



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, PRE

THRU: PRE/EM, Monica McKnight *MM*
FROM: PRE/EM, Rebecca Maestri *RM*
SUBJECT: Financial Services Volunteer Corps (940-0017)

Problem: The purpose of this Action Memorandum is to request your approval to: (1) extend the Project Assistance Completion Date of the Financial Services Volunteer Corps (FSVC) grant by one year from December 31, 1994 to December 31, 1995, and; (2) amend the FSVC project authorization by increasing the authorized life of project funding from its current amount of \$3,600,000 by \$6,000,000 to a new total of \$9,600,000.

Background: The Financial Services Volunteer Corps (FSVC) was first authorized on May 30, 1990 for a period of seven months with an authorized funding of \$250,000. Since its beginning, the project has been extended twice, and the authorized life of project funding increased from \$250,000 to the present amount of \$3,600,000. The first authorization amendment, which added \$400,000 to the project, was signed on May 3, 1991. The second authorization amendment, which added \$2,950,000 and extended the project assistance completion date from September 30, 1992 to December 31, 1994, was signed on June 24, 1991.

The FSVC has been highly successful in meeting the project purpose. In the first 14 months of its existence, the Financial Services Volunteer Corps (FSVC) conducted lead missions to Poland, Hungary, Yugoslavia, Czechoslovakia, Bulgaria, and Mongolia. Each mission was composed of a team of volunteer professionals from the commercial and investment banking, securities, legal, accounting, and business communities. Reports were prepared after each mission, detailing the team's observations and findings, and offering specific recommendations as well as offers of assistance for establishing banking systems, creating capital markets, and carrying out privatization.

During 1991 and 1992 FSVC provided volunteer assistance ranging from short-term seminars to longer-term assignments that included project design and implementation. Follow-on missions and training programs were completed in Hungary, Czechoslovakia and Poland. In Hungary, the success of the week-long, in-depth

seminars at the International Training Center for Bankers in Budapest, with over 100 Hungarian bankers participating, led the banking community to request additional in-country and U.S.-based training. Also, FSVC is working with the Budapest Stock Exchange Committee on a settlement and clearance system.

In Czechoslovakia, FSVC volunteers -- all partners in major New York law firms -- prepared a comprehensive outline of the legal framework for privatizing large state-owned enterprises and have continued to provide short-term assistance to analyze proposed legislation and operational plans for privatization and analysis of CSFR government plans to develop and monitor mutual funds. In collaboration with the Federal Reserve Bank of New York, FSVC volunteers have assisted Czechoslovakia on matters pertaining to bank supervision, and implementation of new payment systems as part of a comprehensive year-long program. The success of this work has led other countries in the region to request similar types of assistance. FSVC has also placed three long-term volunteers in local organizations to provide continuity in the technical assistance efforts.

In Poland, FSVC has provided technical assistance and training in insurance regulation and supervision, and finance. In addition FSVC volunteers are working with a Polish company to develop company-specific programs for financial accounting, managing the audit process, and management/cost accounting. FSVC has also been instrumental in arranging short-term U.S. training in privatization and insurance for officials from Bulgaria.

The most objective measure of the success of each mission has been subsequent requests for assistance from the private sector in each country as well as each of the five governments. The real achievements of FSVC's program stem from the ability of such follow-up missions and U.S. based training programs to implement the findings and objectives identified during the lead missions.

Discussion: Based upon its activities and accomplishments, FSVC has expanded the number and scope of its programs in order to respond to the increasing number of requests for technical assistance. In FY92, PRE added \$600,000 to the project, the Asia Bureau executed a \$320,000 OYB transfer. The EUR Bureau plans to add \$1,700,000 in FY92 funding to continue to support FSVC activities in Central and Eastern Europe. The project cannot accept the EUR buy-in at its current authorized life of project funding.

Funding from PRE in FY92 and FY93 (totaling \$1,100,000) will allow the FSVC to expand program to a greater number of countries outside of Eastern and Central Europe. Expressions of interest have been received from countries such as Egypt and Ecuador, and an FSVC team is preparing to engage in India. The FSVC project will continue to examine the applicability and receptivity of its financial sector expertise in countries throughout the developing world.

PRE is planning to add \$500,000 in FY93 to its existing obligation of \$1,250,000. Judging by the increased number and amounts of buy-ins and OYB transfers, it would be prudent to increase the authorized funding by \$6,000,000 in order to accept unanticipated buy-ins.

In order to continue operations and expand its program of providing technical assistance and training, the FSVC project requires an increased project authorization funding level.

The FSVC's American Investment Initiative in Poland will be funded by EUR's buy-in through December 31, 1994, the current project assistance completion date. A one year extension of the project assistance completion date will insure the avoidance of any unnecessary problems with project close-out procedures.

Authority: You have the authority to approve the requested action pursuant to Interim Reorganization Delegation of Authority No. 9, dated October 1, 1991, from the Acting Associate Administrator for Operations.

Recommendation: That you approve the proposed increase of the total authorized funding amount of the FSVC grant by \$6,000,000 to a new total of \$9,600,000 and extend the project assistance completion date by one year from December 31, 1994 to December 31, 1995 by signing the attached Project Authorization Amendment.

Approve: _____

Ralph S. Blackman

Date: _____

9/11/92

Disapprove: _____

Ralph S. Blackman
Assistant Administrator
Bureau for Private Enterprise

PRE/EM:RMaestri:3-2342:8/27/92:U:\EMPUB\DOCS\FSVC\ACTION.MMO

CLEARANCES:

PRE/EM:CWeber Draft date 9/3/92
PRE/GC:PWeisenfeld Draft date 9/3/92
PRE/PD:RVanRaalte [Signature] date 9/11/92
DAA/PRE:JWilkinson [Signature] date 9/11/92

THIRD PROJECT AUTHORIZATION AMENDMENT

Name of Countries: Selected Central and Eastern European
and Developing Countries

Number of Project: 940-0017

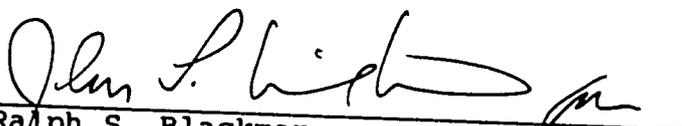
Name of Project: Financial Services Volunteer Corps
(FSVC)

Name of Grantee: Financial Services Volunteer Corps, Inc.

1. I hereby authorize the third amendment to the authorization for the Financial Services Volunteer Corps project to increase the authorized grant amount by six million United States dollars (\$6,000,000) to a total of \$9,600,000, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process; and to extend the project assistance completion date from December 31, 1994 to December 31, 1995. This additional funding may come from funds appropriated under the Foreign Assistance Act of 1961, as amended, or the Support for East European Democracies Act of 1989, as amended.

2. Except as hereby amended, the Project Authorization of May 30, 1990 as amended on May 3, 1991, and June 24, 1991 shall remain in full force and effect.

9/11/92
Date


Ralph S. Blackman
Assistant Administrator
Bureau for Private Enterprise

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Clearance:

PRE/EM:MMcKnight MMcK date 7/3/92
GC/PRE:PWeisenfeld Deft date 7/9/92
PRE/DP:RVanRaalte V date 7/11/92
DAA/PRE:JWilkinson _____ date _____