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AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C.

AMENDMENT NO. 2  
to the  
PROJECT MEMORANDUM

NEW INDEPENDENT STATES: SPECIAL INITIATIVES  
(110-0001)

Approved: August 31, 1992.

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**No. 110-0001**

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AUG 26 1992

U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

**ACTION MEMORANDUM FOR THE DIRECTOR, NIS TASK FORCE**

**FROM:** NIS/PAC, Hariadene Johnson, *Hariadene Johnson*

**SUBJECT:** Project Authorization Amendment No. 2 for the New Independent States Special Initiatives Project No. 110-0001

**PROBLEM:** Your approval is required to amend the Project Authorization for the New Independent States (NIS) Special Initiatives Project, formerly known as the Democratic and Economic Initiatives Project. The amendment is for the purpose of allowing for additional funding for ongoing activities under the project, as well as for new initiatives. The authorization for life-of-project funding will be increased from \$25 million to \$76 million. The Project Activity Completion Date (PACD) remains February 4, 1996.

**BACKGROUND:** Even though the Project title has been changed (in order to mitigate confusion between this Project and the Democratic Pluralism Initiatives Project), the purpose remains the same. That is, to support the economic and social transformation of the NIS republics into free-market democracies by providing western knowledge and experience to foster reform. The project continues to support a variety of activities, many of which were initiated in response to recommendations of the January, 1992 international conference that developed strategies for technical assistance to the NIS. These recommendations were endorsed by Secretary of State Baker.

The initial project authorization was signed in January, 1992 and the first amendment to the authorization on March 27, 1992. Child Survival funds were subsequently added (through the Congressional Notification process) for the child vaccination campaign. The activities currently being funded under the project, therefore, include 1) the Special American Business Intern Training Program (SABIT), 2) the USIA Public Policy Program, 3) The Department of State Rule of Law program, 4) the International Executive Service Corps (IESC) program, 5) a Citizens Democracy Corps (CDC) activity, 6) Child vaccination activities, 7) Development of indigenous non-governmental organizations (NGOs) in cooperation with U.S. private voluntary organizations (PVOs), and 8) Program Development and Support activities.

**DISCUSSION:** The project is multisectoral, and designed to respond quickly to new opportunities, special needs and requirements for innovative approaches. It will continue to provide short- and medium-term advisory services, training, support to NGOs and

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related assistance. Under the amendment, funding will be provided for new programs and for certain ongoing project components, as follows.

1. A Dairy/Infant Foods Initiative will commence to help meet the nutritional needs primarily of children and pre- and post-natal mothers in the NIS. A grant will be provided to a U.S. PVO already active in the NIS, to distribute whole and/or skim dried milk. The commodities will be targeted primarily to the Urals region of the Russian Federation, with other distribution points to be determined jointly by USAID, the implementing PVO, and NIS state humanitarian assistance commissions. The value of the commodities and support services to be provided will total \$15 million. This component responds to strong Congressional interest expressed in letters and at hearings.

2. An Emergency Medical Initiative will be funded under the project. \$12 million in International Disaster Assistance funding will be transferred from the Office of Foreign Disaster Assistance. These funds will be used to procure emergency medicines and pharmaceuticals, and to finance technical assistance to verify need, acquire the medicines and to survey emergency medical situations.

3. A U.S.-Turkey Cooperation Program will involve technical assistance and training in banking and health, among other areas. It will be implemented in the Central Asian republics in collaboration with the international cooperation agency (TICA) of the Government of Turkey. Funding for this program will total \$7 million. This is a State Department initiative.

4. Funds also will be added for the provision of technical assistance and training in NIS republics, in cooperation with the Israel Foreign Ministry Aid Division (MASHAV), most likely under the ongoing U.S.-Israeli Cooperative Program being managed by the R&D Bureau. The areas of concentration are likely to be agriculture, agribusiness, irrigation and water management, although assistance also may be provided in other areas such as health. \$4 million are being provided for this under the Amendment. This is a State Department initiative.

5. An Interagency Agreement (IAA) will be entered into with the U.S. Information Agency (USIA) to provide funding to initiate the America House program in the NIS. Technical assistance and information services will be provided by USIA through the establishment of three America House facilities in different

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regions of the NIS as quickly as possible. U.S. cultural and business interests will be furthered by this program. \$3 million are being provided by A.I.D. under the IAA. USIA will seek future year funding for the America House Program under its own budget, as is the case for all U.S. Government agencies now receiving funding through A.I.D. for programs they are implementing in the NIS.

6. This amendment will further provide \$1.3 million in support of a Far East Initiative which, through establishment of a U.S. presence, will support trade and investment promotion in cooperation with a U.S. university. This activity, a State Department initiative, will be developed during the first quarter, FY 1993.

7. Because of the overwhelming response by U.S. PVOs to the call to help the more at-risk population of the NIS, additional assistance will be provided under the PVO support component of the project. The project authorization will be increased by \$500,000, to \$9 million, to allow up to an additional \$5 million to be obligated under the project. Some of these funds will be programmed under the project through the Experiment in International Living (EIL) to further develop the institutional capacity of NIS non-governmental organizations.

8. Program Development and Support activities under the project will be increased by \$2.7 million to fund urgent requirements, short-term technical assistance and other project-related design and support activities.

9. Also, \$362,000 will be provided for the cooperative data management and analysis program of the Organization for Economic Cooperation and Development (OECD).

10. This amendment also restores the authorization ceiling for the following programs by the amount indicated: a) \$1.0 million for the Special American Business Intern Training Program (SABIT); b) \$2.25 million for the IESC Technical Assistance Program; c) \$1.5 million for Citizens Democracy Corps (CDC) activities. These activities had been previously authorized but, in effect, the authorization level for each was reduced because of an urgent need to fund the child vaccine program. This action required the use of \$5.025 million originally authorized but not obligated for the activities mentioned above. Due to the urgent nature of the child vaccination program, it was determined that the project authorization was flexible enough to fund it without requiring an amendment. However, now that this has been accomplished and the

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vaccine program is being implemented, this Amendment no. 2 will restore to these programs (SABIT, IESC, and CDC) previously authorized funding levels. Similarly, the PVO Program authorization level is being restored \$275,000 (and increased by \$500,000).

The authorization for total life-of-project (LOP) funding is therefore being increased by \$51 million, bringing the total LOP authorization level to \$76 million, as detailed below (minor adjustments between line items could occur as specific activities are reviewed):

**ESF**

1. Dairy/Infant Foods Initiatives	(new)	\$15.00 million
2. U.S.- Turkey Joint Projects	(new)	7.00 million
3. U.S.- Israel Joint Projects	(new)	4.00 million
4. America Houses	(new)	3.00 million
5. Far East Initiative	(new)	1.30 million
6. PVO Support	(ongoing)	0.775 million
7. SABIT	(ongoing)	1.00 million
8. IESC	(ongoing)	2.25 million
9. Citizens Democracy Corps	(ongoing)	1.50 million
9. PD&S/Evaluation/Audit	(ongoing)	2.70 million
10. OECD		<u>0.475 million</u>

**Subtotal ESF** **\$39.000 million**

**IDA**

1. Emergency Medical Initiative	(new)	\$12.00 million
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**Total (ESF/IDA)** **\$51.000 million**

Therefore, current project funding authorization levels will be increased as illustrated below:

<b><u>ESF</u></b>	<b>Authorized Levels</b>		
	<b>Current</b>	<b>This Amend</b>	<b>Revised Total</b>
1. SABIT	2.00	1.00	3.00
2. IESC	3.75	2.25	6.00
3. Rule of Law	0.25	0.00	0.25
4. Health Start Up	0.45	0.00	0.45
5. Housing/Shelter Start Up	0.28	0.00	0.28
6. Citizens Democracy Corps	1.20	1.50	2.70

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7. Public Administration	2.40	0.00	2.40
8. PVO Support	8.225	0.775	9.00
9. Dairy/Infant Initiative	0.00	15.00	15.00
10. America Houses	0.00	3.00	3.00
11. Turkey	0.00	7.00	7.00
12. Israel	0.00	4.00	4.00
13. Far East Initiative	0.00	1.30	1.30
14. OECD	0.00	0.475	0.475
15. PD&S/Evaluation/Audit	<u>1.42</u>	<u>2.70</u>	<u>4.12</u>
ESF Subtotal	19.975	39.00	65.00
 <u>IDA</u>			
1. Emergency Medical Initiative	0.00	12.00	12.00
 <u>CS</u>			
1. Child Vaccination Campaign	5.025*	12.00	5.025*
<b><u>TOTAL (ESF/IDA/CS)</u></b>	<b><u>25.000</u></b>	<b><u>51.000</u></b>	<b><u>76.000</u></b>

\* additional \$275,000 OYB transfer to R&D

**DESIGN AND REVIEW PROCESS:** Amendment No. 2 to the Project Memorandum for this project is being authorized through established NIS practice and otherwise meets A.I.D. regulations and policies. Appropriate clearances have been obtained, meetings held, and communications exchanged. Additional discussions will be held to clarify facets of each activity prior to obligation of funds. The State Department Coordinator's office has provided policy guidance, approved the funding levels and cleared this project amendment.

**CONGRESSIONAL NOTIFICATION:** The Congressional Notification expired on August 22, 1992. A copy is attached at TAB B.

**SOURCE AND ORIGIN:** Goods and services procured under the Project will have their source and origin in the United States (Code 000) for foreign exchange costs or in the cooperating country for local currency costs. Local procurement within states of the NIS will be conducted in accordance with Chapter 18 of A.I.D. Handbook 1B. A formal determination under Section 604(a) of the Foreign Assistance Act of 1961 has removed the NIS from the category of non-Free World countries (TAB C). Waivers on procurement from Code 941 and Code 935 countries will be approved as necessary and on a case-by-case basis.

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**ENVIRONMENTAL CONSIDERATIONS:** The Project involves technical assistance, training, emergency assistance and food commodity deliveries, and has no significant impact on the environment. A.I.D. assistance for education or training programs, as provided under this project, are generally categorically excluded from environmental examination under 22 CFR 216 Environmental Procedures, Sections 216.2 (c) (1) (i) and (c) (2) (i). The applicable section for exclusions regarding food and nutrition programs is Section 216.2 (c) (2) (viii). An exemption for emergency activities is provided under Section 216.2 (b) (ii). A portion of the funds from this project will be transferred to other government agencies using established transfer procedures. In such cases, the environmental procedures of the implementing agencies will apply. A certification of the IEE is attached for your signature (Tab D).

**AVAILABILITY OF FUNDS:** To date, \$19.925 million has been apportioned to A.I.D. by OMB for this Project. An additional \$31.075 million in FY 92 ESF funds available as a result of reprogramming have been requested by A.I.D. from OMB.

**IMPLEMENTATION DETAILS:**

**Monitoring:** Overall project coordination will continue to be the responsibility of NIS/PAC. Other Project Officers will take lead responsibility for the day-to-day implementation of the various sub-activities which fall within their sectoral areas of responsibility. Recipients of A.I.D. funds under IAAs will be responsible for monitoring A.I.D.-financed activities, and these agencies will submit periodic reports to A.I.D. on the status of same.

Monitoring will be conducted initially from Washington and will be based upon field reports provided by the grantees and contractors and A.I.D. staff travelling through the region. When permanent A.I.D. personnel are stationed in the NIS, they will engage in direct oversight and monitoring.

Quarterly reports will be required of all project implementors (USG agencies and grantees). Project Implementation Reviews will also be conducted on a quarterly basis. Periodic field assessments also will be undertaken.

**Evaluation:** Each transfer recipient, grantee and contractor will prepare an evaluation plan to be approved by A.I.D. or the U.S. agency implementing the activity. Funds will be

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available under the Project to fund external evaluations, as necessary. An evaluation at the end of the second year may be undertaken in cooperation with other participating USG agencies to determine overall project progress and recommend necessary modifications, if necessary.

**Audit:** Contracts, grants, cooperative agreements and IAAs executed under this project will provide that audit and inspection requirements as set forth in the Inspector General Act of 1978, as amended, shall apply. A.I.D.'s IG shall ensure full compliance with all applicable provisions of the Act. In addition, appropriate audit rights will be provided in an agreement between the U.S. and recipient states as noted below with respect to taxes.

**Host Country Duties and Taxes:** A Circular 175 authorization was obtained from the Deputy Secretary of State on February 4, 1992 permitting negotiation of U.S. NIS states agreements covering these matters (TAB E). We have negotiated bilateral agreements with Russia, Ukraine, and Kazakhstan; and negotiation should commence in the near future with other NIS countries. These agreements include appropriate language concerning aid recipients' responsibilities and contributions, duties and taxes, as well as audit rights. The agreements will ensure, inter alia, that A.I.D. financed commodities will be used only for project purposes.

**STATUTORY CHECKLISTS:** The State Department completed country checklists for all states of the NIS on January 17, February 27, and May 22, 1992, respectively. The three action memoranda approving these checklists are attached to this memoranda as TAB F. Copies of classified annexes to those action memoranda are on file in NIS/PAC.

Because certain states of the former Soviet Union are indebted to U.S. citizens, the Deputy Secretary of State issued a 620(c) determination on January 20, 1992 that notwithstanding these considerations program activities will proceed based on national security considerations. The determination is attached as TAB G.

**AUTHORITY:** You have authority to authorize this project pursuant to Interim Reorganization Delegation of Authority No. 10, dated March 30, 1992. This delegation of authority is attached as TAB H.

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**RECOMMENDATION:** That by signing below you, pursuant to section 104, section 491, and section 531 of the FAA: (1) approve this Amendment No. 2 for the Authorization for the New Independent Special Initiatives Project No. 110-0001 for a total LOP of \$76 million, subject to the availability of funds; and (2) approve the Initial Environmental Examination (TAB D).

Approved: *Marion Burke*

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

Date: AUG 31 1992

**Attachments:**

- TAB A - Amendment No. 2 to the Project Memorandum
- TAB B - Congressional Notification
- TAB C - Section 604(a) Determination
- TAB D - Initial Environmental Examination
- TAB E - Circular 175 Authorization dated 02/04/92
- TAB F - 620(c) Determination dated 01/20/92
- TAB G - Action Memoranda to the Administrator (3)
- TAB H - Delegation of Authority

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Project Memorandum  
New Independent States Special Initiatives  
Project No. 110-0001**

**STATUS OF THE PROJECT:** The New Independent States Special Initiatives Project, formerly entitled the Democratic and Economic Initiatives Project, was authorized on January 21, 1992 with an initial funding level of \$3.2 million. The project was amended on March 27, 1992, and Child Survival funding subsequently added, to increase life-of-project funding to \$25 million and to extend the PACD for two years to February 4, 1996.

Major activities of the project that currently are being implemented, or have been completed, include:

- \* The Special American Business Intern Training Program (SABIT), being implemented by the U.S. Department of Commerce, places NIS managers in U.S. companies and other organizations for training. Interest by U.S. companies and organizations in participating is high; some 118 companies and science and technology organizations have applied to participate in the program. Almost 200 positions for NIS managers have been identified and extensive interviews of potential candidates are taking place in the NIS.
- \* A technical assistance program for indigenous enterprises and institutions is being implemented by the International Executive Service Corps (IESC), starting with an office in Kiev, and is expanding to four additional cities in the NIS.
- \* The Rule of Law program, being carried out by the U.S. Department of State, is helping to foster democratic legal system development in the 12 NIS states. Among initial activities was the participation by twenty senior legal officials from 11 of the 12 republics in an intensive seminar in Washington, D.C. on the U.S. legal system. In addition, State is organizing a series of judicial education programs for Russian and Ukrainian judges.
- \* The Citizens Democracy Corps (CDC) is laying the groundwork for PVO coordination and related activities. The CDC is opening its Moscow office and has undertaken an initial assessment mission to Russia, Ukraine and Belarus to determine the feasibility of initiating a Business Entrepreneurship program. CDC will continue its information dissemination efforts through such activities

as publication of a compendium of U.S. private sector organizations active in the former Soviet Union and a registry of individuals interested in volunteering their services for NIS development activities.

- \* A Public Policy/Administration program, being implemented by the U.S. Information Agency (USIA), is training NIS national, regional and municipal officials in the structure of governance and civil education. The program will assist in setting up executive branches of national, regional and local governments in the NIS, as well as public awareness programs. To date, USIA has brought to the U.S. the chiefs of staff to the presidents of Kazakhstan and Armenia, and provided short-term advisors to the presidents of those two countries and Kyrgystan. USIA also has awarded grants to the IESC and the U.S. Council of State Governments to establish public administration training programs in the NIS.
- \* A Private Voluntary Organization (PVO) support program is enhancing indigenous private humanitarian and development efforts through technical assistance, training and provision of commodities. It is being coordinated by the Experiment in International Living (EIL). The first solicitation process for subgrants under the project was completed in June. After an extensive review process by EIL and A.I.D., individual grants to six organizations were approved in late July. It is anticipated that activities under these grants will commence by October, 1992.
- \* A Child Vaccination Campaign is promoting child survival in Armenia, Ukraine, Tajikistan, Turkmenistan, Kyrgystan and Uzbekistan. A pre-implementation team fielded under the auspices of Project Hope has recommended that the program proceed immediately in the Ukraine. Assessments in Russia and Armenia, respectively, have led to a recommendation that vaccination activities also be implemented in Armenia. Additional vaccine procurement activities are now in process for the ongoing campaigns in the abovementioned Central Asian republics.
- \* Technical assistance and other project-related design and support activities are also funded under the project, including reviews of health service and shelter sector requirements accomplished prior to initiation of project activities.

**PURPOSE:** Even though the Project title was changed (in order to mitigate any confusion between this Project and the Democratic Pluralism Initiatives Project), the purpose remains the same. That is, to support the economic and social transformation of the NIS republics into free-market democracies by providing western knowledge and experience to foster reform.

**RATIONALE FOR THE AMENDMENT:** The project continues to support a variety of activities that respond to the recommendations of the international conference on the needs of the NIS, that was held in January, 1992. The project will continue to provide short- and medium-term advisory services, training, PVO coordination/support, commodities and other assistance such as studies and evaluation. The new activities described below have been identified by the U.S. Administration and Congress as high priorities for assisting the NIS, that require quick action. The project is designed to put these programs in place soon after funds are obligated. Additional funds are being provided for certain ongoing activities as well, described below also.

**DESCRIPTION:** This amendment increases Life-of-Project funding from \$25 million to \$76 million. Activities include:

1. A Dairy/Infant Foods Initiative to help meet the nutritional needs of children, elderly persons, and pre- and post-natal mothers in the NIS. A grant will be provided to a U.S. PVO already active in the NIS, to distribute whole and/or skim dried milk. The value of the commodities and support services to be provided will total \$15 million.

2. Additional funding will be provided under the project for an emergency medical initiative, through a transfer of International Disaster Assistance funding from the Office of Foreign Disaster Assistance (OFDA). \$12 million will be transferred for procurement of emergency medicines and pharmaceuticals. Implementation will involve refining medicinal needs requests with experienced technical personnel and improving emergency medical surveillance in Uzbekistan, Tajikistan, and areas of Russia.

3. A U.S.-Turkey Cooperation Program encompassing technical assistance and training in banking and health initiatives, among others, will be implemented in the Central Asian republics, in collaboration with the international cooperation agency (TICA) of the Government of Turkey. Funding for this program will total \$7 million.

4. A U.S.-Israeli Cooperative Program will involve technical

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assistance and training in one or two NIS republics, in cooperation with the Israel Foreign Ministry Aid Division (MASHAV), in such areas as agriculture, agribusiness, irrigation and water management, community development and health. \$4 million are being provided for this under the Amendment.

5. An Interagency Agreement (IAA) will be entered into with the U.S. Information Agency (USIA) to provide funding to initiate the America House program in the NIS. Technical assistance and information services will be provided by USIA through the establishment of three America House facilities for the promotion of U.S. cultural and business interests. \$3 million will be transferred to USIA for this purpose.

6. This Amendment will also provide \$1.3 million in support of a Far East Initiative which, through establishment of a U.S. presence in the area of the Russian Republic, will support U.S. trade and investment.

7. Funding for additional private voluntary organization (PVO) programs will also be provided under the project. The response by U.S. PVOs was overwhelmingly positive to the first solicitation for proposals under the project. Therefore, the project authorization is being increased to \$9 million, to allow for up to an additional \$5 million to be obligated for the project.

8. Additional Program Development and Support (PD&S) activities will be funded under the project for program design, audit and evaluation. A total of \$2.7 million is being added under the amendment for these purposes.

9. The Authorization Amendment also is being increased to allow for funding for a cooperative data management and analysis program with the Organization for Economic Cooperation and Development (OECD). \$362,000 are reserved for this activity. (\$475,000 are shown in the illustrative budget; the amount over \$362,000 is not reserved for the OECD or any other activity at this time).

10. Finally, this amendment increases the authorization ceiling for the following programs to the total amount indicated, to allow funds to be added should they become available: a) \$1.0 million for the SABIT Program; b) \$2.25 million for the IESC Technical Assistance Program; and c) \$1.5 million for Citizens Democracy Corps (CDC) activities.

These activities all have been previously authorized; however, the Child Vaccine Program required \$5.025 million of the funds

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authorized but not obligated for these activities. Due to the urgent nature of this requirement, it was determined that the Project Authorization was flexible enough to allow for the vaccination campaign without approval of a formal amendment. Therefore, this Amendment is, in effect, restoring the authorized level for the SABIT, IESC and CDC activities. \$275,000 is being restored to the PVO Program, as well, in addition to the \$500,000 being added through this Amendment.

**SUMMARY OF PROPOSED LIFE OF PROJECT FUNDING:**

<u>Obligations:</u>	FY 1992 - \$ 76,000,000
	FY 1993 - 40,000,000
	FY 1994 - 30,000,000
	FY 1995 - <u>30,000,000</u>
	TOTAL: \$176,000,000

Approximately \$15 million of the additional funding from this amendment will be provided in the form of dairy commodities. Of the \$12 million being transferred from the Office of Foreign Disaster Assistance, approximately \$11 million will be used to procure pharmaceutical commodities. In sum, approximately \$26 million of the total of new funds will fund commodity procurement.

Approximately \$15 million being authorized under this amendment will be used to procure technical assistance, while about \$9 million will be dedicated to training/education activities.

The remaining \$2.7 million for PD&S cannot be identified at this time by procurement category.

In addition, limited amounts of commodities (vehicles, office supplies) may be procured under certain subprojects (e.g., PVO support). Attachment I, Illustrative Budget, details by category and by group project funding requirements. Specific funding requirements for project activities will be further detailed through budgets attached to each Grant/Cooperative and/or Interagency Agreement.

**IMPLEMENTATION DETAILS:**

1. **Monitoring:** Overall project coordination will continue to be the responsibility of an A.I.D. project officer assigned to the NIS/TF Office of Program Analysis and Coordination (PAC). The PAC project officer is assisted by other project officers who are

supervising and monitoring the various components of this project. Recipients of A.I.D. funds under IAAs are responsible for monitoring A.I.D.-financed activities and these agencies submit periodic reports on the status of same.

Monitoring will increasingly be carried out by A.I.D. and other agency field personnel as more are assigned to the NIS field missions. Overall, monitoring will be based upon field reports by the respective contractors, grantees and U.S. Government staff stationed in or travelling through the region. Periodic field assessments will be undertaken as necessary.

Quarterly reports will be required of all project implementors (USG agencies and grantees). Project Implementation Reviews (PIRs) will also be conducted on a quarterly basis.

2. **Evaluation:** Each grantee, contractor or transfer recipient will prepare an evaluation plan to be approved by A.I.D. or the U.S. agency implementing the activity. Funds will be available under the project to fund external evaluations, as necessary. An evaluation at the end of the second year may be undertaken in cooperation with other participating USG agencies to determine overall project progress and recommend modifications, if necessary.

3. **Audit:** Contracts, grants and IAAs executed under this project will provide that audit and inspection requirements as set forth in the Inspector General Act of 1978, as amended, shall apply. A.I.D.'s IG shall ensure full compliance with all applicable provisions of the Act.

4. **Host Country Duties and Taxes:** A Circular 175 authorization was approved by the Deputy Secretary of State on February 4, 1992 permitting negotiation of U.S.-NIS agreements on foreign assistance. These agreements include appropriate language concerning aid recipients' responsibilities and contributions, duties and taxes, and audit rights. Arrangements ensure, inter alia, that A.I.D. funds are not used to pay host country duties or taxes, that site inspections by the IG may be made and that A.I.D. financed commodities will be used only for project purposes.

**PROPOSED GRANT/CONTRACTING MECHANISMS:**

The primary method for implementing A.I.D.-managed activities will continue to be through A.I.D. contracting and grant arrangements,

including Indefinite Quantity Contracts (IQCs), small business set-asides, and the funding of approved unsolicited proposals. 632(b) Interagency Agreements will be used to transfer funds to other government implementing agencies. Waivers will be obtained as required to utilize contracting procedures other than full and open competition.

**OTHER PROCUREMENT ISSUES:**

The Project Authorization will state that goods and services procured under the project will have their source and origin in the United States (Code 000) for foreign exchange costs or in the cooperating country for local currency costs. Local procurement within states of the NIS will be conducted in accordance with Chapter 18 of A.I.D. Handbook 1B. A formal determination under Section 604(a) of the Foreign Assistance Act of 1961 has removed the NIS from the category of non-Free World countries. Procurement from Code 941 and Code 935 countries, if and when required, will be done on the basis of appropriate waivers.

**ENVIRONMENTAL CONSIDERATIONS:**

The project continues to have no significant impact on the environment. A.I.D. assistance for such programs are generally exempted or categorically excluded from environmental examination under 22 CFR 216 Environmental Procedures, Sections 216.2 (b) (ii); (c) (1) (i), and (c) (2) (i) and (viii).

**ANTICIPATED ACCOMPLISHMENTS:**

For ongoing activities, anticipated accomplishments will generally remain the same. The following accomplishments are anticipated for the major new activities being authorized:

1) Turkey: Up to 150 bankers from Central Asian Republics (CARs) will be trained in international banking, credit management, capital markets, management, marketing, law and banking correspondence. Improved skills will assist banks in the CARs to carry out modern banking and trade transactions, thus contributing to the free market transformation of their economies. In health, Turkish medical assistance to the CARs will focus on maternal and child health problems common to Central Asia, including the need for family planning support.

2) Israel: Small scale technical assistance, training and applied research activities in agriculture will introduce new technologies in water management, irrigation, range management and high value crop production. Similar technical assistance, training and applied research efforts in health will provide appropriate technologies in maternal/child health problems endemic in Central Asia.

3) Dairy/Infant Foods: This program will help meet the nutritional needs of over 900,000 children, pre-and post natal mothers, and perhaps elderly persons in the Urals and other regions of the NIS.

4) Emergency Medical Initiative: Medicines and pharmaceuticals will have a direct, immediate impact in protecting a large number of beneficiaries at high-risk from disease. The improvement of medical needs surveillance capabilities will provide additional protection for these at-risk groups.

5) America Houses: Three America House centers will be established and functioning in regional cities of the NIS as soon as possible.

6) Far East Initiative: American businesses and entrepreneurs who want to do business in the far eastern regions of the former Soviet Union will benefit from facilitation services that this trade and investment center will offer in cooperation with a U.S. university.

Attachment I: Illustrative Budget

Attachment I  
Project No. 110-0001

Illustrative Budget  
(in \$ millions)

	Authorized Levels		
	Current Amount	This Amend	Revised Total
<b>By Category:</b>			
<b>Technical Assistance</b>			
-- IESC	3.00	2.25	5.25
-- Rule of Law	0.15	0.00	0.15
-- Public Policy	1.55	0.00	1.55
-- CDC	0.65	1.50	2.15
-- PVO	7.03	0.78	7.80
-- Emergency Medical	0.00	1.00	1.00
-- TICA	0.00	2.00	2.00
-- MASCHAV	0.00	1.00	1.00
-- America House	0.00	3.00	3.00
-- Far East Initiative	0.00	1.30	1.30
-- OECD	0.00	0.475	0.475
<b>Sub-Total, Technical Assistance</b>	<b>12.38</b>	<b>13.300</b>	<b>25.675</b>
<b>Training/Education</b>			
-- SABIT	2.00	1.00	3.00
-- Rule of Law	0.10	0.00	0.10
-- Public Policy	0.60	0.00	0.60
-- CDC	0.30	0.00	0.30
-- PVO	0.45	0.00	0.45
-- TICA	0.00	4.85	4.85
-- MASHAV	0.00	3.00	3.00
<b>Sub-Total, Training/Education</b>	<b>3.45</b>	<b>8.85</b>	<b>12.30</b>
<b>Commodities</b>			
-- IESC	0.75	0.00	0.75
-- Public Policy	0.25	0.00	0.25
-- CDC	0.25	0.00	0.25
-- PVO	0.75	0.00	0.75
-- Emergency Medical (IDA)	0.00	11.00	11.00
-- Child Vaccine (CS)	5.025	0.00	5.025
-- Dairy/Infant Foods	0.00	15.00	15.00
-- TICA	0.00	0.15	0.15
<b>Sub-Total, Commodities</b>	<b>7.025</b>	<b>26.15</b>	<b>33.18</b>
<b>Other</b>			
-- Housing/Shelter Start-up	0.28	0.00	0.28
-- Health Start-up	0.45	0.00	0.45
-- PD&S	1.42	2.70	4.12
<b>Sub-Total, Other</b>	<b>2.15</b>	<b>2.70</b>	<b>4.85</b>
<b>Project Total, By Category</b>	<b>25.000</b>	<b>51.000</b>	<b>76.000</b>

Attachment I  
Project No. 110-0001

Illustrative Budget  
(in \$ millions)

	Authorized Levels		
	Current Amount	This Amend	Revised Total
<b>By Group:</b>			
<b>IAAs</b>			
-- SABIT	2.00	1.00	3.00
-- Rule of Law	0.25	0.00	0.25
-- Public Policy	2.40	0.00	2.40
-- America House	0.00	3.00	3.00
<b>Sub-total</b>	<b>4.65</b>	<b>4.00</b>	<b>8.65</b>
<b>Grants/Cooperative Agreements</b>			
-- IESC	3.75	2.25	6.00
-- CDC	1.20	1.50	2.70
-- PVOs	8.225	0.775	9.000
-- TICA	0.00	7.00	7.00
-- MASHAV	0.00	4.00	4.00
-- Far East Initiative	0.00	1.30	1.30
-- Emergency Medical (IDA)	0.00	1.00	1.00
-- Dairy/Infant Foods	0.00	15.00	15.00
-- Child Vaccine (CS)	5.025	0.00	5.03
-- OECD	0.00	0.475	0.475
<b>Sub-Total</b>	<b>18.200</b>	<b>33.300</b>	<b>51.500</b>
<b>Contracts</b>			
-- Health Start-up	0.45	0.00	0.45
-- Housing/Shelter Start-up	0.28	0.00	0.28
-- Emergency Medical (IDA)	0.000	11.00	11.000
<b>Sub-Total</b>	<b>0.73</b>	<b>11.00</b>	<b>11.730</b>
<b>To Be Determined</b>			
-- PD&S	1.42	2.70	4.12
<b>Project Total, By Group</b>	<b>25.000</b>	<b>51.000</b>	<b>76.000</b>

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**AGENCY FOR INTERNATIONAL DEVELOPMENT  
ADVICE OF PROGRAM CHANGE**

AUG 07 1992

**COUNTRY:** New Independent States Regional

**PROJECT TITLE:** New Independent States Special Initiatives

**PROJECT NUMBER:** 110-0001

**FY 1992 CP REFERENCE:** None

**APPROPRIATION CATEGORY:** Economic Support Funds (ESF)  
Child Survival (CS)

**LIFE-OF-PROJECT FUNDING:** \$56,000,000 ESF (Grant)  
\$ 5,300,000 CS (Grant)

**INTENDED FY 1992 OBLIGATION:** \$56,000,000 ESF (Grant)  
\$ 5,300,000 CS (Grant)

This is to advise that A.I.D. intends to obligate \$61,300,000 for the New Independent States Special Initiatives (formerly known as the Democratic and Economic Support Initiatives) Project in FY 1992. These funds include \$8,850,000 in FY 1991 Economic Support Fund (ESF) carryover grant funds originally planned for Pakistan, \$47,150,000 in FY 1992 ESF grant funds and \$5,300,000 in FY 1992 Child Survival Funds.

The Project purpose is to support the economic and social transformation of the New Independent States (NIS) of the former Soviet Union into free-market democracies.

The purpose of this Advice of Program Change is to notify Congress that A.I.D. intends to add funds to the Project to undertake additional activities in support of the project purpose, including an infant foods/dairy initiative program, a joint U.S.-Turkish program, a joint U.S.-Israel program, initiation of an American House program with USIA, and additional funding for Program Development and Support (PD&S).

**Attachment: Activity Data Sheet**

**AGENCY FOR INTERNATIONAL DEVELOPMENT  
ACTIVITY DATA SHEET**

**PROGRAM:** New Independent States Regional

CP 21-05 (4-85)

<b>TITLE</b> New Independent States Special Initiatives		<b>FUNDING SOURCE</b> Economic Support Funds Child Survival	<b>PROPOSED OBLIGATION (in thousands of dollars)</b>		
			FY 92 \$61,300	LIFE OF PROJECT (Auth.) \$61,300	
<b>NUMBER</b> 110-0001 <b>GRANT</b> <input checked="" type="checkbox"/> <b>LOAN</b> <input type="checkbox"/>	<b>NEW</b> <input checked="" type="checkbox"/> <b>CONTINUING</b> <input type="checkbox"/>	<b>PRIOR REFERENCE</b> CRs submitted 12/6/91, 3/6/92 and 5/21/92	<b>INITIAL OBLIGATION</b> FY 1992	<b>ESTIMATED FINAL OBLIGATION</b> FY 1995	<b>ESTIMATED COMPLETION DATE OF PROJECT</b> FY 1996

**Purpose:** To support the economic and social transformation of the new independent states (NIS) of the former Soviet Union into free-market democracies.

**Background:** The dramatic collapse of the Soviet Union presents an historic opportunity for a transition to a more peaceful and stable international order and the gradual integration of the NIS into the community of democratic nations. The United States has a vital interest in the success of this quickly evolving transition.

**Project Description:** This project includes activities designed to 1) respond quickly to new priorities and urgent humanitarian needs; 2) promote innovative concepts; or 3) support NIS program design and evaluation. It provides advisory services, training, support for PVOs, commodities, and other such assistance. These activities are being funded for agriculture, health, education, business, defense conversion, and energy efficiency. Innovative ideas are encouraged to deal with complex technical, economic and related problems in the NIS. Chief among these are private sector/non-governmental solutions to functions previously under state domain. Quick response capability is imperative.

**Illustrative new project activities include:** Dairy/Infant Foods Initiative: agricultural/dairy commodities and support will be provided to infants and pre and post-natal mothers. U.S.-Turkey Cooperation Program: technical assistance and training in banking and democratic initiatives will be implemented in the Central Asian Republics in cooperation with the Turkish aid agency (TICA). U.S.-Israel Cooperation Program: Technical assistance in agriculture and related areas will be implemented in one or two NIS republics in cooperation with the Israel Foreign Ministry Aid Division (MASNAV). America House: Technical assistance and information will be provided through the U.S. Information Agency to facilitate U.S. cultural and business interests. Also, additional resources will be provided for design, audit and evaluation to strengthen and consolidate the overall NIS program.

**Relationship of the Project to A.I.D. Strategy:** Developing and strengthening democratic institutions and decentralized, free-market economies are central to A.I.D.'s strategy for the NIS.

**Beneficiaries:** The direct beneficiaries of the project will include mothers and infants who will receive food and related assistance, indigenous PVOs, victims of disasters and epidemics, and entrepreneurs and government personnel who will receive technical assistance and training. Indirect beneficiaries will include citizens of the NIS who will have increased job opportunities and income generation resulting from free-market economies.

**Host Country and Other Donors:** Other donors include the World Bank, the International Monetary Fund, the European Community and numerous bilateral donors. Project assistance will be coordinated with other donors as appropriate.

**A.I.D.-Financed/Activities**  
Technical Assistance  
Commodities  
Training/Internships

**Life of Project (\$000)**  
33,300  
21,000  
7,000  
**Total: 61,300**

<b>U.S. FINANCING (in thousands of dollars)</b>				<b>PRINCIPLE CONTRACTORS OR AGENCIES</b>
	<b>Obligations</b>	<b>Expenditures</b>	<b>Unliquidated</b>	
Through September 30, 1990				
Estimated Fiscal Year 1991				
Estimated Through September 30, 1991				
		<b>Future Year Obligations</b>	<b>Estimated Total Cost</b>	
Proposed Fiscal Year 1992	61,300	- 0 -	61,300	

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT 92 MAR 30 P4:31 92 MAR 23 A 10:40 S/S R-24



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TO: The Deputy Secretary  
THROUGH: T - Reginald Bartholomeu  
DA/A.I.D., Mark L. Edelmann  
FROM: PM - Richard A. Clarke  
DD/POL, Larry Sifers  
SUBJECT: Use of Foreign Assistance Act Funds for Procurement  
in Former Soviet Republics

ISSUES FOR DECISION

Whether to conclude that certain former Soviet Republics should no longer be considered as "non-Free World" countries for purposes of permitting foreign assistance procurement from them under a 1961 Presidential determination.

ESSENTIAL FACTORS

On October 31, 1991, you approved a determination that Eastern European countries and Mongolia should no longer be considered as "non-Free World" countries for purposes of permitting foreign assistance procurement from them under a 1961 determination by President Kennedy. The decision memorandum is attached at Tab A.

Your October determination recognized that certain countries, including the Soviet Union, would continue to be excluded from procurement eligibility. (The other countries were Afghanistan, Libya, Vietnam, Cuba, Cambodia, Laos, Iraq, Iran, North Korea, Syria, and the People's Republic of China). Your determination also recognized that, if warranted by changed conditions with respect to any of these countries, A.I.D. would seek a similar foreign policy determination from the Department.

In view of the break-up of the Soviet Union, the U.S. Government has taken a number of steps to support a peaceful transition toward democratic institutions and market economies in the former Soviet Republics. The President on December 25th proposed conducting full diplomatic relations with Russia, Ukraine, Armenia, Byelarus, Kazakhstan, and Kyrgyzstan; and assistance activities (primarily technical and humanitarian

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TAB-A

COPIES TO:

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ACTION MEMORANDUM

~~LIMITED OFFICIAL USE~~  
(Decontrol 10-1-53)

*Decontrolled  
Kenneth E. Fries  
11/27/91*

**A  
OCT 1961  
LSE  
WAS SEEN**

**TO:** The Deputy Secretary  
**THROUGH:** T-Reginald Bartholomew  
DA/A.I.D., Mark L. Edelman  
**FROM:** PM-William F. Rops, Acting  
D/POL, Larry Sifers, Acting  
**SUBJECT:** Use of Foreign Assistance Act Funds for Procurement  
in Eastern European Countries and Mongolia

ISSUES FOR DECISION

Whether to conclude that certain countries should be considered as "Free World" countries for purposes of permitting foreign assistance procurement from them under a 1961 Presidential determination.

ESSENTIAL FACTORS

Section 604(a) of the Foreign Assistance Act of 1961 prohibits use of foreign assistance funds for procurement outside the United States unless the President determines that "such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base ...." On October 18, 1961, President Kennedy made a Determination pursuant to Section 604(a) to permit procurement from sources outside the United States where the procurement is less costly than procurement from United States sources. This 1961 Determination authorized procurement from "less developed countries" generally and, under specific circumstances, from selected industrialized countries. (See Tab A)

<sup>1</sup> This prohibition covers other Foreign Assistance Act procurement as well as A.I.D.-financed procurement, military and counter-terrorism procurement. In practice, however, it has at most a negligible effect in these other areas.

~~LIMITED OFFICIAL USE~~

*Decontrolled  
Kenneth E. Fries  
11/27/91*

*23*

*Kenneth S. Davis*  
~~LIMITED OFFICIAL USE~~ 4/27/91

President Kennedy specified, however, that "Procurement outside the United States shall be from Free World sources, in any case." "Free World" has long been construed by A.I.D. to exclude all countries listed in the Foreign Assistance Act as "communist" (Section 620(f)), including the People's Republic of China, Cuba, Vietnam, the Soviet Union, the Baltic Republics, Mongolia, and all the countries of Eastern Europe, with the exception of Yugoslavia.

The characterization of a number of these countries as "non-Free World" for purposes of Section 604(a) no longer makes sense in view of their status as emerging democracies and recipients of A.I.D. assistance. In this category we place Poland, Hungary, Czech and Slovak Federal Republic, Bulgaria, Romania, Albania, Mongolia, and now the Baltic Republics. We recommend that you concur that these countries should no longer be considered as "non-Free World" within the meaning of President Kennedy's determination. This will allow them to participate as eligible sources for A.I.D.-financed procurement, as appropriate.

A.I.D. would continue to exclude certain countries from procurement eligibility because of their status under the anti-terrorism statutes and for other foreign policy reasons. The countries that would remain excluded are Afghanistan, Libya, the Soviet Union, Vietnam, Cuba, Cambodia, Laos, Iraq, Iran, North Korea, Syria, and the People's Republic of China. If warranted by changed conditions with respect to any of these countries, A.I.D. would seek a similar foreign policy determination from the Department, at the level of Under Secretary for International Security Affairs, with respect to the procurement eligibility of that country.

President Bush has delegated to the Secretary of State the authority to make determinations under Section 604(a) with respect to "procurement under Chapter 1 of Part I and Chapter 4 of Part II of the Act" (FAA Development Assistance and Economic Support Fund accounts). (See Executive Order 12738 of December 14, 1990, Section 2(3), amending Executive Order 12169). Such authority has been redelegated to the Under Secretary for International Security Affairs with respect to programs under Part II of the Act (State Dept. Delegation of Authority No. 145, Section 2(a)(1)), and may also be exercised by you (Section 4(d)). Although that delegation is not, technically, needed in order for you to agree with our proposed interpretation of the existing Presidential Determination, it is consistent with such action.

~~LIMITED OFFICIAL USE~~

*Kenneth S. Davis*

4/27/91



Clearances:

State/D/EEA:RBarry (Draft)	date	9/30/91
State/L/PH:ECummings(Draft) per S.Murphy	date	9/25/91
State/S/CT:MKraft (Draft)	date	10/01/91
State/D/P&R:RBauerlein (Draft)	date	9/30/91
State/EUR/EEY:SByrnes (Draft)	date	10/15/91
State/EAP/CH:RPerito (Draft)	date	10/01/91
State/EB/IFD/ODF,LMoriarty (Draft)	date	10/01/91
State/INH:JVanWert (Draft)	date	10/01/91
AID/GC:(Acting):TGeiger (Draft)	date	9/27/91
AID/AA/ENE:CAdeiban (Draft)	date	10/15/91
AID/AA/FA,(Acting):Jovens (Draft)	date	9/25/91
AID/MS/PPE:JMurphy (Draft)	date	9/25/91

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cc (w/attachment): A/A.I.D., Ronald W. Roskens

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**TITLE 3—THE PRESIDENT**

**Memorandum of October 18, 1961**

**DETERMINATION UNDER SECTION 601(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

**Memorandum for the Secretary of State**

**The White House,**

**Washington, October 18, 1961.**

Section 601(a) of the Foreign Assistance Act requires that:

Funds made available under this Act may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any area of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of low cost procurement under the Foreign Assistance Act, and only if the price of any commodity procured is not less than the market price prevailing in the United States at the time of procurement, adjusted for discounts in the cost of transportation, insurance, quality, and terms of payment.

This section requires that procurement outside the United States using funds available under the Foreign Assistance Act of 1961 may be undertaken only if I determine that, on balance, there is no net detriment to the United States. I am in clear and fundamental agreement with this principle, and trade and foreign policy objectives which I have previously endorsed, including my message on the balance of payments of February 6, 1961, already substantially provide this assurance.

As I indicated in that message, "our foreign economic assistance programs are now being administered in such a way as to place primary emphasis on the procurement of American goods... This restriction will be maintained until reasonable over-all equilibrium has been achieved." Under this policy, which is continued in force by my deter-

mination below, the preponderant bulk of foreign assistance procurement will be made in the United States. The security for this is clear; such procurement will contribute generally towards resolving our balance of payments difficulties, and also help stimulate industries in labor surplus areas.

On the other hand, except trade and foreign policy objectives and assistance program goals require limited amounts of procurement outside the United States. Some commodities needed in our assistance programs are not produced in the United States or are not available in the quantities required at the time needed. Procurement from less developed countries, as provided below, ~~is necessary to meet our economic requirements, thereby contributing to the objectives of the assistance program and strengthening their capacity for foreign assistance.~~ Procurement of military material outside the United States is necessary, in some instances, to carry out projects important to our national security.

Therefore, I hereby direct that funds made available under the Foreign Assistance Act of 1961 for non-military programs not be used for procurement from the following countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Hong Kong, Italy, Japan, Luxembourg, Monaco, Netherlands, New Zealand, Norway, South Africa, Sweden, Switzerland, and United Kingdom. Upon certification by the Secretary of State, however, that inclusion of procurement in these countries would seriously impede attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program, the Secretary of State may authorize specific exceptions which involve procurement in the excluded countries.

I also hereby direct that funds made available under the Foreign Assistance Act of 1961 for military assistance programs not be used for procurement outside the United States except to procure items required for military assistance which are not produced in the United States, to make local purchases for administrative purposes, and to use local currency available for military assistance purposes. Upon certification by the Sec-

retary of Defense, however, that inclusion of procurement outside the United States would seriously impede attainment of military assistance program objectives, the Secretary of Defense may authorize exceptions to these limitations.

In the event that changed domestic or foreign conditions warrant, the Secretary of State in the case of non-military assistance, and the Secretary of Defense in the case of military assistance, shall consult with the Secretary of the Treasury, and other appropriate agencies, and recommend modification as may be appropriate in policies for procurement using funds made available under the Foreign Assistance Act of 1961. In the event that procurement outside the United States under the above conditions seriously threatens to affect adversely the industrial mobilization base or the economy of an area of labor surplus, the Secretary of State in the case of non-military assistance and the Secretary of Defense in the case of military assistance, shall consult with the Secretary of Commerce and other appropriate agencies and recommend such action as may be appropriate.

For the reasons and under the conditions stated above, and pursuant to the requirements of Section 601(a) of the Foreign Assistance Act of 1961 (PL 87-301), I hereby determine that the use of funds made available under the Act for procurement from sources outside the United States will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any area of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic and other advantages of low cost procurement outside the United States. Procurement outside the United States shall be from Free World sources, in any case. The effective date of this determination shall be September 30, 1961.

This determination shall be printed in the Federal Register.

**JOHN F. KENNEDY**

772 Dec 31-1961; Final Vol. 2, 241; (1:12 pm)

267.R. 10543  
Nov. 9, 1961



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

Assistant  
Administrator  
for Europe

January 18, 1992

TAB-B

**ACTION MEMORANDUM FOR THE ADMINISTRATOR**

**THRU:** Acting, AA/OPS, Howard M. Fry *HMF*  
**FROM:** AA/EUR, Carol C. Adelman *CA*  
**SUBJECT:** Assistance to the Independent States  
of the former Soviet Union: Statutory  
Checklist

**Problem:** To take into consideration relevant statutory requirements in light of whether ESF funds (and DA funds, to the extent such funding may be made available in the future) should be used to provide technical and other assistance to support the transition of the newly independent states of the former Soviet Union into democratic, free-market societies, and to help meet the energy needs of these societies.

**Discussion:** The former Soviet Union has undergone revolutionary changes within the past year which have resulted in the creation of twelve independent states, most of whom are loosely associated in a new Commonwealth of Independent States. The United States Government has established diplomatic relations with six of the former republics of the Soviet Union, namely: Armenia, Byelarus, Kazakhstan, Kyrgyzstan, Russia and Ukraine.

On September 10, 1991, the Secretary of State signed a determination, pursuant to §620(f)(2) of the Foreign Assistance Act (FAA) of 1961, as amended, permitting assistance to the Soviet Union. (See Tab A.) Pursuant to that determination, two Congressional Notifications, both of which expired on December 20, 1991, were sent to Congress describing two proposed projects to be implemented by A.I.D. (See Tab B.) These projects have been designed (1) to encourage the transformation of these republics into democratic,

(UNCLASSIFIED WITHOUT CLASSIFIED ATTACHMENTS)

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market-based economies, and (2) to improve energy efficiency and encourage energy market reforms in these societies. ESF funds of \$3.2 million for the Democratic and Economic Initiatives Project and \$1.8 million for the Energy Efficiency and Market Reform Project are now pending authorization and obligation.

Although certain republics of the former Soviet Union would normally be prohibited from receiving assistance since each such republics are indebted to certain U.S. citizens, the State Department plans to issue on January 10, 1992 a determination pursuant to §620(c) of the FAA which would permit assistance to flow to these republics despite this fact. (This determination shall provide, in substance, that failing to provide assistance to these newly formed states is contrary to the national security interest of the United States.) Despite this determination by the State Department, however, certain factors must be "taken into consideration" by you before we may proceed with obligating funds for these two projects.

Please note that since the source of funding for these two proposed projects is the ESF account, the "notwithstanding any other provision of law" language is not available. (This language has been used in the past to permit assistance to proceed in Eastern European countries under the 1991 Appropriation Act despite prohibitions on assistance that would otherwise apply.) Therefore, certain factors must be "taken into consideration" by you before these proposed projects may be obligated from the ESF account (or the DA account, if such funding is later made available.) In fact, you normally take into consideration a number of conditions, to the extent that they may exist, on an annual basis before approving an allocation of assistance to specific countries. However, in light of the fact that the Coordinator's Office wishes to proceed with implementing the proposed projects on an expedited basis, we are presenting certain issues for your consideration at this time on an ad hoc basis.

In order to ensure that all relevant statutory requirements have been met, A.I.D. has developed a "country checklist", describing such requirements with particularity. The items on this checklist have been responded to in substance by the State Department, and its memorandum is attached hereto as Tab C. In the case of the states of the former Soviet Union, only two considerations are relevant in considering whether to provide assistance, and are discussed below. Please bear in mind, however, that statutorily mandated considerations in providing foreign assistance need only be "take into account". The mere existence of such factual considerations does not, in and of itself, prohibit assistance to the country in question.

(UNCLASSIFIED WITHOUT CLASSIFIED ATTACHMENTS)

(1) Section 620(1): Failure to enter into an OPIC Guaranty Agreement: As of this date, OPIC is in the process of initiating negotiations with each of the individual republics to whom we plan to render assistance to enter into OPIC investment guarantee agreements. Although such negotiations are in the process of being initiated, they have not yet been finalized and, to date, OPIC has not concluded any bilateral agreements with these new republics. Thus, in light of the fact that this process of negotiation has been initiated but not concluded, we request you to take this into consideration and permit assistance to move forward as planned.

(2) Section 620(u): U.N. Dues: According to U.N. records dated October 31, 1991, the combined arrearage of the U.S.S.R., Byelarus, and Ukraine totals \$196,376,749.00. Dues owed to the U.N. regular budget are as follows: U.S.S.R. (\$46,019,313); Byelarus (\$1,520,157); Ukraine (\$5,758,172). Further, dues are owed for the maintenance of U.N. peace-keeping forces in the following amounts: U.S.S.R. (\$126,773,350); Byelarus (\$5,116,578); Ukraine (\$11,189,179). Thus, the subtotal owed by the CIS for outstanding dues to the U.N. regular budget is \$53,297,642, and for the U.N. peacekeeping forces is \$143,079,177. Payment of this arrearage in U.N. dues is expected although, to our knowledge, specific arrangements to pay have not yet been made. It should also be borne in mind that ESF (and DA) funded assistance to Albania was allowed to proceed, despite its similar arrearages in U.N. dues, based on your consideration of this factor. Therefore, we request you to take the U.N. dues arrearage of these former republics of the Soviet Union into account, and urge you to permit the planned assistance to be implemented as expeditiously as possible.

Recommendation: That you, by your signature below, take into consideration the circumstances described above, and approve the use of ESF funds (and DA funds to the extent necessary in the future), subject to the availability of such funds, for assistance to the six states named above. Such assistance will be authorized by separate action, and shall be subject to the Secretary's determinations under §§620(c) and (f)(2) of the FAA.

Approved: 

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

Date: 1-18-92

**Attachemnts:**

- TAB A - Section 620(f)(2) determination by the Secretary
- TAB B - Congressional Notifications
- TAB C - State Memorandum dated 1/17/92 re: Statutory Checklist

**Clearances:**

GC/LP: RLester	(phone)	Date: 1/16/92
AA/LEG: RRandlett	(draft)	Date: 1/15/92
ENE/EUR: DMerrill	(draft)	Date: 1/17/92
EUR.OSA: PO Farrell	(draft)	Date: 1/15/92
GC/EUR: HMorris	(draft)	Date: 1/14/92
STATE/EUR/ISCA/ECON: KVolker	(draft)	Date: 1/16/92
STATE/D/EEA: CRufenacht	(subst)	Date: 1/16/92
AA/R&D: RBissell	<i>RB</i>	Date: 1/18/92

Drafted: GC/EUR, Rumu Sarkar: 1/14/92

U:\CIS.TIC



EXAMINATION OF THE NATURE, SCOPE AND MAGNITUDE OF THE ENVIRONMENTAL IMPACT

A. DESCRIPTION OF THE PROGRAM:

This project provides emergency medical and humanitarian food commodity assistance to individuals at high-risk, as well as training and technical assistance to institutions, individuals and private voluntary organizations in the NIS, supporting efforts to promote democratic values and systems and strengthen economic reforms to establish open market economics. There is no impact on the environment as far as A.I.D. managed activities are concerned.

B. RECOMMENDED ENVIRONMENTAL ACTION:

This project provides emergency and humanitarian assistance, training and other educational assistance and studies. A continuation is proposed for the categorical exclusion from A.I.D.'s Initial Environmental Examination, Environmental Assessment and Environmental Impact Summary requirements previously approved for the project. A further exemption to these requirements is recommended for the emergency activities being implemented under the project. The action proposed is in accordance with A.I.D. Environmental Procedures 22CFR Part 216, Section 216.2(c) (1) (i) which generally provides for a categorical exclusion in situations where the purpose of the project does not require A.I.D. to have "knowledge of or control over, the details of the specific activities that have an effect on the environment for which financing is provided by A.I.D." Specifically, this activities are categorically excluded under Sections 216.2(c) (2) (i) for education and technical assistance, and Section 216.2 (c) (2) (viii) for nutrition and related assistance. Emergency assistance is exempted under Section 216.2(b) (ii).

ORIG PACKAGE RECEIPTED TO EUR-NILES

COPIES TO:

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United States Department of State

VE 2/4

EXECUTIVE AID

Washington, D. C. 20520

1992 FEB -5 A 8:10

'92 FEB -4 P10:14

FEB 3 1992

**ACTION MEMORANDUM** *VE 2/4*  
**UNCLASSIFIED S/S**

9202390

'92 FEB-04 8:15



**AID TO:** D - Mr. Eagleburger

**FROM:** EUR - Thomas M.T. Niles  
H - Janet G. Mullins

**SUBJECT:** Circular 175: Request for Blanket Authority to Negotiate and Conclude Assistance Agreements with Former Soviet Republics

ISSUE FOR DECISION

Whether to authorize the negotiation and conclusion of bilateral agreements as appropriate with the former Soviet republics in connection with the provision of assistance.

ESSENTIAL FACTORS

We are proceeding quickly with assistance programs for several of the former Soviet republics. We are moving forward with \$5 million of assistance funded from reprogrammed FY-91 ESF, a \$165 million USDA food aid program, and humanitarian assistance programs under a series of DOD authorities. A more extensive technical assistance program is in preparation and additional assistance will also follow.

A.I.D. believes, and we concur, that we need to obtain agreements with the concerned republics conferring certain essential legal protections for the ESF program. Under the proposed agreements, the republics would:

- provide tax and customs exemptions for U.S.-provided commodities or equipment, and for U.S. nongovernmental personnel responsible for implementing the assistance programs;
- provide immunity for USG assistance personnel from criminal jurisdiction of local courts, and from civil jurisdiction of local courts for official acts;

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- allow USG representatives to inspect utilization of the assistance, and to inspect or audit any records or other documentation in connection with the assistance, wherever such records are located;
- commit to use commodities, supplies or other property solely for agreed-upon purposes;
- in cases in which the republic is responsible for items being used for other purposes, to refund their value to the USG (if the USG deems doing so appropriate); and
- provide exemptions for aircraft and vessels from landing fees, navigation charges, port charges, tolls, and similar charges.

A draft agreement is attached at Tab A. The text would cover assistance provided by various USG agencies, including USDA and DOD as well as A.I.D. We believe application of these protections to the USDA and DOD-provided assistance is prudent given their scope and visibility, and the inter-related nature of assistance efforts being implemented by the various USG agencies.

The draft text provides that we may need to conclude further, more specific agreements in connection with particular assistance activities. In particular, under the Food-for-Progress and section 416(b) programs, USDA will need to conclude separate agreements. This language may also be useful if we later decide to conclude formal economic and technical assistance agreements with respect to A.I.D.-administered programs for the republics. With this in mind, the draft text provides that the provisions of these specific agreements will control in the event their terms conflict. (The need for any additional Circular 175 authority would be considered on a case-by-case basis).

We will continue to consult with the Hill regarding our assistance efforts for the former Soviet republics. We do not believe that specific consultations regarding these agreements are needed at this time. We would, however, inform the staff of relevant committees of our intent to seek such agreements. As we would emphasize to the republics in the course of negotiations, the conclusion of these agreements would not itself commit the United States to provide assistance. After entry into force, each agreement will be reported to the appropriate committees of Congress under the usual Case Act procedures, and H will coordinate any necessary Hill briefings.

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The proposed agreements do not require environmental documentation under either the National Environmental Policy Act of 1969, 42 U.S.C. 4321, or Executive Order No. 12114 (January 4, 1979). The negotiation and conclusion of these agreements will not entail personnel or funding resource requirements for the Department of State.

If you approve, Rich Armitage would be able to begin the process of negotiating these agreements as appropriate during his forthcoming trips to the former Soviet Union.

RECOMMENDATION

That you authorize D/CISA (or, as appropriate, EUR or the relevant post) to negotiate and conclude an agreement with each of the republics based on the text attached at Tab A. Any changes from that text shall be subject to the concurrence of L, EUR and D/EEA (which will obtain clearances from A.I.D. and co-ordinate as appropriate with other agencies). ~~Negotiation and conclusion of agreements with Azerbaijan, Georgia, Moldova, Tajikistan, Turkmenistan, and Uzbekistan will not commence until specifically authorized by you.~~

FEB 04 1992

Approve



Disapprove

\_\_\_\_\_

\*without limitation

Attachments:

Tab A - Draft Agreement

Tab B - Memorandum of Law

shown in Rec,

\*WITHOUT LIMITATION SHOWN IN REC.

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Drafted: AID/GC:HMorris::L/EUR:TFBuchwald<sup>TB</sup>  
X-6295 1/21/92

Cleared:

D/EEA - Mr. Lehovich<sup>HTB</sup>  
P - Ms. van Voorst<sup>HTB</sup>  
EUR/ISCA - Ms. Griffiths  
M/FMP - Ms. Kent  
D/CISA - Mr. Nelson  
L/SFP - Ms. Jacobson  
S/P - Ms. Heslin  
DOD - Mr. Wolthius  
USDA - Mr. Goldthwait  
PM - Mr. Martel

H - Mr. Bradtke<sup>HTB</sup>  
C - Mr. Wilson  
M - Mr. Johnson  
L - Mr. Kreczko  
L/PM - Mr. Murphy  
L/T - Mr. Taft  
AID - Mr. Roskens  
AID/EUR - Mr. Merrill  
AID/AA/R&D Mr. Bissel

Doc. No. 1415 (30)

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**MEMORANDUM OF LAW**

**Subject: Circular 175: Request for Blanket Authority for Negotiation and Conclusion of Assistance Agreements with the Twelve Former Soviet Republics**

The accompanying Circular 175 action memorandum requests blanket authority to negotiate and conclude agreements with each of the twelve former Soviet republics (the "countries") to obtain certain legal protections in connection with U.S. assistance programs.

The proposed agreements do not imply or promise any particular level of assistance. Instead, they establish terms and conditions regarding assistance that may be provided by the U.S. government in accordance with applicable laws and regulations. These terms and conditions include tax and customs exemptions for U.S.-provided commodities or equipment, and for nongovernmental personnel responsible for implementing assistance programs; provision to USG assistance personnel of status equivalent to that accorded administrative and technical staff under the Vienna Convention on Diplomatic Relations; authorization by each of the countries for USG representatives to inspect utilization of the assistance, and to inspect or audit any records or other documentation in connection with the assistance, wherever such records are located; commitment by each of the countries to use commodities, supplies or other property solely for agreed-upon purposes; in cases in which the republic is responsible for items being used for other purposes, to refund their value to the USG (if the USG deems doing so appropriate); and provide exemptions for aircraft and vessels from landing fees, navigation charges, port charges, tolls, and similar charges.

Legal authority to negotiate and conclude the agreements is provided by the President's constitutional responsibilities for the conduct of foreign relations (Article II, Section I, Clause I) and the Secretary of State's authority for the day-to-day conduct of foreign relations (22 U.S.C. section 2656).

In addition, with respect to assistance provided under the Foreign Assistance Act of 1961, as amended, section 635(b) of that Act provides that the President may make and perform agreements with any friendly government or government agency "in furtherance of the purposes and within the limitations of this Act." This authority has been delegated to the Secretary of State by Executive Order No. 12163 (Sept. 29, 1979), as amended.

For the foregoing reasons, there is no legal objection to the proposed negotiation and conclusion of executive agreements with each of the twelve countries as described in the accompanying action memorandum. Any changes in that text shall be subject to the concurrence of L, EUR and D/EEA.

*Todd F. Buchwald*

Todd F. Buchwald, Acting  
Assistant Legal Adviser for  
European and Canadian Affairs

X-6295 1/21/92  
cleared: L/T:GTaft  
L/SFP:LJacobson  
L/PM:SMurphy  
Doc. No. 1415 (33)

**AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND  
THE GOVERNMENT OF \_\_\_\_\_  
REGARDING COOPERATION TO FACILITATE  
THE PROVISION OF ASSISTANCE**

The Government of the United States of America and the Government of \_\_\_\_\_:

Recognizing the interests of the Government of the United States of America and the Government of \_\_\_\_\_ in cooperating to facilitate the provision of humanitarian and technical economic assistance to benefit the people of \_\_\_\_\_; and

Recognizing the need to make certain practical arrangements to help ensure the effectiveness of that assistance;

Have agreed as follows:

**ARTICLE I**

**TAXES AND OTHER CHARGES**

(a) Commodities, supplies or other property provided or utilized in connection with United States assistance programs may be imported into, exported from, or used in \_\_\_\_\_ free from any tariffs, dues, customs duties, import taxes, and other similar taxes or charges imposed by \_\_\_\_\_, or any subdivision thereof.

(b) Any United States Government or United States private organization that has responsibility for implementing United States assistance programs, and any personnel of such private organization who are not nationals of or ordinarily resident in \_\_\_\_\_ and that are present in \_\_\_\_\_ in connection with such programs, shall be exempt from (1) any income, social security or other taxes imposed by \_\_\_\_\_, or any subdivision thereof, regarding income received in connection with the implementation of United States assistance programs, and (2) the payment of any tariffs, dues, customs duties, import taxes, and other similar taxes or charges upon personal or household goods imported into, exported from, or used in \_\_\_\_\_ for the personal use of such personnel or members of their families.

(c) The access and movement of aircraft and vessels operated by or for the Government of the United States of America in connection with United States assistance programs in \_\_\_\_\_ shall be free of landing fees, navigation charges, port charges, tolls and similar charges by \_\_\_\_\_, or any subdivision thereof.

**ARTICLE II**

**STATUS OF PERSONNEL**

Civilian and military personnel of the United States Government present in \_\_\_\_\_ in connection with United States assistance programs shall be accorded status equivalent to that accorded administrative and technical staff personnel under the Vienna Convention on Diplomatic Relations of April 18, 1961.

**ARTICLE III**

**INSPECTION AND AUDIT**

Upon reasonable request, representatives of the Government of the United States of America may examine the utilization of any commodities, supplies, other property, or services provided under United States assistance programs at sites of their location or use; and may inspect or audit any records or other documentation in connection with the assistance wherever such records or documentation are located during the period in which the United States provides assistance to \_\_\_\_\_ and for three years thereafter.

**ARTICLE IV**

**USE OF ASSISTANCE**

Any commodities, supplies, or other property provided under United States assistance programs will be used solely for the purposes agreed upon between the Governments of the United States of America and \_\_\_\_\_. If use of any commodities, supplies or other property occurs for purposes other than those agreed upon under such programs, which the Government of the United States of America determines could reasonably have been prevented by appropriate action of the Government of \_\_\_\_\_, the Government of \_\_\_\_\_ upon request shall refund in United States dollars to the Government of the United States of America the amount disbursed for such commodities, supplies, or other property. The Government of the United States of America may, in its discretion, make available the amount refunded to finance other costs of the assistance activity involved.

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**ARTICLE V**

**OTHER AGREEMENTS**

The Government of the United States of America and the Government of \_\_\_\_\_ recognize that further arrangements or agreements may be necessary or desirable with respect to particular United States assistance activities. In case of any inconsistency between this Agreement and any such further written agreements, the provisions of such further written agreements shall prevail. Nothing in this Agreement shall be construed to derogate from the privileges and immunities granted to any personnel under other agreements.

**ARTICLE VI**

**ENTRY INTO FORCE**

This Agreement shall enter into force upon signature by both parties.

DONE AT \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 1992.

FOR THE GOVERNMENT OF  
THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF  
[NAME]:

CHRON

U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

EXECUTIVE SECRETARIAT

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JUN 2 1992

**ACTION MEMORANDUM FOR THE ADMINISTRATOR**

**THRU:** AA/OPS, Scott Spangler *SMS*  
**FROM:** OPS/NISTF, Malcolm Butler *MB*  
**SUBJECT:** Assistance to the Newly Independent States of the Former Soviet Union: Statutory Checklist for Georgia

**Problem:** To take into consideration relevant statutory requirements so that FY 1991 ESF funds may be used to provide technical and other assistance to support Georgia's transition from a command economy into a democratic, free-market society.

**Discussion:** Two previous memoranda dated March 25 and January 18, 1992 requested you to "take into account" certain statutorily mandated considerations before assistance to the newly independent states of the former Soviet Union could be authorized. Your consideration included all but one of the republics of the former Soviet Union, namely: Armenia, Byelarus, Kazakhstan, Kyrgyzstan, Russia and the Ukraine, and later Moldova, Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan. Only Georgia was exempted from your consideration at that time.

As you are aware, the elected president of Georgia, Zviad Gamsakhurdia, was forcibly removed from office in January 1992 by a coalition of opposition leaders. Although these opposition forces were supported, in some case, by members of Georgia's National Guard and other armed insurrectionists, other members of the National Guard supported President Gamsakhurdia. Georgia did not have a national army and therefore, the State Department has concluded that such a forcible removal from office does not constitute a "military coup or decree" which would bar assistance under §513 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991. (See Tab A at 4.)

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In any event, power was immediately turned over to civilian control, and an interim state council under the leadership of Eduard Shevardnadze has scheduled new presidential elections for October 1992. In light of these developments, the State Department initiated full diplomatic relations with Georgia on March 25, 1992.

A.I.D. now wishes to proceed with furnishing Georgia with foreign assistance to ease its transition to a free and open society. Thus, once again, we request that you take into consideration the factor described below before the use of FY 1991 ESF funds may be authorized in providing assistance to Georgia. As noted above, this exercise was completed for the other republics of the NIS, but Georgia was specifically excluded at that time. Although "notwithstanding any other provision of law" language is now applicable to all FY 1992 funds appropriated for the NIS program as set forth in Section 121 of the Continuing Resolution (P.L. 102-145, as amended), this "notwithstanding" language does not cover FY 1991 funds. Certain statutorily mandated considerations must be taken into account by you before assistance using FY 1991 ESF funds may be authorized for this purpose. In fact, only one consideration is relevant in this context.

Section 620(l) of the FAA provides that assistance may be denied if the recipient country has failed to enter into an investment guaranty agreement with the United States. OPIC is currently in the process of initiating negotiations with Georgia, but as of this date, OPIC has not concluded a bilateral investment guarantee agreement with Georgia. Although FY 1992 ESF and DA funds may be used in all the NIS republics despite this fact by relying on the "notwithstanding" language in the FY 1992 Continuing Resolution, we request you to take this factor "into consideration" which will permit A.I.D. to use FY 1991 ESF funds, should they become available, for providing assistance to Georgia.

Please bear in mind that statutorily mandated considerations in providing foreign assistance need only be "taken into account." The mere existence of such factual considerations does not, in and of itself, prohibit assistance to the country in question. Thus, in light of the fact that the process of negotiating a bilateral investment guarantee agreement has been initiated by OPIC but not yet concluded as of this date, we request you to take this into consideration and permit the use of FY 1991 ESF funds for assistance to the Georgia.

**Recommendation:** That you, by your signature below, take into consideration the circumstances described above, and approve the use of FY 1991 ESF funds as necessary, subject to the availability of such funds, for providing assistance to

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Georgia. Such assistance will be authorized by separate action.

Approved: 

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

Date: 6-3-92

Attachment:

TAB A - Department of State Memorandum re: Statutory Checklist  
dated 5/22/92

Clearances:

GC/LP:RMLester *5/27/92*  
OPS/NISTF:TGeiger (draft 5/26/92)  
AA/LEG:RRandlett *5/29*  
OPS/NISTF:LCrandall *5/27/92*  
OPS/NISTF:HJohnson *5/27/92*  
STATE/L/EUR:TBuchwald *draft 5/28/92*  
STATE/EUR/ISCA/ECON:KVolker (info)  
STATE/D/EEA:CRuferacht (info)

Drafted: GC/EUR, Rumu Sarkar 5/22/92; x76504  
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U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

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MAR 25 1992

~~FROM~~ ACTING

**ACTION MEMORANDUM FOR THE ADMINISTRATOR**

**THRU:** AA/OPS, Scott Spangler *SM*  
**FROM:** AA/R&D, Richard Bissell *RB*  
AA/EUR, David N. Merrill *DM*  
**SUBJECT:** Assistance to the Newly Independent States of the Former Soviet Union: Statutory Checklist

**Problem:** To take into consideration relevant statutory requirements in light of whether ESF funds (and DA funds, to the extent such funding may be made available in the future) should be used to provide technical and other assistance to support the transition of newly independent states of the former Soviet Union into democratic, free-market societies.

**Discussion:** A memorandum to you from the AA/EUR dated January 18, 1992 requested you to "take into account" certain statutorily mandated considerations before assistance to the newly independent states of the former Soviet Union could be authorized. Your consideration was limited, at that time, to the following republics of the former Soviet Union with whom the U.S. was establishing diplomatic relations: Armenia, Byelarus, Kazakhstan, Kyrgyzstan, Russia and the Ukraine. The State Department is now establishing full diplomatic relations with the remaining republics of the former Soviet Union (with the exception of Georgia), namely, Moldova, Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan. Thus, once again, we request that you take into consideration the factors described below before assistance to these republics may be authorized.

On September 10, 1991, the Secretary of State signed a determination, pursuant to §620(f)(2) of the Foreign Assistance Act (FAA) of 1961, as amended, permitting assistance to flow to the Soviet Union. (See Tab A.) Additionally, Deputy Secretary Eagleburger made a determination, dated January 20, 1992, under Section 620(c) of the FAA which permits assistance to the republics notwithstanding

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certain indebtedness to U.S. citizens that would otherwise prohibit these republics from receiving foreign assistance. This determination provides, in substance, that failing to provide assistance to these newly formed states is contrary to the national security of the United States. (See Tab B.) Pursuant to these determinations, assistance to the individual republics that formerly constituted the Soviet Union may be permitted provided that other statutory requirements are satisfactorily met.

Assistance to the republics is now being considered in the following areas: (1) increasing the levels of assistance for the previously authorized Democratic and Economic Initiative Project and the Energy Efficiency and Market Reform Project as well as developing activities in (2) private sector initiatives, (3) democratic pluralism initiatives, (4) housing sector reform, (5) health care improvement, (6) food systems restructuring, (7) economic restructuring and financial sector reform, and finally, (8) making an ESF grant to the Eurasia Foundation. All of this proposed assistance is now pending final Congressional notification and clearance.

Although we are working to include "notwithstanding any other provision of law" language in legislation for FY 92, such language is not now applicable to ESF funds to be used for the NIS. Therefore, certain factors must be "taken into consideration" by you before these proposed projects may be obligated from the ESF account (or the DA account, if such funding is late: made available). In fact, you normally take into consideration a number of conditions, to the extent that they may exist, on an annual basis before approving an allocation of assistance to specific countries. However, in light of the fact that the Coordinator's Office wishes to proceed with implementing the proposed projects on an expedited basis, we are presenting certain issues for your consideration at this time on an ad hoc basis.

In order to ensure that all relevant statutory requirements have been met, A.I.D. has developed a "country checklist", describing such requirements with particularity. The items on this checklist have been responded to in substance by the State Department, and its memorandum is attached hereto as Tab C. In the case of the five republics of the former Soviet Union discussed herein, only one consideration is relevant in considering whether to provide assistance.

Section 620(l) of the FAA provides that assistance may be denied if the recipient country has failed to enter into an investment guaranty agreement with the United States. As of this date, OPIC is in the process of initiating negotiations with each of the five individual republics to whom we plan to render assistance. Although such negotiations are in the process of being initiated, they have not yet been finalized and, to date, OPIC has not concluded any bilateral investment guarantee agreements with these new republics. Please bear in mind, however, that

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statutorily mandated considerations in providing foreign assistance need only be "taken into account". The mere existence of such factual considerations does not, in and of itself, prohibit assistance to the country in question. Thus, in light of the fact that this process of negotiation has been initiated by OPIC but not concluded as of this date, we request you to take this into consideration and permit assistance to move forward as planned.

**Recommendation:** That you, by your signature below, take into consideration the circumstances described above, and approve the use of ESF funds (and DA funds to the extent necessary in the future), subject to the availability of such funds, for assistance to the five republics named above. Such assistance will be authorized by separate action, and shall be subject to the determinations made pursuant to §§620(f)(2) and (c) of the FAA.

Approved: Mark L. Edlman

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

Date: 3-27-92

Attachments:

- TAB A - Section 620(f)(2) determination by the Secretary
- TAB B - Section 620(c) determination by the Deputy Secretary
- TAB C - Department of State Memorandum re: Statutory Checklist

(UNCLASSIFIED WITHOUT CLASSIFIED ATTACHMENTS)

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January 18, 1992

U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

**ACTION MEMORANDUM FOR THE ADMINISTRATOR**

**THRU:** Acting, AA/OPS, Howard M. Fry *HMF*  
**FROM:** AA/EUR, Carol C. Adelman *CA*  
**SUBJECT:** Assistance to the Independent States  
of the former Soviet Union: Statutory  
Checklist

Assistant  
Administrator  
for Europe

**Problem:** To take into consideration relevant statutory requirements in light of whether ESF funds (and DA funds, to the extent such funding may be made available in the future) should be used to provide technical and other assistance to support the transition of the newly independent states of the former Soviet Union into democratic, free-market societies, and to help meet the energy needs of these societies.

**Discussion:** The former Soviet Union has undergone revolutionary changes within the past year which have resulted in the creation of twelve independent states, most of whom are loosely associated in a new Commonwealth of Independent States. The United States Government has established diplomatic relations with six of the former republics of the Soviet Union, namely: Armenia, Byelarus, Kazakhstan, Kyrgyzstan, Russia and Ukraine.

On September 10, 1991, the Secretary of State signed a determination, pursuant to §620(f)(2) of the Foreign Assistance Act (FAA) of 1961, as amended, permitting assistance to the Soviet Union. (See Tab A.) Pursuant to that determination, two Congressional Notifications, both of which expired on December 20, 1991, were sent to Congress describing two proposed projects to be implemented by A.I.D. (See Tab B.) These projects have been designed (1) to encourage the transformation of these republics into democratic,

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market-based economies, and (2) to improve energy efficiency and encourage energy market reforms in these societies. ESF funds of \$3.2 million for the Democratic and Economic Initiatives Project and \$1.8 million for the Energy Efficiency and Market Reform Project are now pending authorization and obligation.

Although certain republics of the former Soviet Union would normally be prohibited from receiving assistance since each such republics are indebted to certain U.S. citizens, the State Department plans to issue on January 18, 1992 a determination pursuant to §620(c) of the FAA which would permit assistance to flow to these republics despite this fact. (This determination shall provide, in substance, that failing to provide assistance to these newly formed states is contrary to the national security interest of the United States.) Despite this determination by the State Department, however, certain factors must be "taken into consideration" by you before we may proceed with obligating funds for these two projects.

Please note that since the source of funding for these two proposed projects is the ESF account, the "notwithstanding any other provision of law" language is not available. (This language has been used in the past to permit assistance to proceed in Eastern European countries under the 1991 Appropriation Act despite prohibitions on assistance that would otherwise apply.) Therefore, certain factors must be "taken into consideration" by you before these proposed projects may be obligated from the ESF account (or the DA account, if such funding is later made available.) In fact, you normally take into consideration a number of conditions, to the extent that they may exist, on an annual basis before approving an allocation of assistance to specific countries. However, in light of the fact that the Coordinator's Office wishes to proceed with implementing the proposed projects on an expedited basis, we are presenting certain issues for your consideration at this time on an ad hoc basis.

In order to ensure that all relevant statutory requirements have been met, A.I.D. has developed a "country checklist", describing such requirements with particularity. The items on this checklist have been responded to in substance by the State Department, and its memorandum is attached hereto as Tab C. In the case of the states of the former Soviet Union, only two considerations are relevant in considering whether to provide assistance, and are discussed below. Please bear in mind, however, that statutorily mandated considerations in providing foreign assistance need only be "take into account". The mere existence of such factual considerations does not, in and of itself, prohibit assistance to the country in question.

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(1) Section 620(1): Failure to enter into an OPIC Guaranty Agreement: As of this date, OPIC is in the process of initiating negotiations with each of the individual republics to whom we plan to render assistance to enter into OPIC investment guarantee agreements. Although such negotiations are in the process of being initiated, they have not yet been finalized and, to date, OPIC has not concluded any bilateral agreements with these new republics. Thus, in light of the fact that this process of negotiation has been initiated but not concluded, we request you to take this into consideration and permit assistance to move forward as planned.

(2) Section 620(u): U.N. Dues: According to U.N. records dated October 31, 1991, the combined arrearage of the U.S.S.R., Byelarus, and Ukraine totals \$196,376,749.00. Dues owed to the U.N. regular budget are as follows: U.S.S.R. (\$46,019,313); Byelarus (\$1,520,157); Ukraine (\$5,758,172). Further, dues are owed for the maintenance of U.N. peace-keeping forces in the following amounts: U.S.S.R. (\$126,773,350); Byelarus (\$5,116,578); Ukraine (\$11,189,179). Thus, the subtotal owed by the CIS for outstanding dues to the U.N. regular budget is \$53,297,642, and for the U.N. peacekeeping forces is \$143,079,107. Payment of this arrearage in U.N. dues is expected although, to our knowledge, specific arrangements to pay have not yet been made. It should also be borne in mind that ESF (and DA) funded assistance to Albania was allowed to proceed, despite its similar arrearages in U.N. dues, based on your consideration of this factor. Therefore, we request you to take the U.N. dues arrearage of these former republics of the Soviet Union into account, and urge you to permit the planned assistance to be implemented as expeditiously as possible.

Recommendation: That you, by your signature below, take into consideration the circumstances described above, and approve the use of ESF funds (and DA funds to the extent necessary in the future), subject to the availability of such funds, for assistance to the six states named above. Such assistance will be authorized by separate action, and shall be subject to the Secretary's determinations under §§620(c) and (f)(2) of the FAA.

Approved: 

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

Date: 1-18-92

(UNCLASSIFIED WITHOUT CLASSIFIED ATTACHMENTS)

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**Attachemnts:**

- TAB A - Section 620(f)(2) determination by the Secretary  
 TAB B - Congressional Notifications  
 TAB C - State Memorandum dated 1/17/92 re: Statutory Checklist

**Clearances:**

GC/LP: RLester _____ (phone)	Date: <u>1/16/92</u>
AA/LEG: RRandlett _____ (draft)	Date: <u>1/15/92</u>
ENE/EUR: DMerrill _____ (draft)	Date: <u>1/17/92</u>
EUR.OSA: PO'Farrell _____ (draft)	Date: <u>1/15/92</u>
GC/EUR: HMorris _____ (draft)	Date: <u>1/14/92</u>
STATE/EUR/ISCA/ECON: KVolker (draft)	Date: <u>1/16/92</u>
STATE/D/EEA: CRufenacht _____ (subst)	Date: <u>1/16/92</u>
AA/R&D: RBissell <i>RB</i> _____	Date: <u>1/18/92</u>

Drafted: GC/EUR, Rumu Sarkar: 1/14/92

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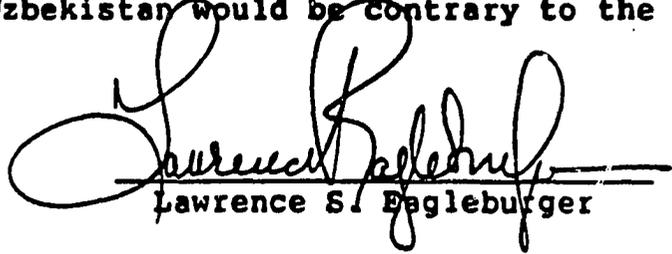
(UNCLASSIFIED WITHOUT CLASSIFIED ATTACHMENTS)

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**Finding under Section 620(c) of the  
Foreign Assistance Act of 1961, as amended**

Pursuant to section 620(c) of the Foreign Assistance Act of 1961, as amended (the "Act"), section 1-201(a)(12) of Executive Order 12163, as amended, and section 4(d) of State Department Delegation of Authority No. 145, as amended, I hereby find that application of the restriction contained in section 620(c) of the Act with respect to Armenia, Azerbaijan, Byelarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would be contrary to the national security.

January 20, 1992  
Date

  
Lawrence S. Eagleburger



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

Associate  
Administrator  
for Operations

**INTERIM REORGANIZATION  
DELEGATION OF AUTHORITY NO. 10**

**TO: Director of the Task Force for the  
Newly Independent States of the Former Soviet Union**

**FROM: Associate Administrator for Operations**

**SUBJECT: General Authorities**

Pursuant to my authority as Associate Administrator for Operations, it is hereby ordered as follows:

A. With respect to all former republics of the Soviet Union (except Latvia, Lithuania, and Estonia), there is delegated to the Director of the Task Force for the Newly Independent States of the Former Soviet Union all of the authorities delegated to me from the Administrator.

B. Any individual designated by the Director of the Task Force to be the acting Director of the Task Force during the absence of the Director of the Task Force is authorized to perform the functions delegated hereunder.

C. All references in A.I.D. Handbooks, policy statements, guidance cables, and regulations to Assistant Administrators having responsibility for geographic regions shall be deemed to include the Director of the Task Force.

D. The General Provisions of chapter 1 of Handbook 5 apply, unless provided otherwise in a specific delegation.

E. This Delegation of Authority is effective immediately.

  
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Scott M. Spangler  
Associate Administrator  
for Operations

Date: 3/30/92

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