

PD-ABH-238

ISA 85293

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

JAMAICA

PROJECT PAPER

ECONOMIC SUPPORT FUND (ESF)  
(PAAD)

AID/LAC/P-846  
CR-662,763

PROJECT NUMBER: 532-0164  
GRANT NUMBER : 532-K-606B

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AID 1170-1		AGENCY FOR INTERNATIONAL DEVELOPMENT		1. PAAD NO 532-0164	522-K-606B
PAAD		PROGRAM ASSISTANCE APPROVAL DOCUMENT		2. COUNTRY JAMAICA	
				3. CATEGORY Cash Transfer	
				4. DATE September 22, 1993	
5. TO Mission Director: Robert S. Queener				6. OYB CHANGE NO	
7. FROM Director, O/PPD: <i>[Signature]</i> John A. Tennant				8. OYB INCREASE	
8. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 2,000,000				9. TO BE TAKEN FROM Economic Support Fund	
				10. APPROPRIATION - LES-293-35532-KG31 72-112/31037	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD FY 93/94	14. TRANSACTION ELIGIBILITY DATE		
15. COMMODITIES FINANCED  Not Applicable					

16. PERMITTED SOURCE U.S. only: _____ Limited F.W.: _____ Free World: _____ Cash: \$2,000,000	17. ESTIMATED SOURCE U.S.: _____ Industrialized Countries: _____ Local: _____ Other: _____
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18. SUMMARY DESCRIPTION

PAAD amendment No. 3, to the Policy Reform in Support of Private Investment Project (PRISPI) provides a grant of US\$2,000,000 for the provision of balance of payment assistance in support of economic reforms to promote broad-based economic growth led by the private sector. The cash disbursement will be made within 60 days of the signing of the Agreement Amendment.

The ESF program grant funds will be deposited into a separate non-commingled interest bearing account in the U.S. from which payments for eligible uses of the dollars will be made. The dollars, plus any accrued interest, will be used to finance eligible productive imports from the U.S for the private sector in Jamaica. Local currency generated from the sale of U.S. dollars to private importers will be deposited into a special non-commingled interest bearing account at the Bank of Jamaica to be used for general budget support and USAID's Trust Fund requirements.

19. CLEARANCES DDIR: MZak <i>[Signature]</i> 9/21/93 RLA: EDragon <i>[Signature]</i> 9/22/93 CONT: MLewis <i>[Signature]</i> 9/21/93 ECON: CMohan <i>[Signature]</i> 9/22/93	20. ACTION <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED <i>[Signature]</i> 9/24/93 AUTHORIZED SIGNATURE Robert S. Queener Mission Director, USAID/Jamaica TITLE
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CLASSIFICATION:

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ACTION MEMORANDUM TO THE DIRECTOR

FROM: John Tennant, OPPD

DATE: September 22 , 1993

SUBJECT: Amendment No. 3 to the PAAD for the Policy Reform  
in Support of Private Investment (532K-606B)

**Action Requested:** That you approve a \$2,000,000 amendment to the PAAD for the Policy Reform in Support of Private Investment Program to Jamaica.

**Background:** Jamaica is being provided an additional \$3,000,000 of Economic Support Funds, \$2,000,000 which will go to the Policy Reform in Support of Private Investment Program and the other \$1,000,000 will be allocated as project assistance to the Export Development and Investment Promotion Project (EDIP). Approval to obligate and disburse up to US\$5 million of ESF was given in State 259384 (Attachment 1) upon notification that apportionment has been made. AID/W subsequently advised us by "E-Mail" that only \$3 million was available.

This amendment provides the last tranche of funds to support important macroeconomic and other policies contributing to sustained economic growth and a better private sector environment. A total of \$27 million has already been provided under this three year program. To be eligible for the funds the GOJ is required to demonstrate adequate progress on four core conditions and at least three of the original six remaining conditions, plus compliance with a new condition requested by AID/W last September pertaining to publication of monetary and reserve data by the Bank of Jamaica. The funds will be deposited into a separate interest bearing account in the U.S. The U.S. dollars will be made available to private importers to buy eligible productive imports from the U.S. Local currency generations will be used for general budgetary support and for the USAID Trust Fund.

**Discussion:** The analysis of progress under the PRISPI policy matrix is included in Kingston 06009 (Attachment 2) which concluded that the GOJ's economic reform progress has been adequate to meet the conditions for the FY 93 disbursement agreed with the GOJ in the policy matrix for 92/93. STATE 259384 dated August 25, 1993 approved our proceeding with the obligation and transfer of the FY 93 allocation as noted above.

The procedures for financing productive imports under this tranche (fourth tranche) will be one of the approved mechanisms already being used under PRISPI. Once the funds have been transferred to the separate dollar account, we will determine which of the two

mechanisms is most effectively disbursing funds at the time, either the Export Import Bank window or Commercial Bank window, and agree in a PIL to make the funds available through that window.

Local Currency is generated through the sale of the US dollars for eligible import transactions. Prior to 1993, local currency generations were programmed for local currency counterpart needs of agreed projects. In keeping with AID/W's recommendation to move toward general budget support, a Memorandum of Understanding was signed between USAID and the GOJ on April 2, 1993 to be effective April 1, 1993 which is the beginning of the GOJ fiscal year. All funds previously programmed for project support have now been liquidated and we will make our first transfer of local currency for general budget support upon receipt of J\$700,000 for the Trust Fund that is in arrears. Funds generated and available as at April 1, 1993 which total J\$122,215,387 will be fully disbursed for budget support and the Trust Fund by the end of JFY 93/94. Funds generated under this amendment will be programmed for general budget support in accordance with the Memorandum of Understanding.

A Congressional Notification was transmitted to Congress on August 5, 1993 and expired without objection on August 20, 1993. We are currently free of FAA 620(q) restrictions.

The required letter of request from the GOJ is Attachment 3.

**Authority:** Delegation of Authority No. 752, Section IIB delegates authority to you to amend project and program authorizations if the amendment does not result in a total life of project funding of more than \$100 million. This amendment now brings the total amount authorized under the Policy Reform in Support of Private Investment to US\$29 million which is within your delegated authority. A-AA/LAC in State 259384 also delegates authority to the Mission Director to obligate and disburse the FY 1993 tranche of ESF funds upon notification by AID/W that apportionment of such funds has been made.

**Recommendation:** That you approve the proposed amendment by signing the attached PAAD facesheet authorizing the obligation of the additional \$2 million ESF grant funds.

att: a/s

Clearances:

OPPD:KDahlgren draft

RLA:EDragon draft

ECON:CMohan draft

CONT:MLewis ml

DDIR:MZak MZak

(Drafted:OPPD:FReynolds:9/15/93:ESFPROAG)