there are no AID Mission/Representative Offices, such as Turkey, AID/W will undertake a larger role in the subproject approval and implementation process. We propose that the Embassy Economic Office receive applications and give a preliminary recommendation regarding funding. The applicant will prepare a scope of work and preliminary budget to serve as a basis for a PIO/T-C-P to be prepared by NE/PD, in consultation with the applicant. NE/PD would review the Embassy's preliminary recommendation, the applicant's financing request, and scope of work with budget to approve the request. This procedure has been proposed to the State Department Turkey Desk officer, who expects the Embassy to agree; details will be worked out with the Embassy.

3. AID/W - Originated Activities

The review/approval procedures described in Section 1 above will be applied to country-specific and regional activities initiated in AID/W. Missions will be consulted at the earliest possible stage to determine their interest in the proposed activity.

9.04 After subproject approval, AID/W will advise the AID Mission/Representative Office or Embassy and will initiate the procurement process. The appropriate office will execute the Project Implementation Order (PIO) for technical services, commodities, or participant training which will be the reserving document for the subproject. After the PIO/T-C-P is executed, procurement will be finalized, as described in the section below on procurement methodology. Resulting contracts will be the obligating documents.

9.05 This project will assist both non-profit and for-profit entities by financing several broad categories of activities. AID has traditionally used funds to support activities for non-profit organizations (e.g., governments, trade associations) but has generally required cost sharing when supporting individual private enterprises with grant funds. (Cost sharing in this sense

61

refers to sharing of foreign exchange costs not local currency costs. Local currency costs are generally excluded from financing with project funds, as described in Section 5.03 above.) AID has not established rigid cost sharing principles, and each application will be examined on a case-by-case basis, based upon the following guidelines:

1. Broad-gauged studies (of economic policy, sector policy, business environment, market surveys, etc.) for which the applicant is a public sector entity or trade association - no cost sharing requirement.
2. Technical/managerial assistance, when undertaken for specific indigenous private investors, is to be provided by IESC. IESC generally requires some sharing of costs, and cost sharing will be based upon IESC's recommendation.
3. Investment promotion subprojects, undertaken for individual private investors will require sharing of costs. In the case of feasibility studies for private U.S. investors, cost sharing is based upon criteria used in the Egypt Private Sector Feasibility Studies Project (263-0112) with some modifications. Criteria will be:
 - a. U.S. company employee or contractor salaries: Actual cost of salary and fringe benefits including payroll taxes, insurance, retirement, vacations and holidays, etc., up to \$200 per person-day devoted to the study. To determine salary cost eligibility, each individual working on a feasibility study must complete a personal biodata form. No increases from present salary will be permitted;
 - b. Round trip economy air fare between the U.S. and relevant country on U.S. air carriers;
 - c. Allowance of \$100 for each day spent by a U.S. team member in the relevant country for conducting the study;
 - d. Actual cost of local consultants up to \$75 per person day;
 - e. Actual cost of pilot schemes, engineering tests, laboratory analyses, etc., if specifically approved in advance;

60

- f. All other costs of producing the study up to \$3,500; and
- g. No other costs are eligible. Reimbursement will be made for 100 percent of eligible salary expenses claimed and 50 percent of the remaining total eligible costs claimed. In no case will the total reimbursement for any feasibility study exceed \$75,000 or be greater than 50 percent of total eligible costs.

Training undertaken for private sector institutions. AID would pay 100 percent of the cost of tuition, leaving to the parent organization responsibility for picking up all other costs, including travel, per diem, and training-related expenses. Training undertaken for public sector institutions would follow S&T/IT guidelines according to which AID covers tuition, per diem and all training-related costs, leaving to the host country responsibility for transportation.

B. Procurement Methodology

- 9.06 Notwithstanding the Agency's policy of a general preference for the procurement of AID-financed project goods and services required to implement projects be undertaken by host countries rather than AID, all contracting will be done on an AID-Direct contracting basis. (Use of Host Country Contracting requires a bilateral project agreement between the U.S. and host government.)
- 9.07 For services, contracting will be done in accordance with AID Handbooks 1, 12, and 14, whichever is applicable. The Indefinite Quantity Contract (IQC) and Section 8(a) Small Business Contract contracting modes will be used to the maximum extent possible. Other contracting modes will include the Participating Agency Service Agreement (PASA) and Personal Services Contract (PSC). PASAs will only be used in cases where U.S. private enterprise with the desired competence is not available or it is not feasible to use such sources.
- 9.08 For training, contracting and training coordination will be done in accordance with AID Handbook 10, Participant Training.
- 9.09 For commodities, contracting will be done in accordance with AID Regulation 1 and AID Handbooks 1 and 14.

12

- 9.10 There will be situations where AID-Direct contracting is not appropriate such as in those instances where funding is provided for IESC activities and feasibility studies conducted by potential U.S. investors. For IESC, agreements will be developed in accordance with existing USAID/IESC Agreements in Egypt, Portugal and Tunisia. For other PVOs, agreements will be developed in accordance with Handbook 3, Chapter 4. For feasibility studies conducted by potential U.S. investors, a sample agreement for execution between the involved Mission and the U.S. company is provided in Annex C. This agreement is modeled on the Feasibility Study Reimbursement Program in Egypt.
- 9.11 All subprojects will have a life of one year or shorter. The Project Assistance Completion Date is August 1986 and the Terminal Date for Disbursements (TDD) is May 1987. The Terminal Date for Disbursement Authorizations (TDDA) is August 1986.

C. Implementation Schedule

<u>Date</u>	<u>Action</u>	<u>Responsible Entity</u>
12/83	PP approved	AID/W - NE/PD
3/84	AA/NE authorization	AID/W - NE/PD
3/84	USAID notification	NE/PD
3/84	Announcement of Fund Availability, Eligibility Criteria and Financing Request Information Requirements to Host Country Public and Private Sectors	USAIDs
3/84 - 7/84 8/84 - 7/85 etc.	Development/Submittal to USAIDs of Subproject Financing Requests	USAIDs, HG and PS
3/84 - 7/84 8/84 - 7/85 etc.	Approval of Subproject Financing Requests	USAIDs and NE/PD
3/84 - 7/84 8/84 - 7/85 etc.	Procurement of Technical/Managerial Services	USAIDs, NE/PD, and SER/CM

64

3/84 - 7/84 8/84 - 7/85 etc.	Procurement of Training	USAIDs, NE/PD, and S&T/IT
3/84 - 7/84 8/84 - 7/85 etc.	Procurement of Commodities	USAIDs, NE/PD, and SER/COM
3/85	Evaluation (Short Term)	NE/PD and USAIDs
8/86	Evaluation (Long Term)	AID/W (NE/PD, PPC, PRE), USAIDs, and U.S. evaluation consultant
3/89	Evaluation (Final)	
9/90	PACD	
9/90	TDDA	
6/91	TDD	

Key

AID/W : AID Washington
NE/PD : Project Development Office, Near East Bureau
USAIDs : Near East Bureau Missions
HG : Host Governments
PS : Indigenous Private Sector
SER/CM : AID/Washington Contracts Management Office
SER/COM: AID/Washington, Commodity Management Office
S&T/IT : AID/Washington, Bureau for Science and
Technology, Office of International Training

D. Monitoring and Reporting

9.12 NE/PD will have overall responsibility for monitoring the progress of this project. Periodic reporting will be required from all Missions on the status of all on-going activities financed and the Missions will approve all payment documentation. NE/PD will keep all Missions and the NE Bureau (NE/DP) apprised, on a monthly basis, of the availability of funding for financing requests. This is particularly important in light of the fact that all project funds must be obligated in one fiscal year.

65

- 9.13 For all (AID direct) contracts, normal reporting requirements (monthly/quarterly) will be included. These reports will be used by both the Missions and NE/PD as monitoring devices. The IESC and model feasibility study contracts include reporting requirements.
- 9.14 At the conclusion of each activity financed under this project, the originating Mission (or AID/W office) is to prepare a memo on what was accomplished and lessons learned. These activity completion memos will be used as one of the bases for the Step One and Step Two evaluations.

E. Evaluation

- 9.15 The evaluation of this project will be performed in two steps:
- a. Step One
- 9.16 As previously explained, with the project funding coming from regional funds, the obligation period is for one year only. Therefore, the most critical measure of success/failure, in the short run, is the utilization of the project by the host governments and the indigenous private sector for the purposes identified in this paper.
- 9.17 This evaluation, to be performed approximately one year after initial obligation, will be of a two week duration and involve NE/PD and the Missions, only. It will be a desk evaluation and will include appraisal of the activity completion memos described in Section 9.14 above. This evaluation is particularly important in determining if (a) the process for subproject approval is reasonable and adequate, (b) demand for project funds is adequate, and (c) project funding is being requested for its intended purpose.
- b. Step Two
- 9.18 The second step evaluation will be performed immediately preceding the end of the third obligating year (FY 1986). This evaluation will be used to determine the achievement of specific outputs, EOPs, and impact of the AID financed activities on private sector development in the respective host countries and provide recommendations on the continuation of the project.
- 9.19 An evaluation team composed of a U.S. consulting firm together with representatives from NE/PD, PRE, PPC and the respective USAIDs will be organized to perform this evaluation. This team will evaluate the project against

W

the targets set forth in the logical framework (Annex D) together with review of subproject financing requests and activity completion memos. The duration of this evaluation will be approximately six weeks.

ANNEX A

SUBPROJECT ELIGIBILITY AND SELECTION CRITERIA

Funds from this project can finance U.S. dollar costs of U.S. goods and services related to the:

1. Identification of constraints to local and foreign private sector investment. Activities might include studies and surveys of host government economic policies, for use as the basis of a policy dialogue between the host government and USAID.
2. Enhancement of host government institutional capability to develop and implement private sector investment policy and procedures. Activities might include studies, surveys and technical assistance (e.g., development of an agricultural export promotion policy to take advantage of comparative advantage in agriculture).
3. Identification, promotion and facilitation of both local and U.S. private investment. Activities might include the development of sector surveys, feasibility studies, and investment workshops, seminars and conferences;
4. Improvement of the business climate in which the private sector operates to foster and support its continued development. Activities might include studies, surveys and and the provision of technical assistance and training to:
 - a. further enhance the development of effective and efficient capital markets to mobilize and form capital through the encouragement of private savings (e.g., stock and bond market development and the establishment of leasing companies);
 - b. analyze effective alternatives to existing host government financial policies so they might be more responsive to private sector needs;
 - c. analyze effective alternatives to existing business legal and tax laws and procedures and financial systems to also be more responsive to private sector needs;

- d. increase the understanding of host government regulatory authorities: (1) of the impact of their activities on investment; and (2) of the policy and financial requirements of modern agricultural, commercial, industrial and service activities.
5. Transfer of U.S. technology, the provision of U.S. technical and managerial advisory services, and management and operations/maintenance training to new private sector ventures and expanding and modernizing existing private sector enterprises to increase productive capacity and employment. Exceptions may be considered for public sector market oriented enterprises introducing new U.S. based technology that will have a major direct impact on the private sector.
6. Provision of technical and managerial advisory services, primarily through the International Executive Service Corps, to assist market oriented enterprises, with primary emphasis on the private sector, in the solution of specific technical and/or managerial problems.
7. Establishment of links between U.S. and host country professional associations (e.g., engineering, construction, accounting associations) that can be a catalyst in the transfer of technology and technical and management techniques and systems. Activities might include seminars and/or workshops and training programs held in the host country or U.S. for private associations by the counterpart association in the U.S. Activities will be limited to those transferring U.S. technology.
8. Establishment of links between the U.S. and host country business communities through the provision of technical assistance in the formation of joint business councils, chambers of commerce, business development centers, etc. to enhance investment and trade opportunities between the two countries. The formation of these organizations can also provide a forum for the discussion of problems and needs of the host country private sector.
9. Provision of technical and managerial assistance and training to intermediate credit institutions to enhance their project appraisal and project management capabilities in servicing loans to the private sector, as well as upgrading the technical

68

assistance capabilities of those financial institutions that service small scale enterprises.

10. Technical assistance to improve management capabilities in the private sector. Activities might include participation in management and other seminars/conferences that relate to the development of business skills, specialized training, etc.
11. Identification of methods to improve the participation of women in private sector development, particularly by improving capabilities for earning income and development of women-owned enterprises. Activities might include participation in training programs, sector studies in areas where women are included in management and the workforce, and support for professional societies which admit women members.

For Feasibility Studies financed under this project the additional selection criteria outlined below will also be applicable.

In general, AID Legislation and Policy deals primarily with restrictions on the procurement of goods and services for project implementation, not surveys and studies to be utilized for project development. Nevertheless, established policy and law suggests that it would be inappropriate for AID to finance or implement reimbursable programs for studies:

- (a) For the purpose of inducing abortions;
- (b) To be used by law enforcement agencies for intelligence and/or surveillance activities and training;
- (c) For military purposes as follows:
 - (1) Military hardware;
 - (2) Commercial consumables delivered directly to any military establishment for military purposes;
 - (3) Other common use items (e.g. raw materials, components and capability equipment) delivered directly to any military establishment for military purposes; and
 - (4) Any articles regardless of recipient, where the primary purpose is to meet country military requirements;

110

- (d) Specifically for gambling facilities;
- (e) Used in weather modification programs;
- (f) Of products that are unsafe or ineffective, such as certain pesticides, food products or pharmaceuticals (See AID Handbook 1 and Handbook 15 - Appendix B for details); and
- (g) Of products considered luxury goods, such as recreational supplies and equipment, jewelry, stamps, etc.

The project should restrict financing in those cases involving what are termed as "Run-Away Industries", or companies moving their entire operations out of the U.S. to take advantage of the financial incentives provided by foreign investment laws such as favorable tax treatment, cheap and non-unionized labor, etc., to maximize income, thereby detrimentally impacting the employment situation in the U.S.

The project should not finance feasibility studies which could result in the development of projects which establish or expand the production of any commodity for export if the commodity is likely to cause substantial injury to U.S. producers (e.g. textiles, palm oil, citrus, sugar, and related products, cotton, tobacco, etc.). However, if the application can demonstrate to AID's satisfaction that the above conditions do not exist, then consideration should be given to a favorable decision by AID on financing the development of the studies.

11

ANNEX B

SUBPROJECT FINANCING REQUEST INFORMATION REQUIREMENTS

Outlined below are the general information requirements that must be submitted by the benefiting host country entity to the Mission for all project financing requests:

1. Project Objectives

The following information must be submitted for all sub-projects financing requests:

- a. Problem to be addressed
- b. Subproject purpose and expected specific accomplishments
- c. Subproject description
- d. Relationship to meeting one or more of the following objectives of increasing:
 - investment
 - productivity
 - employment
 - technological base
 - managerial capacity
- e. Relationship to private sector development and expansion objectives.
- f. Relationship with complementary or competing activities of AID, multilateral or bilateral donors, and other international or domestic organizations.
- g. Relationship to improving the opportunities for women to participate in private sector development.

2. Technical Assistance and Management Advisory Services

A Terms-of-Reference must be submitted for financing requests involving professional and technical services

- 12

to perform surveys and provide technical assistance and management advisory services directly to government institutions and private companies. The types of information must include, but are not necessarily limited to:

- Scope of Work
- Skill Requirements (Qualifications)
- Language Requirements
- Counterparts
- Responsibilities of the Parties
- Estimated Level of Effort
- Implementation Schedule
- Detailed Budget
- Sources of Financing
- Currency of Financing
- Reporting Requirements
- Environmental Considerations

3. Training, Workshops/Seminars/Conferences

For training activities and attendance at workshops, seminars and conferences the information requirements in paragraph (1) above are needed together with the following information:

- Beneficiary Institution(s)
- Course/Workshop/Seminar/Conference Description
- Location and Date
- Alternative Courses/Workshops/Seminars/Conferences Considered
- Selection Evaluation Criteria
- Individuals Nominated and Position (Attach Resumes)

- Evaluation criteria for Selecting Trainees and Attendees
- Detailed Budget
- Sources of Financing
- Currency of Financing

4. Feasibility Studies

For feasibility studies, the following application summary and evaluation record must be completed by the U.S. company and submitted together with the information requirements in paragraph (1) above:

UNITED STATES
AGENCY FOR INTERNATIONAL
DEVELOPMENT

PRIVATE SECTOR VIABILITY STUDIES PROJECT
REIMBURSEMENT PROGRAMS
APPLICATION SUMMARY AND EVALUATION RECORD

PROJECT DATA

PROJECT TITLE: _____
PROJECT LOCATION: _____
SECTOR AND PRODUCTS: _____
ESTIMATED CAPITAL COST: _____
ESTIMATED PROJECT EMPLOYMENT: _____

INDUSTRIAL

SECTOR:

AGRICULTURE/
CONSTRUCTION

SERVICES

COMPANY DATA

COMPANY NAME: _____
HEADQUARTERS ADDRESS: _____
TELEPHONE: _____
PRINCIPAL CONTACT: _____
TELEX: _____
MAJOR PRODUCTS: _____
DATE COMPANY ESTABLISHED: _____
TOTAL ANNUAL COMPANY SALES: _____
ANNUAL REPORT ATTACHED
PREVIOUS FOREIGN INVESTMENT EXPERIENCE
CREDIT REPORT ATTACHED
PREVIOUS EXPERIENCE
TOTAL NUMBER OF EMPLOYEES: _____
TOTAL PERSON-DAYS DEVOTED TO PROPOSAL: _____

PROPOSAL EVALUATION

PROPOSAL QUALITY

HIGH LOW
MED. UNRAT.

PERSONNEL QUALIFICATIONS

HIGH LOW
MED. UNRAT.

PROPOSED BUDGET

TOTAL COST \$ _____
ALLOWABLE COST \$ _____
REIMBURSEMENT \$ _____

ORIGINAL EVALUATION
PREPARED BY: _____

PROJECT OFFICER: _____

CONCURRENCE RECORD:

RECOMMENDED
NOT RECOMM.

RECOMMENDED
NOT RECOMM.

RECOMMENDED
NOT RECOMM.

U.S.A.I.D.
RECOMMENDED
NOT RECOMM.

APPROVED
DISAPPROVE

dv

ANNEX C

SAMPLE FEASIBILITY STUDIES AGREEMENT

FEASIBILITY STUDIES REIMBURSEMENT PROGRAM
SCHEDULE AGREEMENT

The _____ (Contractor) agree as follows:
and _____ (Contractor) agree as follows:

1. (Contractor) agrees to perform a detailed pre-investment feasibility study on a proposed (project title and location). The study will be conducted according to the outline, work plan, and schedule attached to and made a part of this agreement as Appendix A.
2. (Contractor) will submit to _____ the following reports:
 - (a) Progress Report in _____ copies, every three months covering activities, problems, and recommended solutions during the reporting period. The first progress report will be due three months after the effective date of this agreement.
 - (b) Final report, in _____ copies, consisting of the full feasibility study described in paragraph 1. The final report will be due within _____ months of the effective date of this contract. Within 30 days of submission of the Final Report, _____ will review it and notify (Contractor) either of its acceptance of the Report, or of its request for additional work to make it conform with the terms of this Agreement.

Best Available Document

3. (Contractor) will assign the following key personnel to perform essential elements of the study:

<u>Name</u>	<u>Project Role</u>	<u>Estimated Person-days</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Resumes of these key personnel are attached in Appendix B. (Contractor) shall notify _____ in writing of any substitution of key personnel at least 2 weeks in advance, submitting sufficient justification to permit evaluation of impact on the study. Any change in key personnel must be approved in writing by _____.

- a. For fulfillment of the terms of this agreement, _____ will reimburse (Contractor) for _____ % of the agreed total allowable direct costs of the study, up to a maximum reimbursement of \$ _____. Total direct costs allowable for reimbursement under this agreement are estimated in the budget attached as Appendix C.
 - b. Payment of the reimbursement will be made as a lump sum by means of USAID direct letter of commitment. _____ will authorize such payment upon acceptance of the Final Report and receipt from (Contractor) of its invoice documenting its expenditure on the study of allowable direct costs, provided, however, payment does not exceed the total estimated allowable cost in Appendix C.
5. (Contractor) further agrees to the general provisions attached to this agreement which form an integral part of it.
6. All notices and Report Submissions under this Agreement shall be made through the following individuals:

For _____ :

_____	_____	Telephone No. _____
<u>Name</u>	<u>Title</u>	Telex No. _____

For (Contractor):

GENERAL CONTRACT PROVISIONS
FEASIBILITY STUDIES REIMPROVEMENT PROGRAM

Index of Clauses

1. Definitions
2. Language
3. Law to Govern
4. Legal Effect of A.I.D. Approvals and Decisions
5. Audit and Records
6. Assignment
7. Nationality and Source
8. Travel
9. Use of U.S. Flag Air Carriers
10. Subcontracts
11. Amendments
12. Disputes and Appeals
13. Report of Delays
14. Equal Employment Opportunity
15. Workmen's Compensation Insurance
16. Host Country Taxes
17. Termination of Agreement
18. Non-exclusivity of Project
19. Rights to Information in Final Report
20. Notices

Name

Title

Telephone No. _____
Telex No. _____

7. The effective date of this agreement is _____.
The estimated completion date of the study (including submission of the final report) is _____ months after the effective date.

AGREED AND ACCEPTED:

Contractor

1. Definitions

- A. "A.P.E." means the Arab Republic of Egypt
- B. "A.I.D." means the Agency for International Development of the United States of America, including the A.I.D. Mission in Egypt.
- C. "Authority" means the General Authority for Investment and Free Zones of the Government of the A.P.E.
- D. "Geographic Codes" means the A.I.D. Geographic Codes listed in A.I.D. Handbook 11, Chapter 1, Attachment 1A, as revised from time to time.

2. Language

The English language version of this Contract shall govern. All notices pursuant to the provisions of this Contract shall be in English.

3. Law to Govern

This Contract shall be interpreted in accordance with the laws of the

4. Legal Effect of A.I.D. Approvals and Decisions

The parties hereto understand that the Contractor has reserved to A.I.D. certain rights such as, but not limited to, the right to approve the terms of this Contract, the Contractor, and any or all plans, reports, specifications, subcontracts, bid documents, drawings or other documents, related to this Contract and the Project of which it is part. The parties hereto further understand and agree that A.I.D., in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by A.I.D. to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing this Project and shall not be construed as making A.I.D. a party to the Contract. The parties hereto understand and agree that A.I.D. may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties jointly or separately, without thereby incurring any responsibility or liability to the parties jointly or to any of them. Any approvals (or failure to disapprove) by A.I.D. shall not bar the Authority or A.I.D. from asserting any right, or relieve the Authority of any liability which the Contractor might otherwise have to the Authority or A.I.D.

5. Audit and Records

A. The Contractor shall maintain books, records, documents and other evidence and shall apply consistent accounting procedures and practices sufficient to reflect properly all transactions under or in connection with the Contract. The foregoing constitute "records" for the purpose of this clause.

B. The Contractor shall maintain such records during the Contract term and for a period of three (3) years after final payment. However, records which relate to appeals under the "Dispute and Appeals" Clause below or litigation or settlement of claims arising out of the performance of this Contract shall be retained until such appeals, litigation, or claims have been finally settled.

C. All records shall be subject to inspection and audit by the Authority the U.S. Comptroller General and/or A.I.D. or their authorized agents at all reasonable times. The Contractor shall afford proper facilities for such inspection and audit.

D. The Contractor shall include in all its subcontracts hereunder a provision that the subcontractor agrees that the Authority the U.S. Comptroller General and/or A.I.D., or their authorized agents, shall, until the expiration of three (3) years after final payment under the subcontract, have access to and the right to examine any records of such subcontractor involving transactions related to the subcontract.

6. Assignment

The Contractor may not assign its obligation to perform under the Contract or its right to receive payments under the Contract, except with the prior written consent of both the Authority and A.I.D.

7. Nationality and Source

A. A.I.D.-financed U.S. Dollar Procurement

Unless otherwise approved in writing by the Authority and A.I.D. or specified in General Provision Clause 9 ("Use of U.S. Flag Air Carriers"), all goods and services provided by the Contractor and any subcontractors under this Contract and financed with U.S. dollars made available by A.I.D., shall have their nationality, source, and origin in those countries listed in A.I.D. Geographic Code C00 (the United States).

21

B. A.I.D.-financed Local Currency Procurement

Except as approved in writing by the [redacted] and A.I.D., all goods and services provided by the Contractor and any subcontractors under this Contract and financed with local currency made available by [redacted], shall have their nationality, source and origin in the [redacted].

C. Other Procurement

Goods and services provided by the Contractor and any subcontractors under this Contract and not financed by A.I.D., shall have their nationality, source, and origin in A.I.D. Geographic Code 995 as in effect at the time orders are placed or contracts entered into for such goods or services.

D. Definitions

(1) Source- "Source" means the country from which a commodity is shipped to [redacted] or [redacted] itself if the commodity is located therein at the time of purchase. However, where a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" means the country from which the commodity was shipped to the free port or bonded warehouse.

(2) Origin - "Origin" means the country or area in which a commodity is mined, grown, or produced. A commodity is produced when through manufacturing, processing, or substantial and major assembling of components a commercially recognized new commodity results that is substantially different in basic characteristics or in purpose or utility from its components.

(3) Componentry - "Components" are the goods that go directly into the production of a produced commodity. A.I.D. componentry rules for commodities produced in eligible countries are as follows:

- (a) If the commodity contains no imported components, it is eligible for financing under the Contract.
- (b) Components from the United States and other countries included in A.I.D. Geographic Code 941 may always be utilized in unlimited amounts regardless of the geographic code authorized.

(c) Unless procurement is authorized from countries included in A.I.D. Geographic Code 999, components from free world countries not included in A.I.D. Geographic Code 941 are limited according to the following rules:

(i) They are limited only if they are acquired by the producer in the form in which they were imported.

(ii) The total cost to the producer of such components (delivered at the point of production of the commodity) may not exceed 50 percent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export (whether or not financed by A.I.D.).

(iii) A.I.D. may prescribe percentages other than 50 percent for specific commodities.

(d) Any component from a non-free world country makes the commodity ineligible for financing under this contract.

L. Nationality -

(a) A Contractor or subcontractor providing services under this Contract must fit one of the following three categories to be eligible for A.I.D. financing.

(1) An individual who is a citizen of and whose principal place of business is in a country included in the authorized geographic code or a non-U.S. citizen lawfully admitted for permanent residence in the United States whose principal place of business is in the United States.

(ii) A corporation or partnership that is incorporated or legally organized under the laws of a country or area included in the authorized geographic code, has its principal place of business in a country or area included in the authorized geographic code, and meets the criteria set forth in either subparagraph (aa) or (bb) below:

(aa) The corporation or partnership is more than 50 percent beneficially owned by individuals who are citizens of a country or area included in the authorized geographic code. In the case of corporations, more than 50 percent beneficially owned means that more than 50 percent of each class of stock is owned by such individuals; in the case of partnerships, more than 50 percent beneficially owned means that more than 50 percent of each category of partnership interest (e.g., general, limited) is owned by such individuals. (With respect to stock or interest held by companies, funds or institutions, the ultimate beneficial ownership by individuals is controlling).

(bb) The Corporation or Partnership has been incorporated or legally organized in the United States for more than three years prior to the date of the proposal; has performed, within the United States, administrative and technical, professional or construction services under a contract or contracts for services and derived revenue therefrom in each of the three prior to the date described in the preceding paragraph; employs United States citizens in more than half its permanent full-time positions in the United States; and has the existing capabilities in the United States to perform the Contract.

- (iii) A joint venture or unincorporated association consisting entirely of individuals, corporations or partnerships which fit categories (i) and (ii) above. The eligibility of firms or joint ventures of firms wholly or partially owned by the Government shall be subject to A.I.D. approval.
- (b) A duly authorized officer of the firm shall certify that the participating firm meets either the requirements of subparagraphs (ii) (aa) and (ii) (bb) above. In the case of corporations, the certifying officer shall be the Corporate Secretary with respect to the requirements of subparagraph (ii) (aa). The certifying officer may presume citizenship on the basis of the stockholder's record address, provided that the certifying officer certifies, regarding any stockholder (including any corporate funds or institutional stockholder) whose holdings are material to the corporation's eligibility, that the certifying officer knows of no fact which might rebut that presumption.
- (c) A supplier of commodities under this Contract must fit one of the following three (3) categories to be eligible for A.I.D. financing.
- (i) An individual who is a citizen or legal resident of a country or area included in the authorized geographic code; or
 - (ii) A corporation or partnership organized under the law of a country or area included in the authorized geographic code; or
 - (iii) A controlled foreign corporation i.e., any foreign corporation of which than 50 percent total combined voting power of all classes of stock is owned by United States shareholders within the meaning of Section 957 et seq. of the Internal Revenue Code, 26 U.S.C. 957.

105

(d) Citizens or firms of any country not included in A.I.D. Geographic Code 935 are ineligible as suppliers, contractors, sub-contractors, or agents in connection with A.I.D. - financed contracts for goods or services. However, non-U.S. citizens lawfully admitted for permanent residence in the United States are eligible.

(e) The nationality policy of subparagraph (a) above does not apply to:

- (i) The employees of contractors or subcontractors, but all contractor and subcontractor employees engaged in providing services under A.I.D.-financed contracts must be citizens of countries included in A.I.D. Geographic Code 935 or non-U.S. citizens lawfully admitted for permanent residence in the United States.
- (ii) Supplies of incidental services related to the procurement of equipment. "Incidental services" are defined as the installation or erection of A.I.D.-financed equipment, for the training of personnel in the maintenance, operation or use of such equipment.

9. Travel

With respect to travel agreed upon by the parties, the Contractor shall be reimbursed up to the cost of economy class commercially scheduled air travel by the most expeditious route. The Contractor agrees to use its best efforts to obtain the lowest cost international air fares (including student or excursion rates, when available).

20

c. Use of U.S. Flag Air Carriers

A. The Contractor shall utilize U.S. flag carriers for international air transportation of personnel (and their personal effects) or property to the extent service by such carrier is available, in accordance with the following criteria:

1. Passenger or freight service by a U.S. flag air carrier is considered "available" even though:
 - (a) Comparable or a different kind of service by a non-U.S. flag air carrier costs less, or
 - (b) Service by a non-U.S. flag air carrier can be paid for in excess foreign currency, or
 - (c) Service by a non-U.S. flag air carrier is preferred by the Contractor or traveler needing air transportation, or
 - (d) Service by a non-U.S. flag air carrier is more convenient for the Contractor or traveler needing air transportation.
2. Passenger service by a U.S. flag air carrier will be considered to be "unavailable":
 - (a) When the traveler, while enroute, has to wait six (6) hours or more to transfer to a U.S. flag air carrier to proceed to the intended destination, or
 - (b) When any flight by a U.S. flag air carrier is interrupted by a stop anticipated to be six (6) hours or more for refueling, reloading, repairs, etc, and no other flight by U.S. flag carrier is available during the six (6)-hour period, or
 - (c) When by itself or in combination with other U.S. flag or non-U.S. flag air carriers (if U.S. flag air carriers are unavailable) it takes twelve (12) or more hours longer from the origin airport to the destination airport to accomplish the mission than would service by a non-U.S. flag air carrier or carriers.

- (d) When the elapsed travel time on a scheduled flight from origin to destination airports by non-U.S. flag air carrier(s) is three (3) hours or less, and service by U.S. flag air carrier(s) would involve twice such scheduled travel time.

B. In the event that the Contractor selects a carrier other than a U.S. flag air carrier for international air transportation, it will include a certification on vouchers involving such transportation which is essentially as follows:

"CERTIFICATION OF UNAVAILABILITY OF U.S. FLAG AIR CARRIERS

I hereby certify that transportation service for personnel (and their personal effects) or property by U.S. flag air carrier was unavailable for the following reasons:

(state reasons)"

1. The terms used in this clause have the following meanings:

- (1) "International air transportation" means transportation of persons (and their personal effects) or property by air between a place in the United States and a place outside thereof or between two places both of which are outside the United States.
- (2) "U.S. flag air carrier" means one of a class of air carriers holding a certificate of public convenience and necessity issued by the Civil Aeronautics Board, approved by the President of the United States, authorizing operations between the United States and/or its territories and one or more foreign countries.

D. The Contractor shall include the substance of this Clause, including this paragraph D, in each subcontract or purchase order hereunder, which may involve international air transportation.

E. The foregoing paragraphs A through C shall be deemed amended as necessary to comply with A.I.D. Handbook 11, Chapter 1, as revised from time to time.

F. The Contractor may use other than U.S. flag air carriers for authorized travel between Cairo and points in Europe without regard to the foregoing.

88

10. Subcontracts

A. This Contract shall not be subcontracted either in whole or in part without the prior written consent of _____ and A.I.D., and such consent, if given, shall not relieve the Contractor or of any liability or obligation under the terms of this Contract. Cost-plus-percentage-of-cost subcontracts shall not be utilized for performance of any work.

B. All subcontracts must be approved in advance, in writing, by the _____ and A.I.D. A.I.D. reserves the right not to finance any contract not approved by A.I.D.

C. The Contractor shall include at least the following provisions of this Contract in all subcontracts wholly or partly financed by A.I.D.:

Legal Effect of A.I.D. Approvals and Decisions (4); Audit and Records (5); Nationality and Source (7); Use of U.S. Flag Air Carriers (9); Equal Employment Opportunity (14); Workmen's Compensation Insurance (15); and Host Country Taxes (16).

11. Amendments

Modification of the terms of this Contract shall be made by amendment signed by the parties. Any amendments, including letter amendments, which increase the Contract amount or extend the completion date of the Contract must be approved by A.I.D.

12. Dispute and Appeals

A. In the event of a dispute relating to this Contract, which cannot be satisfactorily disposed of by mutual agreement, the Contractor shall, within a reasonable time, submit a written statement to the Authority briefly describing the nature of the problem, the position of the Contractor regarding the issue and a narrative of the facts in support of the Contractor's position.

B. Within thirty (30) days after receipt of the Contractor's statement, _____ shall decide the issue and furnish a copy of the written decision to the Contractor, including the reason supporting the decision, if adverse to the Contractor.

C. Such decision shall be final and conclusive unless within thirty (30) days from the date of receipt of such copy, the Contractor furnishes a written Notice of Appeal to _____ with a copy to USAID. This Notice shall include a detailed description of the facts of the dispute with relevant dates, names of persons involved, references to relevant documentation (with copies attached), the pertinent contract provision(s), the contractor's contentions and conclusions, and a statement of why the _____ decision is being questioned.

D. If within thirty (30) days after delivery of a Notice of Appeal, the parties cannot mutually agree to a satisfactory settlement, the matter shall be presented for arbitration following the rules of the International Chamber of Commerce.

E. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of this Contract and in accordance with _____ decision.

13. Report of Delays

The Contractor shall report in writing to _____ any event or condition which might delay progress or prevent completion of the work under this Contract as soon as the facts are known to the Contractor.

14. Equal Employment Opportunity

The Contractor will not discriminate in the recruitment or employment conditions of personnel hired in the United States or the _____ because of race, religion, color, sex, or national origin. The _____ and A.I.D. encourage and welcome in this Contract the participation, to the fullest extent possible, of minorities and women, both Contractor employees and as members and employees of _____ firms. In this report, the Contractor shall make every reasonable effort to identify and make the maximum practicable use of such personnel and firms.

15. Workmen's Compensation Insurance

A. The Contractor shall provide and thereafter maintain Workmen's Compensation Insurance assuring payment of benefits comparable to those provided under the Defense Base Act (42 I.S.C. 1651 et. seq.) with respect to and prior to the departure for overseas employment under this Contract of all employees who are hired in the United States or who are American citizens or bona fide residents of the United States.

B. The Contractor shall provide and thereafter maintain for all employees under the Contract who are nationals or permanent residents of the _____, security for compensation benefits meeting at least the minimum requirements of the applicable law of the _____ for injury or death in the course of such employment or in the absence of such law, employer's liability insurance.

C. For all other employees under the Contract, the Contractor shall provide and thereafter maintain security for compensation benefits meeting at least the minimum requirements of the applicable law of the country in which the employee was hired and of the _____ for injury or death in the course of such employment, or in the absence of such law, employer's liability insurance.

16. Host Country Taxes

A. The Contractor, its subcontractors and those of their employees and their families who are not citizens or residents of shall be exempted from all taxes, fees, levies, duties or impositions imposed under the laws of , with respect to all work and services performed under this Contract.

B. The personal effects (including personal vehicles) of the Contractor, its subcontractors and those of their employees and their families who are not citizens or permanent residents of shall be free of all taxes, duties, fees, levies or impositions imposed under the laws of

C. All materials and equipment required by the Contractor or its subcontractors to perform work pursuant to the Contract shall be exempted from all taxes, fees, levies, duties or impositions imposed under the laws of _____ provided that such items are either consumed in performance, re-exported or transferred to _____ at the conclusion of the Contract.

D. To the extent any of the taxes, duties or customs are not exempted, they shall be paid by the Authority. The Contractor shall, before paying any such amounts, obtain the approval of the Authority. Should the Contractor pay any such amounts, such payments shall be reimbursable under this Contract in full from _____.

17. Termination of Agreement

A. Either party shall have the right to terminate this agreement by means of 60 days advance written notification. Should the Contractor voluntarily terminate the agreement, no payment will be due to him from the Authority. Should the agreement be terminated by the Authority or due to force majeure, the Authority shall reimburse the Contractor for the percentage, stated in Para. 4a of the Schedule Agreement, of those direct allowable costs incurred by the Contractor up to the effective date of termination, and for the same percentage of the actual and reasonable cost of damages caused to the Contractor by such termination.

B. The term "Force Majeure" means any cause beyond the control of the Contractor, which the Contractor could not foresee and/or reasonably provide against and which prevents the Contractor from wholly or partly performing any duties under the Contract. Force Majeure includes, but is not limited to, any of the following:

- War, revolution insurrection or hostilities (whether declared or not);
- Riot, civil commotion or civil uprising (other than among the Contractor's employees);
- Earthquake, flood, tempest, hurricane, lightning, or other natural disaster;

B. The Contractor shall make no claim that any information either contained in the final report or for which direct costs incurred were counted towards the calculation of the amount of the reimbursement is proprietary except to the extent provided in subparagraph A. The following language shall be included on the title page of the final report of the feasibility study:

"This report has been prepared at substantial cost to the executing company and is considered by that company to be privileged commercial information under the terms of the Freedom of Information Act (5 USCS Sec. 552 A (b)(4) and A.I.D. Regulations Section 212.41 (c)".

20. Notices

Any notice given by either party shall be sufficient only if in writing and delivered in person or sent by telegram or by registered or certified mail to the following address:

To Contractor

Use address on cover page of this Contract.

Use address on cover page of this Contract.

Copies of all notices are required to be delivered to:

USAID Director
American Embassy
5, Latin America Street
Garden City, Cairo

Mailing address for mail to USAID/Cairo from the United States:

USAID Director
American Embassy, Cairo
Box 10
F.P.O. New York 09527

A.I.D. regulations and any revision thereof, incorporated by reference in this contract may be obtained from the USAID Project Officer and/or the Publications Office, SEP/MO, A.I.D./Washington.

**Reimbursement Programs
Budget Format**

1. Personnel Costs (Feasibility Studies Only)

A. Company Personnel

<u>Name</u>	<u>Function</u>	<u>Person Days</u>	<u>Base Salary Cost</u>	<u>Allowable Cost</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total		_____	\$ _____	\$ _____

B. U.S. Contract Personnel

<u>Name</u>	<u>Function</u>	<u>Person Days</u>	<u>Total Cost</u>	<u>Allowable Cost</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total		_____	\$ _____	\$ _____

C. Contract Consultants

<u>Name</u>	<u>Function</u>	<u>Person Days</u>	<u>Total Cost</u>	<u>Allowable Cost</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total		_____	\$ _____	\$ _____

Total Personnel Costs

\$ _____ \$ _____

2. Travel Expenses
 A. International Airfare

<u>Origin/Destination</u>	<u>No. of Round Trips</u>	<u>@ Economy Airfare Cost</u>	<u>Total Cost</u>
_____	_____	_____	_____
_____	_____	_____	_____

Total International Airfares _____

B. Travel in Foreign Countries Total Cost

Total Person-days in Foreign Countries: _____	\$ _____ per diem	\$ _____
Ground Transportation (estimated)		_____
Other _____		_____
Total Travel Expenses in Foreign Countries		\$ _____

C. Travel in U.S.

No. of Domestic Airfares _____	@ _____ Avg. economy fare	\$ _____
No. of overnights _____	@ _____ per diem	\$ _____
Ground Transportation (estimated)		\$ _____

Total U.S. Travel Expenses _____

Total Travel Expenses _____

3. Other Direct Costs (Feasibility Studies Only)

A. Translation/Interpretation Services

Total Cost

\$ _____

B. Report Production

C. Materials and Supplies

D. Special tests, pilot schemes, etc,
(provide details on separate schedule)

E. Telephone, telex, postage, & shipping

Total Other Direct Costs

\$ _____

Grand Total

\$ _____

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To assist in fostering the development and growth of private enterprise so that it can gradually assume the leading role in providing the long term economic growth needed in the AID recipient countries of the Near East region.</p>	<p>Measures of Goal Achievement:</p> <p>Increasing share by the private sector of:</p> <ol style="list-style-type: none"> (1) total investment (2) manufacturing capacity (3) financial services (4) trade 	<p>Analyses of data from host government national accounts.</p> <p>Analyses of macroeconomic survey data.</p>	<p>Assumptions for achieving goal targets:</p> <p>Host governments are committed to private sector development and growth and policy/strategy statements in this area are not merely rhetoric.</p>

57

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>To provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development. Also, to provide the NE Bureau with the flexibility to make timely responses to NE region countries that are willing and ready to implement private sector development activities.</p>	<p>Conditions that will indicate purpose has been achieved: End of Project Status:</p> <ol style="list-style-type: none">1. Policy dialogue between USAID and host governments based upon project funded policy studies.2. U.S. investment in selected NE region countries directly related to project inputs.3. Consideration of new and revised financial, tax, investment and trade legislation/regulations by host country legislative branch of government.4. On-going vocational, management, entrepreneurial and policy training programs.5. Agricultural brand development legislation/regulations.6. Uniform product and business standards.7. Increased productivity in selected private companies.8. Established relationships between U.S. and host country private professional associations.	<ol style="list-style-type: none">1. Memoranda of Conversation and Memoranda of Understanding between USAIDs and host government on economic policy.2. Host government foreign investment data.3. Publication of new and revised legislation/regulations in official host government journals.4. Training entity records.5. Host government regulations on agricultural products.6. Host government and business association regulations.7. Private sector company records.8. Formal agreements/understandings between U.S. and host country associations.	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none">1. Host governments and private sector will cooperate with USAIDs in the development of ideas and projects.2. Willingness of host government to participate in serious economic/investment policy dialogue with U.S. government.

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:	Program Records	Assumptions for achieving outputs:
<ol style="list-style-type: none"> 1. Economic, Sector and Investment Policy Studies; 2. Sector Surveys; 3. Investment Project Feasibility Studies; 4. Investment Conferences, Seminars and Workshops; 5. Recommendations for Vocational, Management, Finance and Entrepreneurial Training Programs; 6. Policy Analysis/Formulation Training Program Recommendations; 7. Recommendations for Financial, Tax and Trade Legislation; 8. Recommendations for Agricultural Brand Development and Manufacturing and Business Standards; and 9. Technical/Management Advisory Services. 	<ol style="list-style-type: none"> 1. Studies <ol style="list-style-type: none"> (a) 5 Economic Policy studies (b) 5 Sector Policy studies (c) 4 Business environment studies 2. Technical/Managerial Services <ol style="list-style-type: none"> (a) 4 IESC agreements with local private sector. (b) Advisory support to business association on selected basis. 3. Investment Promotion <ol style="list-style-type: none"> (a) 4 Sector surveys (b) 5 Feasibility studies (c) 4 Conferences, Seminars, Workshops 4. Training <ol style="list-style-type: none"> (a) 2 Vocational Training Programs (b) 2 Entrepreneurial Training Programs (c) 2 Management Training Programs (d) 3 Financial Institution Training Programs 	<ol style="list-style-type: none"> 1. Host governments and private sector provide accurate/reliable information to contractors. 2. USAID's are properly staffed to monitor activities. 	

169

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (206-0650)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p>Study services, technical/managerial assistance and technology will be provided through the U.S. private sector by: (1) management/technical consulting firms; (2) business schools; (3) financial institutions; and (4) associations, Chambers-of-Commerce, etc. U.S. government agencies will also be used, e.g., SEC and the Federal Reserve. Also, related commodities will be furnished. IOC, 8(a), PSC, PASA, IESC contracts will be used.</p>	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> 1. 18 AID/W Contracted Studies/Surveys/Training Program Design/Implementation. 2. 4 IESC/USAID contracts 3. 5 USAID/U.S. private sector contracts for feasibility studies. 4. Contracts for financial support to associations. 5. PSC for Conference, Seminars, Workshops. 	<p>Program Records</p>	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 1. Financing is sufficient. 2. Implementation procedure is reasonable. 3. SER/CM can service contracting requirements. 4. Qualified contractors are available. 5. Host government and private sector accept contractor selection and contracting process.

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ANNEX B
OUTGOING TELEGRAM
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PAGE 01 OF 02 STATE 017300
ORIGIN AID-00

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STATE 017300

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REGIONAL, -00 INTERNATIONAL DONOR PRIVATE SECTOR
EFFORTS. EXAMPLES OF ACTIVITIES ARE:

ORIGIN OFFICE CHRON-01

INFO FPA-01 ANDP-01 OCAH-01 PPPB-01 GC-01 PPEA-01 PPDC-01
ANTR-01 PPR-01 TOP-01 ANPE-01 OPIC-10 XPO-01 BELD-01
PRE-01 ASEA-01 AREG-01 ARAA-01 ANSA-01 /053 AA 331

INFO L00-00 COPY-01 ADS-00 EMB-00 EB-00 EXIN-00 NEA-04
CONE-00 TRSC-00 OPIC-07 STR-17 /033 B

DRAFTED BY: AID/ANE/PS/PE: D BAGER; LEB: 05650 (REV: DLCAH: 05810)

APPROVED BY: AID/ANE/PS: F VENEZIA

AID/ANE/PS/PE: J SILVER (DRAFT) AID/ANE/PS/SA: T RISEBI (DRAFT)

AID/ANE/PS/PE: J TENHANT (DRAFT) AID/ANE/PS/PHE: F YOUNG (DRAFT)

AID/ANE/OP: L ROGERS (DRAFT) AID/ANE/PS/PE: MLCARR

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TO USAID MISSIONS IN ASIA AND THE NEAR EAST PRIORITY
AMEMBASSY LISBON PRIORITY
AMEMBASSY ANKARA PRIORITY
XMT AMCONSUL NAPLES

UNCLAS STATE 017300

E.O. 12356: I/A ALSO PASS ALO BLACKMAN

TAGS: 12356: N/A

SUBJECT: N/A

SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
PROJECT: 300-0050

1. SUMMARY. AS A RESULT OF MISSION DIRECTOR'S CONFERENCE IN LISBON, AND THE DECISION TO EXPAND THE BUREAU'S TRADE AND INVESTMENT PORTFOLIO, AA/ANE HAS AMENDED SUBJECT PROJECT TO INCLUDE ASIA MISSIONS, THE ASEAN AND SOUTH PACIFIC REGIONAL PROGRAMS, AND, AS APPROPRIATE, EGYPT. IN ADDITION, WE ARE CONSIDERING POSSIBLE EXPANSION OF PROJECT SCOPE AND FUNDING LEVEL TO INCORPORATE A PERFORMANCE INCENTIVE, E.G., INCREASE IN USD, FOR TRADE AND INVESTMENT INNOVATIVE PROPOSALS WHICH REQUIRE START-UP COSTS.

2. DESCRIPTION.

(A) THE REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT WAS AUTHORIZED BY THE NEAR EAST BUREAU IN FY 1984 TO FOSTER PRIVATE SECTOR DEVELOPMENT THROUGH INSTITUTION BUILDING, TECHNICAL AND MANAGERIAL ASSISTANCE, HUMAN RESOURCE DEVELOPMENT, AND TRANSFER OF US TECHNOLOGY. THE ORIGINAL PROJECT AUTHORIZATION LIMITED THE OUTREACH OF THE PROJECT TO THE FOLLOWING NE COUNTRIES: JORDAN, LEBANON, MOROCCO, OMAN, PORTUGAL, TUNISIA, TURKEY, AND YEMEN. THE NEW AMENDMENT EXTENDS ELIGIBILITY TO EGYPT AND TO ALL AEA ASIA ACTIVITIES, INCLUDING THE ASEAN AND SOUTH PACIFIC REGIONAL PROGRAMS, WITH THE UNDERSTANDING THAT PARTICIPATION IN THE PROJECT BY EGYPT AND OTHER MISSIONS WITH HIGH EARNINGS WILL BE ON A BUY-IN BASIS EXCEPT IN UNUSUAL CIRCUMSTANCES WHICH WILL BE HANDLED ON A CASE-BY-CASE BASIS.

(B) THE PROJECT DIRECTLY SUPPORTS US EFFORTS TO ENCOURAGE THE PRIVATE SECTOR TO TAKE AN EXPANDED ROLE IN ECONOMIC DEVELOPMENT, ESPECIALLY IN THOSE SECTORS OF HIGH-PRIORITY INTEREST TO MISSIONS. THE PROJECT IS SET UP TO FINANCE ACTIVITIES WHICH (A) ARE NEW AND DISCRETE; (B) SUPPLEMENT ON-GOING MISSION PRIVATE SECTOR INITIATIVES; (C) SUPPORT OTHER USG PRIVATE SECTOR INITIATIVES, E.G., TOP, OPIC, EXIN, USTR; (D) SUPPORT PRE INITIATIVES; AND (E) COMPLEMENT OTHER DOMESTIC,

--STUDIES OF ECONOMIC AND SECTOR POLICIES AND BUSINESS ENVIRONMENT;

--TECHNICAL AND MANAGERIAL ASSISTANCE TO SMALL AND MEDIUM SCALE PRIVATE COMPANIES AND SUPPORT TO BUSINESS/TRADE ASSOCIATIONS THROUGH ORGANIZATIONS SUCH AS THE IEDC AND PWS;

--INVESTMENT PROMOTION ACTIVITIES INCLUDING SECTOR SURVEYS, FEASIBILITY STUDIES AND INVESTOR CONFERENCES; AND

--TRAINING INCLUDING VOCATIONAL, ENTREPRENEURIAL, AND MANAGEMENT TRAINING AND ASSISTANCE/TRAINING TO FINANCIAL INSTITUTIONS.

(C) WE ARE PARTICULARLY INTERESTED IN PURSUING PROJECT INITIATIVES IN TRADE AND INVESTMENT RELATED AREAS. DEPENDING UPON THE RESPONSE FROM MISSIONS, THE AA/ANE SEES THIS PROJECT AS A MEANS TO EXPAND A MISSION'S USD AS AN INCENTIVE TO MISSIONS WHERE INNOVATIVE PROPOSALS IN THE T&I AREA CAN BE DEVELOPED AND NEED A QUICK RESPONSE TO PROVIDE START-UP OR DEVELOPMENT COSTS. THE PROJECT ALSO OFFERS OPPORTUNITIES TO THOSE MISSIONS LOOKING AT ADVANCED PROGRAMMING RELATIONSHIPS BEYOND AID'S TRADITIONAL SECTORS AND MODES.

(D) INDIVIDUAL MISSIONS, HOST GOVERNMENTS, PRIVATE SECTOR ENTITIES AND AID/V CAN INITIATE SUBPROJECTS LASTING ONE YEAR OR LESS. PROPOSALS ARE REVIEWED BY THE ORIGINATING ENTITY, E.G., THE MISSION, FOR CONFORMITY TO SUBPROJECT ELIGIBILITY AND SELECTION CRITERIA DESCRIBED IN PPI, WHICH IS THEN FORWARDED BY THE MISSION TO ANE/PS WITH A SUBPROJECT FINANCING REQUEST. ANE/PS THEN PREPARES A SHORT APPROVAL MEMORANDUM. SUBPROJECTS UP TO DOLS 100,000 ARE APPROVED BY THE ANE/PS OFFICE DIRECTOR, WHILE THOSE IN EXCESS OF DOLS 100,000 ARE APPROVED BY THE AA/ANE.

(E) PROCUREMENT OF GOODS AND SERVICES IS GENERALLY ON AN AID DIRECT CONTRACTING BASIS. FOR SERVICES, IFC, PDC, OR SECTION 504 SMALL BUSINESS CONTRACT MODES ARE USED; ALSO, PASAS CAN BE OBTAINED. THE PROJECT CAN BUY-IN TO OTHER PROJECTS, SUCH AS PRE'S PEDS II AND CENTER FOR PRIVATIZATION PROJECTS WHICH ALREADY HAVE CONTRACTING MECHANISMS IN PLACE, AND MISSIONS MAY BUY INTO THIS PROJECT IF THERE IS NO CONFLICT WITH BILATERAL PROGRAM FUNDING AGREEMENTS. IN CASES WHERE DIRECT AID CONTRACTS ARE NOT APPROPRIATE, E.G., IEDC SERVICES, PVO SERVICES, OR FEASIBILITY STUDIES BY POTENTIAL INVESTORS, GRANTS OR OTHER CONTRACTING MODES ARE USED.

(F) LOP FUNDING FOR THE PROJECT IS DOLS 2.075 MILLION, OF WHICH NEARLY DOLS 1.4 MILLION REMAIN UNOBLIGATED. PRESENT TERMINAL DATE FOR OBLIGATING FUNDS IS APRIL 9, 1996.

3. ACTION REQUESTED:

(A) ALL ASIA MISSIONS ARE ASKED TO COMMENT TO ANE/PS/PE AS TO UTILITY OF THE PROJECT FOR FUNDING PRIVATE SECTOR ACTIVITIES, SUCH AS THOSE WHICH MAY DEVELOP UNDER TRADE AND INVESTMENT INITIATIVES. FOR EXAMPLE, ARE THERE TIMES WHEN IT IS INAPPROPRIATE, FUTILE, OR PRECIPITOUS TO REQUEST HOST GOVERNMENTS TO ALLOCATE BILATERAL FUNDS TO PRIVATE SECTOR ACTIVITIES?

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101

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OUTGOING
TELEGRAM

PAGE 02 OF 02 STATE 017300

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(B) NEAR EAST MISSIONS, ESPECIALLY MOROCCO, TUNISIA, AND YEMEN ARE ASKED TO COMMENT ON UTILITY OF PROJECT TO DATE AND ANY IMPROVEMENTS THEY MIGHT SUGGEST TO FURTHER STREAMLINE THE ACQUISITION OF SERVICES UNDER THIS PROJECT.

(C) ALL MISSIONS ARE ASKED TO PROJECT POTENTIAL UTILIZATION OF THE PROJECT. WE ARE PARTICULARLY INTERESTED IN CREATIVE AND INNOVATIVE APPROACHES TO THE STIMULATION OF OPEN MARKETS, TRADE LIBERALIZATION, AND INVESTMENT ENHANCEMENT--BOTH FROM THE PERSPECTIVE OF POLICY REFORM AND APPROPRIATE PROJECT INTERVENTION. FOR EXAMPLE, ONE OR MORE MISSIONS MAY CONSIDER THE PROJECT USEFUL TO TEST IESC'S ABLE (TRADE LINKAGE) PROGRAM. ASEAN COUNTRIES MAY FIND THIS USEFUL AS SUPPORT FOR USTR/ASEAN INITIATIVES. EGYPT MAY WISH TO CONSIDER THE UTILITY OF THE PROJECT FOR SUPPORT OF U.S. INVESTMENT PROMOTION OFFICE OR US/EGYPT BUSINESS COUNCIL ACTIVITIES. SOUTH PACIFIC MAY CONSIDER UTILITY FOR JOINT USG ANALYSIS OF REGIONAL COCONUT BY-PRODUCT DEVELOPMENT. IN MORE GENERAL UTILIZATION OF THE PROJECT, BURMA MAY WISH TO CONSIDER ITS UTILITY FOR SHORT-TERM SERVICES IN SUPPORT OF PRIVATE SECTOR STRATEGY DEVELOPMENT, AND NEPAL MAY WISH TO CONSIDER FUNDING AN EXPERIMENTAL IESC PROGRAM FOR VOLUNTEER EXECUTIVE INTERVENTIONS.

4. BASED ON REPLIES, ANE/PD WILL DETERMINE WHAT CHANGES IN PROJECT IMPLEMENTATION MAY BE APPROPRIATE AND ALSO WHAT BUDGETARY CONSIDERATIONS NEED TO BE ADDRESSED. NEWLY-ELIGIBLE MISSIONS WILL BE RECEIVING COPIES OF PP WHICH DETAILS IMPLEMENTATION PROCEDURES. SHULTZ

UNCLASSIFIED

102

ANNEX C

MISSIONS' RESPONSES TO STATE CABLE 017308

1. Manila*
2. Amman*
3. Suva*
4. Islamabad
5. Bangkok
6. New Delhi
7. Rabat
8. Muscat
9. Rangoon
10. Cairo

* Cables that include a mission request for regional funding.

103

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 MANILA 04111 03 OF 03 060818Z 7910 000204 A109554
ACTION A10-00

MANILA 04111 03 OF 03 060818Z 7910 000204 412

ACTION OFFICE ANP2-25
INFO ANDP-03 ANTR-06 STAG-02 PPR-01 SAST-01 ES-01 AGR1-01
STFA-01 RELO-01 DO-01 PRE-06 ANEA-02 /031 21 26

INFO LOG-00 COPY-01 CIAE-00 EB-00 DODE-00 EAP-00 /001 W
-----201133 060831Z /23 25

R 090252Z FEB 88
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 7527

UNCLAS MANILA 04111

AIDAC

E.O. 12356: N/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
PROJECT (398-0050)

REF: STATE 017300

1. SUMMARY: MISSION LOOKS FORWARD TO RECEIVING THE PROJECT PAPER FOR THE SUBJECT PROJECT, WHICH DETAILS IMPLEMENTATION PROCEDURES AND SUBPROJECT ELIGIBILITY AND SELECTION CRITERIA. AS REQUESTED, PLEASE FIND BELOW A SHORT DISCUSSION OF SEVERAL ACTIVITIES THAT MAY BE APPROPRIATE FOR THE REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT THIS YEAR. END SUMMARY.

2. PRIVATE PHILIPPINE AGRIBUSINESS INDUSTRIAL AND INVESTMENT COMPANY (PAICO).

- THE OBJECTIVE OF PAICO WILL BE TO MOBILIZE PRIVATE TERM CAPITAL FOR INVESTMENT IN: (1) FIRMS SLATED FOR PRIVATIZATION; (2) FINANCIALLY DISTRESSED PRIVATELY-HELD FIRMS; AND (3) NEW AND EXISTING AGRO-INDUSTRIAL ENTERPRISES. WITH THESE OBJECTIVES, PAICO WILL HAVE TWO BASIC FUNCTIONS. THE FIRST WILL BE TO ACT AS AN INTERMEDIARY/BROKER IN OBTAINING INVESTORS/BUYERS WHO WILL PROVIDE NEW CAPITAL AND MANAGERIAL EXPERTISE WHICH WILL "TURN-AROUND" EXISTING DISTRESSED BUSINESSES. THE SECOND WILL BE TO INVEST IN AND MANAGE AN AGRO-INDUSTRIAL FUND THAT WOULD PROVIDE INVESTMENT CAPITAL FOR INVESTMENT IN AGRICULTURAL PROJECTS OF HIGH RETURN POTENTIAL.

- THE SUBJECT PROJECT IS A PERFECT VEHICLE TO FINANCE THE TECHNICAL ASSISTANCE REQUIRED TO (1) ORGANIZE AN INVESTORS' PROMOTION GROUP, I.E. AN INITIAL CORE OF PHILIPPINE AND FOREIGN INVESTORS AND PROMOTERS; (2) PREPARE THE PAICO BUSINESS PLAN; (3) DEVELOP THE DOCUMENTATION REQUIRED BY THE PROMOTERS TO SOLICIT EXPRESSIONS OF INTEREST, AND REVIEW THE PROPOSALS SUBMITTED BY POTENTIAL SECURITY UNDERWRITERS, PLACED TO PLACE PAICO SECURITIES; AND (4) ASSIST THE PROMOTERS IN NEGOTIATING A BUY-IN ARRANGEMENT UNDER THE MISSION'S SMALL AND MEDIUM ENTERPRISE DEVELOPMENT (SMED) PROJECT (492-0359). THE PROJECT IS CURRENTLY IN THE MIDST OF BEING REDESIGNED.

- THIS TA WAS INCLUDED AS A COMPONENT OF THE PROPOSED FINANCIAL RESOURCES MOBILIZATION (FRM) PROJECT. UNFORTUNATELY, AS THE BUREAU IS AWARE, NEGOTIATION OF THE FRM PROJECT WITH THE GOP WAS NOT SUCCESSFULLY CONCLUDED. HENCE, AN ALTERNATIVE MODE OF FUNDING THIS TECHNICAL ASSISTANCE IS NECESSARY. AS REFTEL PARA 3(A) SUGGESTS, RELUCTANCE OF THE GOP TO ALLOCATE BILATERAL FUNDS TO PRIVATE SECTOR ACTIVITIES WAS THE MAJOR STUMBLING BLOCK. IF THE SUBJECT PROJECT PROVIDES AN ALTERNATIVE FUNDING SOURCE IT WILL BE FILLING AN ESPECIALLY VALUABLE ROLE.

- MISSION HAS BEEN DISCUSSING THE PAICO CONCEPT AND THE REQUIRED TECHNICAL ASSISTANCE WITH PRE/1. GREATER DETAIL ON THE PROPOSED ACTIVITY CAN BE FOUND IN THE PROJECT PAPER FOR THE FINANCIAL RESOURCES MOBILIZATION PROJECT (492-0377).

3. VENTURE CAPITAL:

- FOR FY 1989, THE MISSION HAS UNDER CONSIDERATION THE DEVELOPMENT OF A VENTURE CAPITAL PROJECT. THE PURPOSE OF THIS PROJECT WOULD BE TO PROVIDE EQUITY RISK CAPITAL FOR NEW MEDIUM SCALE ENTERPRISES IN HIGH GROWTH AREAS. THE PROJECT WOULD SUPPORT THE CREATION OF A PRIVATE VENTURE CAPITAL COMPANY THAT WOULD TAKE AN EQUITY POSITION IN NEW VENTURES WITH INNOVATIVE BUT APPROPRIATE TECHNOLOGY COMPONENTS, AND EXPORT POTENTIAL. THE COMPANY WOULD SEEK TO MOBILIZE DOMESTIC CAPITAL FOR THIS PURPOSE AND, AT THE SAME TIME, ATTRACT AS POTENTIAL JOINT-VENTURE COLLABORATORS, U.S. FIRMS WHICH POSSESS THE NECESSARY TECHNOLOGY NOT AVAILABLE IN THE PHILIPPINES. THE PROJECT WOULD PROVIDE SEED CAPITAL FOR THE VENTURE CAPITAL COMPANY, AND FINANCING FOR TECHNICAL ASSISTANCE TO FACILITATE THE ESTABLISHMENT OF THE COMPANY, AND STUDIES ON GOP POLICIES, LAWS, AND REGULATIONS AFFECTING VENTURE CAPITAL DEVELOPMENT. THIS PROJECT WILL COMPLIMENT PRIVATIZATION AND CAPITAL DEVELOPMENT ACTIVITIES IN THE PHILIPPINES BY: (1) CONTRIBUTING TO THE ENHANCEMENT OF THE ENVIRONMENT NECESSARY TO MOBILIZE PRIVATE TERM FINANCIAL RESOURCES FOR INVESTMENT IN PRODUCTIVE ENTERPRISES, (2) DIRECTLY INCREASING THE SUPPLY OF SECURITIES; AND (3) TRANSFERRING TECHNOLOGIES THAT WILL INCREASE PRODUCTION AND PRODUCTIVITY. IT WILL ALSO ENCOURAGE U.S. TRADE AND

INVESTMENT ACTIVITY IN THE PHILIPPINES. THE MISSION EXPECTS TO RECEIVE SHORTLY A PROSPECTUS FROM A VENTURE CAPITAL FIRM WHOSE OBJECTIVES PARALLEL THAT OF THE PROPOSED VENTURE CAPITAL PROJECT DISCUSSED ABOVE. THE REGIONAL PRIVATE ENTERPRISE PROJECT CAN POSSIBLY PLAY A SUPPORTIVE ROLE THROUGH THE PROVISION OF FINANCING TO FACILITATE THE ESTABLISHMENT OF THE COMPANY. THE MISSION ALSO EXPECTS TO ENGAGE THE PRE BUREAU ON A POSSIBLE INVESTMENT POSITION IN THIS COMPANY.

4. ANOTHER POSSIBLE ROLE FOR THE PROJECT IN THE PHILIPPINES MAY BE TO ENABLE US TO ACCESS IESC SERVICES UNDER A BUY-IN ARRANGEMENT UNDER THE MISSION'S SMALL AND MEDIUM ENTERPRISE DEVELOPMENT (SMED) PROJECT (492-0359). THE PROJECT IS CURRENTLY IN THE MIDST OF BEING REDESIGNED.

5. PLEASE ADVISE IF THESE CONCEPTS MEET THE CRITERIA OF THE SUBJECT PROJECT. PLATT

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104

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INCOMING
TELEGRAM

PAGE 01 AMMAN 01131 281620Z
ACTION AID-00

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ACTION OFFICE ANP2-05
INFO GCAN-02 ANAD-01 GC-01 PPR-01 ES-01 ANME-03 RELO-01
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FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 6682

UNCLAS AMMAN 01131

AIDAC

FOR ANE/PD, DAVID AGEN

E.O. 12356:4/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT (RPED)
PROJECT: 391-0050.

REF: STATE 017308

1. USAID/JORDAN IS INTERESTED IN USING THE FUNDS FROM THE SUBJECT PROJECT TO FINANCE A NUMBER OF ACTIVITIES. TWO NEAR TERM POSSIBILITIES ARE A PRIVATE SECTOR EXPORT COUNCIL OF LOCAL BUSINESSMEN (AT DOLS 300,000 - 50 PERCENT OF COSTS FOR TWO YEARS) AND POSSIBLY THE OFFICE AND OPERATION EXPENSES OF A LOCAL VENTURE CAPITAL ENTITY FOCUSING ON THE COMMERCIALIZATION OF TECHNOLOGY (DOLS 600,000; DOLS 200,000 PER YEAR FOR 3 YEARS). THE VENTURE CAPITAL FUND WOULD BE CAPITALIZED AT APPROXIMATELY DOLS 3,000,000. IN THE PAST, WE HAVE DEPENDED ON OUR BILATERAL FUNDS TO FINANCE SUCH ACTIVITIES, BUT WITH THIS YEAR'S SHARP DROP IN FUNDING WE BELIEVE THAT IT IS TIME FOR US TO DRAW MORE JOICN CENTRALLY FUNDED ACTIVITIES SUCH AS THE SUBJECT PROJECT.

WE WOULD ALSO EXPECT THAT A NUMBER OF BUSINESS STUDIES COULD BE FINANCED FROM RPED. FOR EXAMPLE, WE ARE JUST BEGINNING AND HAVE USED T2FS AND PRE BUREAU FUNDS TO FINANCE A SERIES OF STUDIES COMPARING INVESTMENT INCENTIVES AND THE PROCESS OF BUSINESS ESTABLISHMENT IN JORDAN VIS-A-VIS OTHER COUNTRIES IN THE REGION. FINALLY, WE BELIEVE THAT RPED FUNDS COULD BE USED TO SUPPORT THE STAFF WORK OF THE TRADE AND INVESTMENT OFFICE WHICH WILL BE REQUIRED AS A FOLLOW-UP TO THE US/JORDAN TRADE AND INVESTMENT MISSION IN MAY.

IN SUMMARY, WE KNOW THAT THERE ARE MANY OPPORTUNITIES TO USE THE RPED FUNDS IN JORDAN.

2. IN RELATION TO PROJECT MODIFICATIONS TO IMPROVE RPED, WE ARE CONCERNED ABOUT THE SPEED OF SUBPROJECT AUTHORIZATION. WE BELIEVE THAT THE TIMELY PROVISION OF RPED FUNDS IS POSSIBLE SINCE APPROVAL PROCESS APPEARS STREAMLINED AND CLEAR ABOUT WHAT IS NEEDED FOR THE SUBPROJECT PROPOSALS, BUT WE HAVE NO EXPERIENCE WITH RPED TO MAKE AN INFORMED JUDGEMENT. IN THE FIRST TWO EXAMPLES GIVEN IN PARA 1, THE TIMELY PROVISION OF FUNDS IS CRUCIAL TO ENSURE THAT THE MOMENTUM OF THE PROJECTS CONTINUE. SECONDLY, IN SOME CASES THE MONEY COULD BE LOANED TO A PRIVATE SECTOR OPERATOR, ESPECIALLY FOR TECHNICAL AND MANAGERIAL ASSISTANCE TO PRIVATE FIRMS. FOR EXAMPLE, FOR THE VENTURE CAPITAL ENTITY, WE WOULD LIKE TO RECOVER SOME OF THE MONEY INVESTED IN THE OPERATIONAL COSTS, IF PROFITABLE COMMERCIALIZATIONS OF TECHNOLOGY TAKES PLACE. THE PP STATES THAT ALL FUNDS

WILL BE PROVIDED ON A GRANT BASIS HAS THIS BEEN MODIFIED SO THAT THE FUNDS CAN BE LOANED TO A FIRM WITH REPAYMENT IN LOCAL CURRENCY, POSSIBLY INTO A FUND FOR SIMILAR TYPES OF LENDING THROUGH A LOCAL ICIT?

3. WE WILL BE CONTACTING THE RPED PROJECT OFFICER BY PHONE TO EXPLORE THE POSSIBILITIES FOR PROPOSALS IN MORE DETAIL.

DRAFT/APPROVE: JDEWPSLY
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125

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 OF 02 SUVA 00957 00 OF 02 020253Z 0606 013999 AID0600
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SUVA 00957 00 OF 02 020253Z 0606 013999 AID0600

ACTION OFFICE PRE-06
INFO SEOP-01 ANOP-03 ANPD-05 GCAN-02 SERP-01 GC-01 SEOS-02
STAD-01 GCCM-02 ANTR-06 STAG-02 PPR-01 SAST-01 TOP-05
RELO-01 ANEA-02 /042 AJ HL2

ECONOMICALLY VIABLE MEANS TO STIMULATE COCONUT PRODUCTION IN THE SOUTH PACIFIC REGION WARRANTS SERIOUS ATTENTION. THEREFORE, A FEASIBILITY STUDY WHICH ADEQUATELY EXAMINES ALTERNATIVES IS APPROPRIATE. END QUOTE.

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- C. REF (B) PARA 4 RECOMMENDED THAT RDO/SP EXPLORE THE POSSIBILITY OF ALL OR SOME OF THE INDUSTRY CONTRIBUTING TO THE COST OF THE PRE-FEASIBILITY WORK. RDO/SP HAS EXPLORED THIS POSSIBILITY; HOWEVER, IT IS NOT PRACTICAL IN THE CONTEXT OF THE SOUTH PACIFIC FOR THE PRIVATE SECTOR TO BE EXPECTED TO CONTRIBUTE TO THE COST OF THIS STUDY. THIS IS BECAUSE, INTER ALIA, THE LOCAL PRIVATE SECTOR IS FRAGMENTED THROUGHOUT THE REGION WITH LIMITED AVAILABLE FINANCIAL RESOURCES AND RESERVES. RDO/SP AND ATI HAVE HOWEVER BEEN MAKING INQUIRIES WITH OVERSEAS CONCERNS. GENERAL FOODS CORPORATION HAS EXPRESSED INTEREST IN EXPLORING ALTERNATE SOURCES OF SUPPLY IN THE SOUTH PACIFIC, GIVEN THEIR CONCERN ABOUT STABILITY IN THE PHILIPPINES. THEY HAVE INDICATED THE POSSIBILITY OF PROVIDING THE ENGINEERING AND MARKETING INPUT FOR THE STUDY. WE ARE PREPARED TO PURSUE THIS POSSIBILITY WHEN FUNDING FOR THE FEASIBILITY STUDY IS ASSURED, USING SUCH INTEREST AS AN OFFSET TO OUR INPUT.

P 020141Z MAR 88
FM AMEMBASSY SUVA
TO SECSTATE WASHDC PRIORITY 3250

UNCLAS SUVA 00957

AIDAC

E.O. 12356: N/A
TAGS: N/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT (398-0050)

REF: (A) 87 SUVA 05772 (B) 87 STATE 377844 (C) 87 STATE 377535 (D) STATE 017308

- D. REF (B) PARA 5. THE NATURE AND DETAILS OF THIS STUDY HAVE BEEN WORKED OUT IN COLLABORATION WITH POTENTIAL U.S. INVESTOR GROUPS AS WELL AS WITH THE SOUTH PACIFIC COCONUT INDUSTRY. THE PRELIMINARY MEETING OF COCONUT INDUSTRY SPECIALISTS CONCLUDED THAT THE NEEDS OF POTENTIAL INTERESTED GROUPS ARE APPROPRIATELY MET AND THAT THIS STUDY WILL BE OF MAXIMUM UTILITY.

6. THE REVISED BUDGET FOR THE STUDY IS NOW DOLS 106,000 FOR THE IOC CONTRACTOR (ATI) AND DOLS 90,000 FOR THE SOUTH PACIFIC CONSULTANTS, FOR A TOTAL OF 196,000. BECAUSE OF THE LEVEL OF FUNDING REQUIRED, WE REQUEST THIS STUDY BE FUNDED UNDER THE REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT (398-0050). WITHOUT SUBJECT PROJECT FUNDING, THIS STUDY WILL PLACE AN ENORMOUS STRAIN ON FY88 PDIS FUNDS AVAILABLE FOR PRIVATE ENTERPRISE DEVELOPMENT.

1. USAID/RDO/SP WELCOMES EXTENSION OF SUBJECT PROJECT TO COVER THE SOUTH PACIFIC REGIONAL PROGRAM.

2. RE REF (B) PARA (3) (A) FOR ANE/PD/PE: RDO/SP IS OF THE OPINION THAT SUBJECT PROJECT IS A RESPONSIVE VEHICLE FOR FUNDING PRIVATE SECTOR ACTIVITIES. THE POLICY ENVIRONMENT OF THE TEN RDO/SP CLIENT GOVERNMENTS RECOGNIZES AND ENDORSES THE NEED TO ALLOCATE DOLLAR FUNDS TO PRIVATE SECTOR MARKET-LED DEVELOPMENT.

3. REF (A) PROVIDED PURPOSE, OBJECTIVE, AND SCOPE OF WORK FOR THE SOUTH PACIFIC INTEGRATED COCONUT PROCESSING FACILITY FEASIBILITY STUDY AS OF NOVEMBER 1987.

4. SUBSEQUENT TO REF (A) RDO/SP HOSTED A MEETING OF SOUTH PACIFIC COCONUT INDUSTRY SPECIALISTS (PRIVATE SECTOR) WITH THE CONTRACTOR, APPROPRIATE TECHNOLOGY INTERNATIONAL (ATI). THIS MEETING UPDATED THE WORKPLAN, EXPANDED THE TERMS OF REFERENCE, ESTABLISHED THE PLANNING OUTPUTS, AND DEVELOPED A GUIDELINE FOR THE COUNTRY PROFILE AND FEASIBILITY STUDY FORMAT. RDO/SP WILL DNL REVISED TERMS OF REFERENCE TO ANE; HOWEVER, IN THE INTERIM MR. GLENN PATTERSON OF ATI WASHINGTON CAN BE CONTACTED FOR THIS UPDATED DOCUMENTATION.

5. RDO/SP APPRECIATES INPUT PROVIDED BY ANE, PRE, AND TOP IN REF (B):

- A. REF (B) PARA 3. WHILE THE RDSS WILL INCLUDE REFERENCE TO THE COCONUT PROCESSING INITIATIVE, THE FACT REMAINS THAT THIS MISSION IS OBLIGED TO PROCEED WITH THIS FEASIBILITY STUDY, AND THE STUDY SHOULD NOT AWAIT THE COMPLETION OF THE RDSS. THE PROBLEM HERE IS ESSENTIALLY ONE OF FUNDING. THE AUGUST 1987 SOUTH PACIFIC MANUFACTURING FACILITY CONFERENCE AND THE NOVEMBER 1987 MEETING OF ATI AND REGIONAL COCONUT PROCESSING SPECIALISTS ESSENTIALLY FULFILLED THE REQUIREMENTS OF A PRE-FEASIBILITY STUDY. BASED ON THIS RDO/SP PLANS TO CARRY OUT A COMPREHENSIVE STUDY AND AVOID A FRAGMENTED APPROACH THAT WOULD NOT BE USEFUL TO OUR NEEDS AND IN THE LONG RUN BE MORE COSTLY.

- B. THE PRIVATE SECTOR OPTIONS STRATEGY TEAM DRAFT REPORT REFERENCES THIS INITIATIVE. THEIR CONCLUSION IS THAT QUOTE THE SUBJECT OF ESTABLISHING SOME

7. OUR REQUEST FOR ASSISTANCE IS BASED ON THE FOLLOWING RATIONALE:-

- A. RDO/SP HAS DETERMINED THAT A SOUTH PACIFIC INTEGRATED PROCESSING FACILITY WILL FOSTER PRIVATE ENTERPRISE DEVELOPMENT THROUGH, INTER ALIA, THE TRANSFER OF U.S. TECHNOLOGY. WE HAVE AN OPPORTUNITY TO INCREASE U.S. EXPORTS OF INFRASTRUCTURE TO THE REGION AS WELL AS AN OPPORTUNITY TO PROVIDE U.S. TECHNICAL AND MANAGERIAL ADVISORY SERVICES, AND OPERATIONS AND MAINTENANCE TRAINING. THE RESULT WOULD BE AN EXPANSION AND MODERNIZATION OF EXISTING ENTERPRISES TO INCREASE PRODUCTIVE CAPACITY AND EMPLOYMENT. THE LOCAL POLICY ENVIRONMENT IS CONDUCIVE TO TECHNOLOGY TRANSFERS. A COMPREHENSIVE FEASIBILITY STUDY IS NEEDED TO PRODUCE THE DATA NEEDED TO MAKE KEY DECISIONS CONCERNING THE ESTABLISHMENT OF A PROCESSING FACILITY.

- B. THIS ACTIVITY IS NEW AND DISCRETE, SUPPLEMENTS ONGOING AND ANTICIPATED REGIONAL PRIVATE SECTOR INITIATIVES, AND SUPPORTS THE INITIATIVES OF TDP, OPIC, USTR, AND PRE. FYI, RDO/SP RECENTLY MET WITH THE UNIDO/UNDP COCONUT PROCESSING SPECIALIST, MR. T. RANASINGHE, WHO WAS EXAMINING COCONUT PROCESSING IN THE REGION. MR. RANASINGHE WAS VERY INTERESTED IN THIS INITIATIVE, COMMENTING THAT AN EXPEDITIOUS FEASIBILITY STUDY WOULD BE WELCOME. HE CAUTIONED THAT WITHOUT

106

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 02 OF 02 SUVA 08957 00 OF 02 0202532 0606 013999 AID0600

ASSISTANCE TO THE PRIVATE SECTOR, THE PUBLIC SECTOR MAY
INDEED ESTABLISH SUCH A FACILITY ON A
COUNTRY-BY-COUNTRY BASIS. END FYI. A PUBLIC
SECTOR-FINANCED AND -OPERATED PLANT OR PLANTS WOULD BE
CONTRARY TO OUR GOAL OF A PRIVATE, COMMERCIAL OPERATION
ENHANCING FREE AND OPEN INTERNATIONAL TRADE. SUCH A
FACILITY WOULD COUNTERACT, RATHER THAN REINFORCE, THE
ROLE OF MARKET FORCES.

- C. THIS ACTIVITY WILL IDENTIFY, PROMOTE, AND
FACILITATE BOTH LOCAL AND U.S. PRIVATE INVESTMENT.

8. GIVEN THE UNIQUENESS OF THIS INITIATIVE IN THE TRADE
AND INVESTMENT AREA, RDO/SP REQUESTS FUNDING ASSISTANCE
FROM THE REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
PROJECT. PLEASE ADVISE. SHERMAN

UNCLASSIFIED

107

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01
ACTION AID-00

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8502 006647 AID8241

ACTION OFFICE ANPD-05

INFO FPA-02 ANDP-03 PPPB-02 GC-01 PPEA-01 PPDC-01 ANTR-06
PPR-01 TDP-05 ES-01 OPIC-10 XMB-06 RELO-01 PRE-06
/051 A4 GB18

INFO LOG-00 COPY-01 NEA-04 /005 W

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R 171054Z FEB 38
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 8614

UNCLAS ISLAMABAD 03487

AIDAC

E. O. 12356: N/A

SUBJ: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT

REF: STATE 17308

REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT
APPEARS TO PROVIDE A TIMELY AND COMPREHENSIVE ARRAY
OF SUPPORT SERVICES FOR USE BY MISSIONS. MISSION IS
CURRENTLY TAKING A FRESH LOOK AT OPPORTUNITIES FOR
ENHANCING TRADE AND INVESTMENT DIMENSION OF ITS
PROGRAM. THAT REVIEW ALONG WITH INTERACTION AT
FORTHCOMING SRI LANKA PRIVATE SECTOR CONFERENCE WILL
HELP INDICATE SUBJECT PROJECT'S POSSIBLE AREAS OF
UTILIZATION BY USAID/PAKISTAN. MCCARTHY

UNCLASSIFIED

108

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 BANGKO 07457 111200Z 0978 002913 AID4347
ACTION AID-00

ACTION OFFICE ANPD-05
INFO FPA-02 ANDP-03 GCAN-02 PPPB-02 GC-01 PPEA-01 PPDC-01
GCCM-02 ANTR-06 PPR-01 TDP-05 ES-01 OPIC-10 XMB-06
RELO-01 PRE-06 ANEA-02 ANAA-01 /058 AI XII

INFO LOG-00 COPY-01 CIAE-00 ES-00 DODE-00 EAP-00 /001 W
-----180757 111021Z /41

P 111158Z FEB 88
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC PRIORITY 0545.

UNCLAS BANGKOK 07457

AIDAC

E. O. 12356: N/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
PROJECT: 398-0050

REF: STATE 017308

1. USAID WELCOMES THE OPPORTUNITY TO PARTICIPATE IN THE EXPANDED PRIVATE ENTERPRISE DEVELOPMENT PROJECT. WE HAVE RECEIVED A COPY OF THE PROJECT PAPER AND IT IS NOW UNDER REVIEW BY OUR PRIVATE SECTOR OFFICERS.

2. WE BELIEVE WE MAY BE ABLE TO UTILIZE THIS PROJECT TO COMPLEMENT OUR RURAL INDUSTRIAL EMPLOYMENT PROJECT OR TO SUPPORT SOME OF OUR ONGOING PRE ACTIVITIES. WE PLAN TO INITIATE DISCUSSION ON POTENTIAL TRADE AND INVESTMENT CONCEPTS WITH OUR COLLEAGUES IN THE U. S. COMMERCIAL OFFICE IN BANGKOK.

3. WHILE IT IS STILL PREMATURE TO IDENTIFY SPECIFIC PROJECT IDEAS, WE BELIEVE THAT THE POTENTIAL FOR UTILIZATION OF THIS PROJECT IN THAILAND IS VERY POSITIVE.

3. PROVIDED THE MISSION HAS SOMETHING MORE SUBSTANTIVE THAN THIS INTERIM RESPONSE TO REPORT DURING THE NEXT FEW WEEKS, A FOLLOW-UP CABLE WILL BE SENT. REGARDS. BROWN

UNCLASSIFIED

101

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 NEW DE 02082 271225Z
ACTION AID-00

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ACTION OFFICE ANPD-05

INFO FPA-02 ANDP-03 GCAN-02 PPPB-02 GC-01 PPEA-01 PPDC-01
ANTR-06 PPR-01 TDP-05 OPIC-10 XMB-06 RELO-01 PRE-06
ANAA-01 ANSA-03 /056 A5 LS28

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R 271226Z JAN 88
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 6661

UNCLAS NEW DELHI 02082

AIDAC

E. O. 12356: N/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
PROJECT: 398-0050

REF: STATE 017308/01

1. USAID/DELHI APPRECIATES OPPORTUNITY TO AVAIL OF SUBJECT PROJECT.
2. AS MISSION'S PROGRAM IN THE TRADE AND INVESTMENT AREA IS FURTHER DEVELOPED AS PART OF THE CDSS OVER THE COMING MONTHS WE MAY IDENTIFY OPPORTUNITIES FOR THE UTILIZATION OF THIS RESOURCE.
3. REGRET THAT WE CANNOT BE MORE SPECIFIC AT THIS TIME. DEAN

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110

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 RABAT 00971 011007Z 0193 104951 AID4599
ACTION AID-00

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ACTION OFFICE ANPP-05
INFO GCAN-02 AMAD-01 GC-01 GCGH-02 ANTR-05 PPR-01 ES-01
ANME-03 RELO-01 PRE-06 /029 AB

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R 010943Z FEB 88
FM ANEMBASSY RABAT
TO SECSTATE WASHDC 6200

UNCLAS RABAT 00971

AIDAC

FOR ANE/PD/PE

E.O. 12356: N/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
PROJECT (091-0350)

REF: STATE 017300

1. REFTEL REQUESTS COMMENTS ON UTILITY OF SUBJECT PROJECT TO DATE, AND PROJECTION OF POTENTIAL UTILIZATION.
2. WITH RESPECT TO THE FIRST QUESTION, WE BELIEVE THE MISSION'S PRIVATE SECTOR ACTIVITIES HAVE BENEFITED FROM THE SUPPORT PROVIDED UNDER THE REGIONAL PROJECT. AS A RESULT OF A REGIONALLY FUNDED GRANT OF DOLS. 50,000 IN 1984 THE INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC) OPENED AN OFFICE IN MOROCCO AND UNDERTOOK A PROGRAM OF TECHNICAL AND MANAGERIAL ASSISTANCE TO FIRMS IN MOROCCO'S PRIVATE SECTOR. TWO AMENDMENTS OF DOLS. 50,000 EACH WERE PROVIDED IN 1985 AND 1986, FOR A TOTAL OF DOLS. 150,000. TWENTY-FOUR FIRMS HAVE RECEIVED ASSISTANCE UNDER THE GRANT, WHICH IS SCHEDULED FOR COMPLETION MARCH 31, 1988. HOWEVER, IESC ACTIVITIES IN MOROCCO WILL CONTINUE AS A RESULT OF A COOPERATIVE AGREEMENT SIGNED IN JUNE 1986. THIS AGREEMENT, WHICH IS PART OF OUR PRIVATE SECTOR EXPORT PROMOTION PROJECT (001-0189), CONTINUES THROUGH JUNE 1991.
3. IT IS DIFFICULT TO ASSESS PRECISELY THE EFFECTS OF IESC ASSISTANCE UNDER THE REGIONAL PROJECT. AN EVALUATION WAS RECENTLY CONDUCTED AS PART OF AN OVERALL EVALUATION OF IESC ACTIVITIES IN A NUMBER OF COUNTRIES, BUT THE RESULTS ARE NOT, TO THE BEST OF OUR KNOWLEDGE, YET AVAILABLE. MISSION WOULD APPRECIATE A COPY OF THE EVALUATION WHEN IT IS AVAILABLE.
4. BASED ON OUR EXPERIENCE TO DATE, INDICATIONS ARE THAT THE IESC IS MOST EFFECTIVE PROVIDING ASSISTANCE TO MEDIUM AND LARGE SIZE FIRMS, AND LESS EFFECTIVE WITH SMALLER FIRMS. THERE ARE A NUMBER OF REASONS FOR THIS, TWO OF WHICH ARE COST AND LANGUAGE. THE COST OF TRANSPORTATION AND PER DIEM FOR A THREE MONTH IESC PROJECT IS ESTIMATED AT APPROXIMATELY DOLS. 16,000. DEPENDING ON SIZE AND FINANCIAL CAPABILITY THE FIRM RECEIVING ASSISTANCE IS EXPECTED TO CONTRIBUTE APPROXIMATELY HALF, OR DOLS. 8,000. ALTHOUGH WE EXPECT LOWER CONTRIBUTIONS FROM SMALL FIRMS, A CONTRIBUTION OF EVEN 25 PERCENT, OR DOLS. 4,000, IS NOT EASY TO OBTAIN. ALSO, SINCE IT IS DIFFICULT TO FIND IESC VOLUNTEERS WHO SPEAK FRENCH OR ARABIC, PROVIDING ASSISTANCE TO SMALL FIRMS PRESENTS ADDITIONAL COMPLICATIONS. WHILE THIS PROBLEM CAN BE

LARGELY OVERCOME IN MEDIUM OR LARGE SIZE FIRMS, WHERE IT IS FREQUENTLY POSSIBLE TO FIND ENGLISH SPEAKING PERSONNEL TO WORK WITH THE IESC VOLUNTEER. IT IS MUCH MORE DIFFICULT TO FIND ENGLISH SPEAKERS IN SMALL FIRMS.

5. IN CONSIDERING CHANGES TO THE EXISTING REGIONAL PROJECT, WE RECOMMEND THAT THE SPECIAL PROBLEMS INVOLVED IN PROVIDING TECHNICAL ASSISTANCE TO SMALL FIRMS BE EXAMINED, AND MEANS OF ADDRESSING THOSE PROBLEMS BE INCLUDED AS PART OF THE EXPANDED REGIONAL PROJECT.

6. WITH RESPECT TO POTENTIAL UTILIZATION OF THE PROJECT, WE PLAN TO CONSIDER THE POSSIBILITY OF NEW UNDERTAKINGS, PARTICULARLY WITH A VIEW TOWARD TRADE AND INVESTMENT. HOWEVER, CONSIDERATION IS HAMPERS AS A RESULT OF SERIOUS UNDERSTAFFING IN THE PRIVATE SECTOR OFFICE, WHICH CURRENTLY HAS NO DIRECT HIRES. WE EXPECT TWO DIRECT HIRE PERSONNEL TO ARRIVE IN THE NEXT 30 DAYS. FOLLOWING THEIR ARRIVAL AND MISSION EXAMINATION OF NEW PRIVATE SECTOR UNDERTAKINGS WE WILL BE ABLE TO RESPOND MORE SUBSTANTIVELY TO THIS QUESTION. NAMES

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111

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 MUSCAT 01023 201217Z 0102 007600 AID1577
ACTION AID-00

ACTION OFFICE ANPD-05
INFO GCAN-02 AMAD-01 GC-01 ANMS-01 PPMF-01 ANTR-06 PPR-01
STFN-02 SAST-01 ES-01 ANME-03 RELO-01 PRE-06 /032 AG

INFO LOG-00 CIAE-00 EB-00 DODE-00 NEA-04 /004 W
-----332376 201223Z /38

R 201214Z FEB 88
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 3948

UNCLAS MUSCAT 01023

AIDAC

FOR ANE/PD

E. O. 12356: N/A
SUBJECT: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT
- PROJECT: 398-0050

REF: (A) STATE 017308
- (B) 87 STATE 403079
- (C) MUSCAT 0178
- (D) STATE 039378

1. REF (B) DESCRIBED THE PRE CONTRACT WITH ARTHUR YOUNG&SR: INTERNATIONAL CONSORTIA FOR PRIVATE SECTOR SERVICES TO USAIDS.
2. BASED ON REF (B), USAID/OMAN (UNDER THE UMBRELLA OF THE OMANI-AMERICAN JOINT COMMISSION) INDICATED AN INTEREST (REF (C)) IN A RECONNAISSANCE VISIT BY PRIVATE SECTOR SPECIALISTS TO REVIEW THE ENVIRONMENT FOR PRIVATE SECTOR INVESTMENT IN FISHERIES.
3. BASED ON REF (C), THERE WAS A MEETING OF ANE, MENA, PD/PE AND PE TO DISCUSS OMAN'S REQUIREMENTS. A SCOPE OF WORK HAS BEEN DRAFTED AND TRANSMITTED UNDER REF (D). IT WAS SUGGESTED THAT ANE AND PRE CO-FINANCE THIS RECONNAISSANCE CONSULTANCY, WITH FUTURE ACTIVITIES RESULTING FROM THE FIRST CONSULTANCY'S RECOMMENDATIONS INCREASINGLY FINANCED BY THE JOINT COMMISSION.
4. ALTHOUGH IT IS TOO EARLY TO GUESS WHAT RECOMMENDATIONS, IF ANY, FOR FUTURE PRIVATE SECTOR INTERVENTION WILL RESULT FROM THE FIRST STUDY, WE BELIEVE THAT THE SUBJECT PROJECT, DESCRIBED IN REF (A) MAY PROVE A USEFUL VEHICLE FOR FOLLOW-ON WORK.
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112

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Department of State

INCOMING
TELEGRAM

PAGE 01 RANGOON 00554 261012Z 9000 101770 AID9436
ACTION AID-00

ACTION OFFICE ANPD-05
INFO GCAN-02 AMAD-02 GC-01 ANMS-01 ANTR-06 PPR-01 ES-01
RELO-01 PRE-06 ANEA-02 /027 A0

INFO LOG-00 CIAE-00 EB-00 DODE-00 EAP-00 /000 W
-----203351 261156Z /38

R 260900Z JAN 88
FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 5033

UNCLAS RANGOON 00554

AIDAC

AID/W FOR ANE/PD

E. O. 12356: N/A
SUBJ: REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT
- 398-0050

REF: (A) STATE 017308, (B) RANGOON 0121
- (C) 87 RANGOON 7310, (D) 87 RANGOON 6892
- (E) 87 RANGOON 5931, (F) 87 RANGOON 5891
- (G) 87 RANGOON 5845, (H) 87 RANGOON 5217

FOLLOWING RESPONDS TO AND IS KEYED TO ACTION REQUEST
ITEMS IN PARA 3 OF REF (A):

A. THE GOVERNMENT OF BURMA WOULD NOT ALLOW ALLOCATION
OF BILATERAL FUNDS TO PRIVATE SECTOR ACTIVITIES.
SUBJECT PROJECT COULD HELP US FILL A NEED IN THIS
RESPECT--NOT FOR SUPPORTING PRIVATE SECTOR ACTIVITIES,
BUT FOR SUPPORTING TRAINING AND CONSULTANCIES LEADING
TO INCREASING BURMA FREE MARKET RELATIONSHIPS.

B. N/A

C. WE AGREE THAT THE PROJECT CAN BE USEFUL IN HELPING
A I. D. /BURMA PROMOTE FREE MARKET INSTITUTIONS IN
BURMA. SEE REFS (B - H) FOR DISCUSSIONS OF SOME OF
THE ACTIVITIES FOR WHICH WE WOULD WELCOME PROJECT
ASSISTANCE. OTHER NEW AREAS IN WHICH WE WOULD LIKE TO
PROVIDE ASSISTANCE ARE TOURISM PLANNING, PORT AND
CUSTOMS ADMINISTRATION, AND TAX ADMINISTRATION (LESS
PROBABLE IN THE NEAR FUTURE).

(COMMENT. WE EXPECT A FORTHCOMING VISIT BY A
RHODO/ASIA CONSULTANT TO HELP US IDENTIFY ADDITIONAL
AREAS IN WHICH FREE MARKET-RELATED ACTIVITIES CAN BE
PROMOTED. END COMMENT.) LEVIN

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113

UNCLASSIFIED
Department of State

TELETYPE
TELEGRAM

PAGE 01 COLOMB 05776 180456Z 2365 013267 AID:481
ACTION AID-00

ACTION OFFICE ANFD-05
INFO ANDP-03 ANEA-03 ANAA-01 ANMS-01 PPR-01 /NTR-00 PRE-00
AAPF-01 SEOP-01 SEOS-02 FPA-02 SERP-01 RELO-01 TELE-01
/035 A4 KL18

INFO LOG-00 NEA-04 /004 W ..
-----226254 180456Z /38

P 180445Z AUG 88
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 0090

UNCLAS COLOMBO 05776

AIDAC

FOR ANE/PSD

R 1235E: N A
SUBLE: ANE - PRIVATE SECTOR DEVELOPMENT

REF: STATE 251767

1. USAID COLOMBO HAS JUST SIGNED THE DOLS 15 MILLION PRIVATE SECTOR POLICY SUPPORT PROJECT (883-0100) WITH THE GSL WHICH CLOSELY PARALLELS MANY OF THE ACTIVITIES IN THE REGIONAL PRIVATE SECTOR DEVELOPMENT PROJECT (883-0050) DESCRIBED IN REFTEL. THUS, WE BELIEVE THE BASIC THRUST OF THE REGIONAL PROJECT TO BE SOUND, AND ARE MOST INTERESTED IN TRACKING ITS PROGRESS.

2. GIVEN THE ADVANCED STAGE OF OUR ACTIVITIES IN THE AREAS TARGETED, WE DO NOT EXPECT TO REQUIRE REGIONAL FUNDS IN THE IMMEDIATE OR NEAR TERM. HOWEVER, AS WE PROCEED WITH IMPLEMENTATION THERE IS EVERY LIKELIHOOD THAT PROJECT ACTIVITIES WILL DEVELOP OPPORTUNITIES NOW UNFORSEEN WHICH WOULD BENEFIT FROM COMPLEMENTARY REGIONALLY FUNDED SUPPORT. WE LOOK FORWARD TO AN ONGOING EXCHANGE OF INFORMATION AND EXPERIENCE, ESPECIALLY IN THE AREAS OF PRIVATIZATION AND FINANCIAL MARKETS. SPAIN.

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114

Asia Near East Bureau
Regional Private Enterprise Development Project (398-0050)
FY 1988 Sub-Projects

<u>ANE Regional</u>	<u>Sub-Project</u>	<u>Amount</u>	<u>Purpose</u>
	Trade and Investment Conference	\$ 35,378	Develop Trade and Investment focus for ANE.
	Health Care Conference	\$ 40,000	Present health financing/privatization concepts in East Asia region.
	Technology Financing Facility	\$ 75,000	Assess feasibility of technology commercialization fund in ASEAN or Thailand.
	U.S.T.R.	\$ 82,000	PASA to automate trade data in ASEAN and integrate with U.S. data banks.
	ICEG	\$ 88,000	Six ANE country visitation to review transferability of H. De Soto approach to microenterprise/ informal sector development.
<u>Mission</u>	<u>Sub-Project</u>	<u>Amount</u>	<u>Purpose</u>
Yemen	Yemen Computer College	\$ 54,622	Feasibility Analysis - Private Sector to provide endowment for construction and OCM costs.
	IESC - Trade and Investment services	\$100,000	Test IESC capability for trade and investment support.
Philippines	PAIICO charter and legal analysis	\$ 75,000	Analyze and prepare charter documents for Philippines Agro- industrial Investment Corporation to support privatization and venture capital development. (Mission buy-in of \$25,000 not shown)
TOTAL		\$550,000	

ASIA NEAR EAST BUREAU
NEAR EAST REGIONAL PRIVATE ENTERPRISE DEVELOPMENT PROJECT (398-0050)
FY 87 SUB-PROJECTS

<u>A. Approved:</u>	<u>SUBPROJECT</u>	<u>AMOUNT & DATE OBLIGATED</u>	<u>OBLIGATING DOCUMENT</u>	<u>OBLIGATION NUMBER</u>	<u>STATUS (08/27/87)</u>
<u>TURKEY</u>	Tech. Trans.(MTAP)	65,000	Cont. Amendment	7635500	To finance BDIM/GVS continuation.
<u>YEMEN</u>	SME Tech. Assistance	100,000	Grant Amendment	7635501	Grant Add-on subsidizes IESC TA to SF Finance buy-in to PRE Fin.Mrkts.Proj. Study by ARIES on SME devel. strategy Develop Priv.Sect. strategies for ANE Missions through PEDs II buy-in.
	Financial Mrkts. Anal.	20,000	Cont. Amendment	7635502	
	SME Devel. Plan	50,000	Cont. Amendment	7635503	
<u>NE REGIONAL</u>	Priv. Sect. Strategy Devel.	15,000	Cont. Amendment	7635504	
	TOTAL	<u>\$250,000</u>			

Source of Funds:

OYB FY 87 Funds \$250,000

ANE BUREAU PD&S Funds

<u>A. Approved:</u>	<u>SUBPROJECT</u>	<u>AMOUNT & DATE OBLIGATED</u>	<u>OBLIGATING DOCUMENT</u>	<u>OBLIGATION NUMBER</u>	<u>STATUS (08/27/87)</u>
<u>ANE REGIONAL</u>	IESC Eval.	60,000	8(a) Contract	7634001	Evaluation of IESC activities in six ANE countries.
<u>BANGLADESH</u>	Privatization	15,000	Cont. Amendment	7635000	Co-finance Bangladesh Divestiture stu
<u>ASIA REGIONAL</u>	Priv. Sect. Strategy Devel.	132,000	Cont. Amendment	7635005	Develop Priv. Sect. strategies for ANE Missions through PEDs II buy-in. Finance costs for Private Sector Office assistance.
	Priv. Sect. Off. Conf.	3,000	Budget Transfer		
	TOTAL	<u>\$210,000</u>			

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116

ASIA NEAR EAST BUREAU
NEAR EAST REGIONAL PRIVATE SECTOR DEVELOPMENT PROJECT (298-0050)
FY 86 SUB-PROJECTS

	<u>SUBPROJECT</u>	<u>AMOUNT & DATE OBLIGATED</u>	<u>OBLIGATING DOCUMENT</u>	<u>OBLIGATION NUMBER</u>	<u>STATUS (10/01/85)</u>
<u>Planned:</u>					
<u>TURKEY</u>	HFD Feasibility	50,000	Cont. Amendment		Pending visit of PRUTECH in Oct. Pending GUT req. to proceed To finance BDIM/GVS continuation
	Ag. Coop. Reorg.(TARLS)	75,000	IQC Work Order		
	Tecn. Trans.(MTAP)	65,000	Cont. Amendment		
<u>YEMEN</u>	HFD Feasibility	50,000	Cont. Amendment		Pending USAID request for PRUTECH visit Will provide funds to continue SNE assistance through FY01 for 2nd year Pending definition of SOWs by USAID
	S&E Tech. Assistance	125,000	Grant Amendment		
	Priv. Sect. Pilot Pjts. in Q&S, Tech. Trng. & Nutr	75,000	IQC Work Order		
<u>NE REGIONAL</u>	Health Serv. JV's	28,450	Grant Amendment		PATN to seek JV's in Morocco & Tunisia under PRE's HEALTHlink Program
	TOTAL	\$468,450			
<u>Source of Funds:</u>					
	OYB FY 86 Funds	\$600,000			

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ASIA NEAR EAST BUREAU
NEAR EAST REGIONAL PRIVATE SECTOR DEVELOPMENT PROJECT (298-0050)
FY 85 SUB-PROJECTS

<u>A. Approved</u>	<u>SUBPROJECT</u>	<u>AMOUNT & DATE OBLIGATED</u>	<u>OBLIGATING DOCUMENT</u>	<u>OBLIGATION NUMBER</u>	<u>STATUS (10/01/85)</u>
<u>IRRACUO</u>	Pvt. Sect. Needs	\$ 8,417 (11/25/84)	PSC	5629000	Semkow study complete and funds expended
	MFN Customs Anal.	9,330 (11/26/84)	PSC	5629001	Callen study complete and funds expended
	Pvt. Sect. FX Anal.	6,088 (1/18/85)	PSC	5629002	Rothstein study compl. and funds. expd.
	Entrepreneurship	50,000 (9/30/85)	Contract	5629003	MSI/McBer arranging field trials
	Econ. Policy Analysis	2,200 (4/11/85)	PSC	5629004	Study by two local consultants complete
	Export Ins. Analysis	53,516 (4/17/85)	IQC Work Order	9629005	FWA study nearly complete
<u>YEMEN</u>	IESC Grant Add-on	50,000** (5/30/85)	Grant Amendment	Field	Grant subsidizes IESC TA to SMEs
	Tech. Trans. (MIAP)	65,000 (9/30/85)	Contract	5629011	BDIM/GVS arranging initial JV assessment
<u>TURKEY</u>	MIAP Add-on	125,000* (9/30/85)	Cont. Amendment	5621011	Finances BDIM/GVS continuation
	IESC Grant	50,000 (9/30/85)	Grant Agreement	5629009	Grant subsidizes IESC TA to SMEs
	Tech. Trans. (MIAP)	74,199 (9/30/85)	Contract	5629010	BDIM/GVS arranging initial JV assessment
	IESC Grant	50,000 (9/30/85)	Grant Agreement	5629008	Grant subsidizes IESC TA to SMEs
	<u>TOTAL</u>	<u>\$543,750</u>			

Source of Funds:

Original FY 85 Funds	\$368,750
USAID/Sanaw ARDN Funds	\$125,000*
USAID/Irbat SIM Funds	\$50,000**

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CN submitted on 6/14 and exp. on 6/29
 CN submitted on 6/14 and exp. on 6/29

ASIA NEAR EAST BUREAU
NEAR EAST REGIONAL PRIVATE SECTOR DEVELOPMENT PROJECT (298-0050)
FY 84 SUB-PROJECTS

<u>SUBPROJECT</u>	<u>AMOUNT & DATE OBLIGATED</u>	<u>OBLIGATING DOCUMENT</u>	<u>STATUS (10/01/85)</u>	
<u>MOROCCO</u>	Pvt. Sect. Needs IESC Grant	\$ 74,368 (8/31/84) 50,000 (9/25/84)	IQC Work Order Grant Agrmt.	Q&L Study complete and funds expended IESC Grant fully disbursed for VEs
<u>PORTUGAL</u>	Export. Prod. Anal.	65,000 (8/24/84)	Grant Agrmt.	SWT Study completed in 6/85
<u>YEMEN</u>	SME Tech. Assistance Pvt. Sect. Assess.	125,000 (9/24/84) 17,051 (9/29/84)	Grant Agrmt. 2 - PSC's	FYCCI project in progress Casson/Miller study compl. & funds expd.
<u>JORDAN</u>	ORS Production Mgt. Training	33,515 (8/28/84) 9,900 (9/24/84)	Cont. Amendment PIO/P	PATH study compl. & funds expd. Columbia U. training compl. & fund expd.
<u>TUNISIA</u>	ORS Production	33,515 (8/22/84)	Cont. Amendment	Initial PRITECH visit made; follow-on work will focus on ORS promotion
<u>TURKEY</u>	Ag/Bus Pre-Feas.	73,700 (9/28/84)	Grant Agrmt.	Sub-contr. with U.S. firms in prog.
<u>TOTAL</u>		\$482,049		

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5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

- | | |
|---|---|
| 1. <u>FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A.</u> If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? | YES |
| 2. <u>FAA Sec. 611(a)(1).</u> Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? | YES. D/PSD will assure compliance. See 9.03. |
| 3. <u>FAA Sec. 611(a)(2).</u> If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? | If applicable to a sub-project, D/PSD will assure compliance. See 9.03. |

4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N.A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N.A.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No. The project is an AID/v- effort to meet specific needs for bilateral aid.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. D/PSD will cover this requirement for each subproject.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). As a regional private sector support project one of the purpose is to encourage U.S. private trade and investment in ANE countries. D/PSD will cover this requirement for each subproject

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?
13. FAA Sec. 119(q)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other

D/PSD will assure that respective host governments and private sector entities will provide local currencies in most cases. Foreign currencies owned by the U.S. are not available to this project.

N/A. Foreign currencies will not be provided.

In Annex "A" of the PP, assistance will not be provided for the production of any commodity for export likely to injure U.S. producers of competing commodities.

See above.
D/PSD will assure no assistance will be used for such purposes.

To the extent such activities involve the private sector they would be eligible if requested by USAID Missions.

122

wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N.A.
15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? No assistance to PVOs is planned under the project. If any assistance to PVO is contemplated it will conform to this requirement.
16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? See 15 above.
17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N.A.
18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). No project agreement is contemplated. Will be satisfied as appropriate.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1989 Appropriations Act Sec. 548 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

D/PSD will assure no assistance is provided under this project to increase agricultural exports where the export might reasonably be expected to cause substantial injury to U.S. exporters. The project is not for research intended to benefit U.S. producers.

b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental

Many of the individual activities funded under the project will assist in planning policy and projects which favorably impact on items (a) thru (e). D/PSD will meet the requirement for sub-projects.

132

institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

- c. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used?
- d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?
- e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?
- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Annual budget exercises will assure activities conform to functional account requirements. D/PSD will assure that each subproject meets the criteria for the account uses.

No special emphasis is placed on appropriate technology, although some activities are expected to have this objective.

D/PSD will assure that at least 25 percent of costs of each subproject will be provided by the recipient country if the subproject is intended to assist the recipient country.

D/PSD will assure that the analysis is made for each subproject.

9. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. The project will facilitate growth of important private sector institutions and activities for economic growth. The project does not support training in skills essential to self government.
- h. FY 1989 Appropriations Act Sec. 536. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? NO
- Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? NO
- Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? D/PSD will assure that no funds are provided for research of this nature.
- i. FY 1989 Appropriations Act. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization? NO. D/PSD will assure.
- If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? NO. D/PSD will assure.

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- YES. D/PSD will assure.
- k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?
- An estimate 25 percent of the project will be performed thru 8 (a) firms including a T.A. contract to manage the project.
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase
- D/PSD will assure that the assistance will comply with Regulation 16. The assistance does not place a high priority on conservation and sustainable management of tropical forests, but neither should it have any impact on forests.

production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

- m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

The assistance is not expected to affect tropical forests significantly. D/PSD will assure compliance on a subproject basis.

- n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? D/PSD will assure compliance on a subproject basis.
- o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? D/PSD will assure compliance on a subproject basis.
- p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; N.A.

(c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

9. FY 1989 Appropriations Act Sec. 515. N.A.
If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

2. Development Assistance Project Criteria (Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?
- c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?
- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?
- c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

134

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? YES.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? YES.
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? YES.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) No agricultural commodity or products are to be procured.

5. FAA Sec. 604(q). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) D/PSD will assure compliance on a sub-project basis.
6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? NO
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? YES
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? YES
9. FY 1989 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Contracts will contain this provision.

10. FY 1989 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? YES

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N.A.
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N.A.
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N.A.

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N.A.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N.A.

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? YES
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1989 Appropriations Act Secs. 525, 536. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? Subproject criteria and the review process will preclude financing for these purpose.
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? YES
- c. FAA Sec. 620(a). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? YES
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES
- e. FAA Sec. 662. For CIA activities? YES

- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES
- g. FY 1989 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? YES
- h. FY 1989 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? YES
- i. FY 1989 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? YES
- j. FY 1989 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology? YES
- k. FY 1989 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES
- l. FY 1989 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? YES
5. FY 1989 Appropriations Act Sec. 584. Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? YES