

PD-ABJ-875

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

July 12, 1984

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR

FROM: PRE/PPR, *John V. Seib for* Bruce E. Bouchard

Problem: Your authorization is required to obligate an additional \$121,115 (Attachments 3-8) from the Investment Packaging (940-0002) project for the Capital Markets Analysis (940-0002.5) sub-activity.

Discussion: To date, you have authorized \$1,300,000 through FY 1985 for the Capital Markets Analysis project (see Attachment 1), and we have obligated (or have approved for obligation) a total of \$860,906. Of this amount, \$597,606 was obligated in FYs 1982 and 1983, while the remaining \$263,300 has been obligated (or is approved for obligation) thus far during this fiscal year. We submitted a Congressional Notification (CN) for FY 1984 in the amount of \$600,000. The CN expired without objection on May 22, 1984 (see Attachment 2).

A summary of obligations to date and those requested in this Action Memo are:

<u>Activity</u>	<u>Amount</u>	<u>Date Obligated</u>
• <u>FY 1982</u>		
- Indonesia Capital Markets (Grant)	\$200,000	9/30/82
Sub-Total	<u>\$200,000</u>	
• <u>FY 1983</u>		
- Costa Rica Privatization (IQC)	199,165	9/30/83
- Peru Privatization (IQC)	198,441	9/30/83
Sub-Total	<u>\$397,606</u>	
• <u>FY 1984</u>		
- Costa Rica Amendment (IQC)	12,621	2/28/84
- Peru Amendment (IQC)	150,679	In Contracts
- Dominican Republic (FINADE Grant)	50,000	With FINADE
- Costa Rica (Coopers IQC)	50,000	In Process
Sub-Total	<u>\$263,300</u>	

• <u>FY 1984 (Request)</u>		
- Guarantee Mechanism Analysis (P.O.)	10,000	Request
- Capital Market Analysis (IQC)	22,000	Request
- Sri Lanka Employee Trust Fund (P.O.)	10,000	Request
- Small Scale Enterprise Lending Analysis (Grant Amendment)	29,115	Request
- Philippine Divestiture Analysis (IQC)	20,000	Request
- Philippines Venture Capital (Allowance to Mission)	<u>30,000</u>	Budget Allowance
Sub-Total	<u>\$121,115</u>	
Total	<u>\$882,021</u>	

A brief summary of the activities for which funding is requested herein follows:

• Analysis of Guarantee Mechanisms (\$10,000): Through an analysis of guarantee mechanisms utilized to date in selected programs by the World Bank, AID and others, the objective of this report will be to recommend potential uses of the Revolving Fund in guarantee programs (see Purchase Order in Attachment 3).

• Capital Markets Analysis (\$22,000): This analysis will identify the critical constraints to capital market development in LDCs. It will explain the functioning and operations of such capital markets, explore regulations, laws and policies which affect capital market development, and outline the methods used to increase both the supply and demand of securities (see IQC work order request in Attachment 4).

• Sri Lanka Employees Trust Fund (\$10,000): This activity will assist the Employees Trust Fund (ETF)--a public sector employee pension fund totalling approximately \$3.0 million--in developing a strategy for managing its investment portfolio (see IQC work order in Attachment 5).

• Small Scale Enterprise Lending Analysis (\$29,115): This analysis, to be undertaken by ACCION/Aitec International, will build on the experience this PVO has gained to date in successful small scale enterprise (SSE) lending programs. ACCION will canvass commercial intermediate institutions including banks, cooperatives and credit unions, in three Latin American countries (Peru, Ecuador, Dominican Republic) to determine interest among and incentives required for such for-profit institutions to develop an SSE lending program. The report will include potentially acceptable designs for such a program (see grant amendment in Attachment 6).

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• Philippines Divestiture Analysis (\$20,000): This analysis will assist USAID/Manila in determining the potential for undertaking a divestiture/privatization program in the Philippines. Further, it will recommend an appropriate role for USAID in any such program (see IQC work order in Attachment 6).

• Philippines Venture Capital Training (\$30,000): This activity will result in the development and conduct of a short-term training course for venture capitalists. In conjunction with the IFC, which will identify candidates for the training from other LDCs, PRE will partially fund tuition costs for six Philippine participants attending the first session of the course (see Budget Allowance in Attachment 7).

These activities constitute the remainder of PRE-proposed capital market related support programs in FY 1984. They demonstrate efforts in three major areas which will continue to be Bureau priorities, including:

- The use of guarantee mechanisms
- Programs to further capital market development
- Small scale enterprise development and financing

These six activities will bring to \$384,415 the amount to be obligated during FY 1984 under the Capital Markets Analysis (940-0002.5) project. Overall the Bureau will have obligated \$982,021 under this project out of a total authorization level of \$1,300,000. This authorized level extends through FY 1985, and will leave \$317,979 for obligation during that fiscal year.

With regard to procurement, this project will be handled consistent with AID guidelines. There are no human rights issues which would effect undertaking of these activities.

Recommendation: That you approve obligation of an additional \$121,115 under the Capital Markets Analysis (940-0002.5) project and indicate your approval by signing below and the appropriate approving documents in Attachments 3-8

Approved _____

[Handwritten Signature]

Disapproved _____

Date _____

7/16/84

Clearance:

PRE/PPR, JGelb *[Signature]*

PRE/PPR, CGormly *[Signature]*

CG/PRE, NPage *[Signature]*

10/10/84