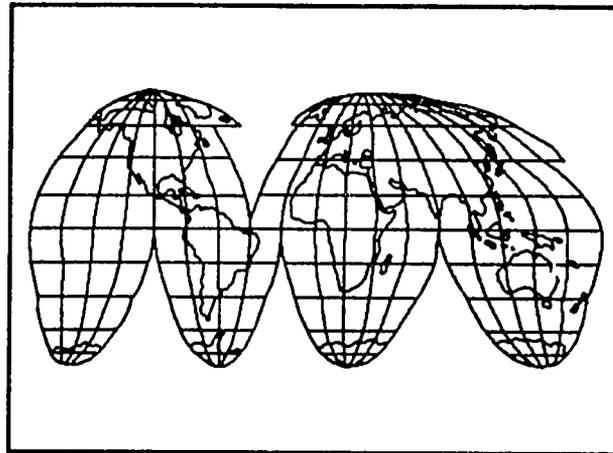


BUREAU FOR PRIVATE ENTERPRISE

PORTFOLIO OF CURRENT PROGRAMS



USAID

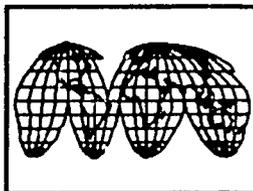
AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

NOVEMBER 27, 1992

BUREAU FOR PRIVATE ENTERPRISE

"MAKING MARKETS WORK FOR EVERYONE"



The Bureau for Private Enterprise (PRE) encourages and supports sustainable economic growth in countries in transition to market economies by applying market principles and innovative private sector solutions to development needs. In coordination with the regional bureaus and field Missions, PRE offers technical assistance, project financing and information services to:

- Generate commercial, legal, regulatory, economic policy and institutional reform in AID-supported countries.
- Leverage U.S. and local capital through innovative financial mechanisms, in support of private sector transactions.
- Build long-term partnerships between the private sectors in developing countries and the United States.
- Promote growth, expanded opportunity and employment in the small business sector.

Specific programs and activities directed by the Bureau include:

- Technical support to U.S.AID Mission private sector activities in areas such as privatization, financial and capital markets, commercial codes and private sector institutions.
- Assistance to the U.S. business community to identify and complete trade and investment transactions.
- Small business, microenterprise and private sector institutional development.
- Financial and engineering participation in capital projects.
- Technical assistance, training and A.I.D.-guaranteed private sector financing in shelter and the urban sector.
- Loan guaranties and other leveraged financing for private sector activities.

Thank you for your interest in the Agency for International Development. We in the Bureau for Private Enterprise (PRE) see ourselves as an integral part of the Washington team serving overseas Missions as they work to create market-driven systems in A.I.D. client countries. We wish to take this opportunity to introduce to you the programs available from our bureau to assist in this endeavor. The following offices and projects are part of the PRE team:

OFFICE OF EMERGING MARKETS

Private Enterprise Development Support
Privatization and Development
Financial Sector Development Project
Financial Services Volunteer Corps
International Executive Service Corps
Technology Assessment Policy Analysis Project
Energy and the Environment
The Agribusiness Council
International Development Law Institute
Private Sector IQC
Free Market Development Advisors Program

OFFICE OF INVESTMENT

Small Business Loan Portfolio Guarantee Program
Franchising Guarantee Program
Forfait Guarantee Program
Bond Guarantee Facility to Promote Small and Medium Business Development
Resource Mobilization Facility to Promote Small Business Development
Privatization Guarantee Program

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Growth and Equity through Microenterprise Investments and Institutions
Institutional Reform and Informal Sector
A.I.D./Peace Corps Microenterprise Development Program
Microenterprise Monitoring System
Consulting Assistance on Economic Reform
Institute for Contemporary Studies
Anti-Poverty Lending
Microenterprise Impact Evaluation System

OFFICE OF INTERNATIONAL BUSINESS DEVELOPMENT

Market and Technology Access Project
Trade and Investment Services Project
Business Advisory Council
Center for Trade and Investment Services
Doing Business with Business

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OFFICE OF HOUSING AND URBAN PROGRAMS
Program Summary

OFFICE OF CAPITAL PROJECTS AND ENGINEERING
Program Summary

**BUREAU FOR
PRIVATE
ENTERPRISE**
**OFFICE OF THE ASSISTANT
ADMINISTRATOR**

Administrative Staff

Office of Development
Planning

General Counsel

Office of
Emerging
Markets

- PEDS
- P&D
- FSDP
- FSVC
- IESC
- TAP
- IDLI
- IQC
- FMDAP

Office of
Investment

- LPG/
Direct loans
- Franchise
- Forfait
- Bond
Guarantee
- Resource
Mobilization
- Privatization
Guarantee

Office of
Institutional
& Economic
Reform

- GEMINI
- IRIS
- MEDP/PASA
- MEMS
- CAER
- ICS

Office of
International
Business
Development

- MTAP
- TIS
- BAC
- CTIS
- DBWB

Office of
Housing &
Urban
Programs

Office of
Capital
Projects &
Engineering

OFFICE OF EMERGING MARKETS

Project: Private Enterprise Development Support (PEDS)

Purpose: To provide technical assistance and disseminate information on lessons learned in the field of private sector development, in particular commercial policy reform and investment promotion.

Description: PEDS supports missions in such areas as trade and investment strategy development, export processing zone establishment, and trade and investment promotion. In addition to direct technical assistance to individual missions, the project synthesizes Agency experience in key areas and disseminates the results of such research to bureaus and missions. PEDS offers technical expertise through the services of Ernst & Young and twelve subcontractors. Contract buy-ins, normally \$25,000-\$50,000, are discussed with the project manager who reviews proposed scopes of work.

Ends: 30 September 1992

Accomplishments:

- **Poland: Seminar** Organized a seminar on the economic and political situation in Poland. The seminar was a first step toward introducing A.I.D. to some of the critical issues in undertaking private sector development in Poland.
- **Caribbean: Regional Private Sector Strategy** PEDS examined prospects for development of the three principal private sector activities of the Caribbean region: tourism, agriculture and manufacturing. Based on this analysis, the PEDS team developed a strategy for future private sector development programs for the Caribbean region.
- **Egypt: Investment Law** The Egyptian private sector was very concerned about a proposed investment law, which they viewed as a threat to expansion and liberalization of the Egyptian economy. A PEDS team critiqued the proposed legislation. The technical analysis of the critique was so persuasive that it halted the proposed legislation. A PEDS team then helped Egyptian legislators draft a bill that would encourage foreign and domestic investment.
- **Indonesia: Commercial Law and Improved Procurement Systems Project** Indonesia's commercial law project represents a major new initiative in private sector development. The PEDS team assisted USAID/Indonesia in identifying constraints to economic development and business growth due to weaknesses in the current commercial law. The Project team also assisted Indonesia in designing mechanisms for streamlining and strengthening its procurement systems.

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- **Uruguay: Free Trade Zone Development** A PEDS team helped the Uruguayan Government to establish an export processing zone. As a result, a group of highly regarded private developers submitted an application to operate the zone. The Uruguayan Government has indicated that privately managed export processing zones will be a major element in its strategy to reduce foreign debt by strengthening the non-traditional export base.

Contact: Pat Lee, PRE/EM.....(202) 663-2384/Fax 663-2149
Updated: August 3, 1992

OFFICE OF EMERGING MARKETS

Project: Privatization and Development (P&D)

Purpose: To provide technical assistance to help client countries develop and implement effective privatization strategies and programs.

Description: P&D provides services responsive to client country requirements and mission private sector strategies which foster privatization as a development tool. P&D builds upon experience gained from the predecessor Center for Privatization contract to focus on privatization transactions. The consulting team formed by contractor Price Waterhouse, the International Privatization Group, may be accessed through a buy-in to P&D by submitting a PIO/T to PRE/EM.

Ends: 19 December 1995

Accomplishments:

- Core funded training and research (including case studies, documentation center, privatization data base) up and running.
- 13 USAID buy-in projects completed or in process. Highlights:
- **Poland:** Technical assistance and training provided to GOP includes privatization of selected medium-size enterprises; technical training to build Polish privatization capability; feasibility study for privatization auction system; pilot for sector-wide privatization program; selected glass. Underway; project team to brief GOP and USAID in mid-December.
- **Morocco:** Provided technical assistance in privatizing three GOM-selected industries; training of GOM privatization team; research of analyses of quality/demand for private shares in market, and effects of privatization on overall portfolio. Industries selected; work is underway.
- **Philippines:** Technical assistance to GOP Asset Privatization Trust in privatizing selected APT industries: 2 copper mines; paper/pulp mill; toll road. Similar technical assistance to Philippines National Oil Co subsidiaries and Philippines Transit Authority under separate projects.
- **Pakistan:** Feasibility study for privatizing Pakistan Telecommunications Corporation completed. GOP is proceeding with privatization phase with IPG technical support.
- **Bolivia:** Feasibility study of privatization of La Paz solid waste service completed; IPG assisting La Paz government with transaction. IPG advising GOB re other privatizations, labor policies and public relations.

Contact: Penny Farley, PRE/EM.....(202) 663-2384/Fax 663-2149
Updated: November 27, 1992

OFFICE OF EMERGING MARKETS

Project: Financial Sector Development Project (FSDP)

Purpose: To promote more efficient capital mobilization and allocation through improved strategic planning, regulatory policies and institutional reform, introduction of financial instruments and information sharing.

Description: The project focuses on three principal areas: i. the reform of credit markets - this includes the strengthening and management of developing country banking systems and credit mechanisms; ii. the establishment of equity markets, so as to promote a broad based participation in capital market and economic development; iii. the policy and regulatory framework to support a strong financial sector and inspire private sector confidence in the financial system. FSDP's primary contractor is Price Waterhouse, with Shearson Lehman Hutton, Robert R. Nathan Assoc., Inc., Emerging Markets Investors, and Financial Markets International Research serving as subcontractors. Contracts with missions may be accessed through buy-ins.

Ends: 30 September 1993

Accomplishments:

- Provided on-going assistance to the Government of Indonesia to strengthen stock market supervision, regulation and operations in order to accommodate significantly increased activity of capital markets. FSDP advisors recommended a new regulatory regime for the stock market, the brokerage industry, underwriters and other supporting professions.
- Assisted USAID/Honduras in a multi-phased effort to strengthen the Honduran banking sector. Activities included the assessment of training needs, the development plan to expand the Bank Association Library and Information System, the design of strategic, management and operating plans for the Bank Association, preparation of a four year Bank Strengthening Project, and the organization of two seminars on Stock Exchange operations.
- Assessed the feasibility of venture capital and other non-asset based lending mechanisms in Tunisia. The team met with private and public sector leaders to determine whether USAID resources could be used effectively to support the venture capital process, with the hope of encouraging the start up or expansion of viable private enterprises.
- Served as an advisor to the Pakistan Government in analyzing a proposal by the Hab River Power Group to construct a private power plant. The FSDP team conducted contractual, financial and financial risk analyses of the proposal, and assisted the

government throughout a series of negotiations which culminated in the signing of an Implementation Agreement and a Power Purchase Agreement.

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Updated: November 27, 1992

OFFICE OF EMERGING MARKETS

Project: Financial Services Volunteer Corps (FSVC)

Purpose: To provide training, advisory services, and technical assistance to improve the functioning of domestic financial markets in the nations of the developing world and the emerging democracies of Central and Eastern Europe.

Description: FSVC is a grant funded program which provides volunteers from the U.S. financial community to improve the functioning of the commercial banking industry and securities market operations. Activities carried out under the FSVC program will be under the overall direction of a steering committee comprised of senior executives from the U.S. financial industry serving on a voluntary basis.

Ends: 30 September 1994

Accomplishments:

- Sullivan & Cromwell assisted in drafting Polish securities laws; sponsored 3 members of the Ministry of Finance in their graduate studies at Harvard Business School; insurance industry reform, growth and development; evaluation and design of clearance, settlement, depository, and communication systems at the stock exchange of Poland.
- Six-person team conducted a 3-day seminar on backroom procedures for the Budapest Stock Exchange; joint FSVC/NY Fed/World Bank team advised the National Bank on clearance and payment procedures; senior banking official from National Bank of Hungary in New York participated in NY Fed sponsored week of training and meetings; Budapest Stock Exchange Deputy General Manager, Jozsef Rotyis, three-day visit to the NYSE.
- In Czechoslovakia four-person team worked with Ministry of Economy on drafting the large privatization law guidelines; establishment and management of a collective investment fund; discussion paper presented to Minister of Finance re collective investment funds; assistance to the State Bank for reform of the banking system, e.g., payment system, short-term money markets, bank supervision, credit organization standards, reporting systems and internal operating systems; University of San Diego Law School Professor, Hugh Friedman, held seminars and lectured on business law while in Prague in June.
- Conducted a financial sector needs assessment assignment in Mongolia in June, 1991. Following-up on recommendations made in that report, FSVC is currently working with Manufacturers Hanover Trust Hong Kong, Hong Kong Management Association, and UNDP to develop and fund an intensive training program for Mongolian bankers.

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Updated: November 27, 1992

OFFICE OF EMERGING MARKETS

Project: International Executive Service Corps (IESC) Core Grant

Purpose: To improve the capabilities of private businesses in developing countries in production technology, quality control, marketing, and management through the U.S. volunteer executive consultancies and training.

Description: The project draws on IESC's extensive network of over 12,000 registered volunteer executives (VEs) and 46 overseas offices to assist host country enterprises. The focus is on private enterprise; assistance to privatizing state-owned enterprises is undertaken in special cases, such as in democratizing countries. IESC is in the third year of its current 4-year, \$20 million core grant. The core grant (and many USAID grants) are being amended to permit PRE funds to support administration costs and limited overseas program costs, as well as USAIDs to finance in-country program costs.

Ends: 31 December 1992

Accomplishments:

- In Damietta, Egypt, an IESC volunteer served as a consultant for the furniture industry. The VE converted thousands of cottage industries, all in competition to make essentially the same product, into a "guild" of coordinated, interdependent units. Craftsmen were also encouraged to diversity their style in order to attract a foreign clientele.
- IESC worked with the Honduras Development Institute, a USAID-supported agency that training and arranges loans to small enterprises, to develop practical business management courses tailored to small business needs, improve HDI's outreach and streamline its small business lending program. The VE recruited for this job worked with HDI to build up its accounting, production and marketing curriculum.
- Under a cooperative agreement with the USAID/Dominican Republic, the Trade and Investment Service (TIS) was established as a new component of IESC. TIS meets the particular technical and management assistance needs that are emerging among LDC client businesses. Successful TIS projects are numerous. For example, in the footwear industry, the marketing support of one VE convinced U.S. manufacturers of the quality of DR workmanship; some U.S. firms are willing to consider the DR as a source of expertise. Another VE provided technical assistance to help DR firms to produce samples of U.S. import quality shoes. In the electronics industry TIS arranged visits of DR electronics manufacturers in order to introduce them to the U.S. legal, accounting and regulatory investment environment.

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Updated: November 27, 1992

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OFFICE OF EMERGING MARKETS

Project: Technology Assessment Project

Purpose: To develop 1) a knowledge base covering the linkages between technology, particularly that of the private sector, and economic development, and 2) action-oriented recommendations on technology policies and programs related to development.

Description: Under the project, teams of leading experts will:
1) Synthesize available research and data on emerging issues;
2) Conduct high quality independent scholarly research;
3) Disseminate information in reports and scholarly publications;
and 4) Organize seminars, symposia and other meetings on technology policy issues.

The project focuses on "the economics of technology" -- crafting effective economic approaches to encourage technological innovation, adaptation and usage to stimulate higher rates of self-sustaining economic growth particularly in the private sector.

The contractor team, led by SRI International, includes leading economists and experts from several universities. Examples of research and policy analysis being conducted under the project include: intellectual property rights protection in developing countries; measuring technology development through objective indicators; firm-level decisions on technology purchases and own R&D; the terms of technology acquisition; technology intelligence, sourcing and subcontracting; alternative policy models for technology development; and linkages between economic policies and technology.

The initial action-oriented programs targeted are: (1) a jointly-funded A.I.D./U.S. private sector program to strengthen Intellectual Property Rights (IPR) as part of a broader program to support private sector innovation (80 to 90% of productivity increases in successfully developing countries originates in the private sector, but most of A.I.D.'s R&D activity is currently centered on the public sector); and (2) assisting developing countries gain access to U.S. developed environmentally sound technologies.

Ends: 13 September 1992

Funding: \$538,000 FY89, \$275,000 FY90, and \$409,000 FY91. The originating office projected \$400,000 in FY92 for a new life of project total of \$1,622,000, compared to the original proposal's call for an obligation of \$2,225,362.

Grantee: SRI International

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Updated: November 27, 1992

OFFICE OF EMERGING MARKETS

Project: International Development Law Institute (IDLI), Rome, Italy

Purpose: To provide core support for programs of the International Development Law Institute (IDLI). IDLI programs are designed to upgrade the skills of developing country lawyers, judges and other legal personnel by training them in areas such as the negotiation of international contracts and agreements and legal reform required for sound economic development.

Description: IDLI offers general courses and seminars in Rome and specially-designed workshops in developing countries. IDLI programs are based on the premise that sound legal and regulatory reforms are important to the development of a dynamic private sector and that clear, simple laws help create a stable business climate.

To date, the focus of IDLI training has been on international negotiation and deal-making. Increasingly, however, IDLI training is addressing issues such as weaknesses in company law, capital market regulations and the laws and regulations governing the banking sector in developing countries. Future courses, seminars and workshops on environmental law are planned to deal with global resource management. IDLI programs not only help to build a legal framework for international trade and investment, they also encourage transparency in public procurement, more active participation by women, a legal basis for micro-enterprises and, generally, respect for the rule of law. IDLI's initial commitment was to Africa and the Middle East. The institute now hopes to expand its efforts to Asia, the Pacific, Latin America and the Caribbean, Central and Eastern Europe.

Ends: 30 September 1992

Funding: \$700,000 to date (FY90/91 grant)

Grantee: International Development Law Institute (IDLI)
Rome, Italy

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Updated: November 27, 1992

OFFICE OF EMERGING MARKETS

Project: Private Sector IQC (new project)

Purpose: The Agency's private sector initiative, launched in the early 1980s, has become a "mature" Agency product line and has spawned more targeted Agency activity in fields such as privatization and financial market reform. Despite the maturity of the initiative, it lacks a generic IQC such as that available for comparable sectoral services in agriculture, education, energy and the like. Establishment of an IQC providing mission access to qualified consultants in the field of private sector development will fill this gap and enable PRE to keep its projects focused on the leading edge of the business-development partnership.

Preliminary Description: PRE will establish an IQC covering various types of private sector contracting services most frequently requested by A.I.D. missions. A high premium would be placed on firms' ability to harness non-traditional assistance, e.g. people with direct business experience, to service mission needs. PRE would also plan to provide some Bureau funding to the IQC to enable it to undertake special projects, such as private sector training, and to underwrite the costs of regular reporting by the contracting firms to PRE on tasks undertaken.

Start Date: September 1992

Ends: FY 1995

Contact: Pat Lee, PRE/EM.....(202) 663-2384/FAX 663-2149
Updated: November 27, 1992

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OFFICE OF EMERGING MARKETS

Project: Free Market Development Advisors Program (FMDAP)

Purpose: To provide U.S. business management assistance to small and medium-sized companies in developing countries by utilizing MBA advisors who are between the first and second year of their academic programs as technical assistants in host country firms.

Description: The FMDAP is an 18 month pilot project designed to: 1) provide mid-level business management assistance to enterprises in the developing world; 2) contribute to the expansion of graduate school business curricula to include issues related to emerging markets; and 3) promote expansion of business opportunities between U.S. businesses and private sector enterprises in A.I.D.-assisted countries.

To achieve these objectives, the FMDAP will place approximately 20 MBA advisors in USAID-recommended host country firms for a period of ten months. Participants, competitively selected from accredited graduate business schools throughout the U.S., will provide professional assistance to host-company management personnel in the areas of marketing, quality control, financial planning, personnel and other comparable management functions. At the end of the ten month in-country work assignment, returned MBA advisors will participate in a structured follow-on program to ensure that project benefits extend to the business school and community.

It is expected that case studies developed by each advisor will be distributed widely among U.S. business schools and that, in the longer term, U.S. businesses will be able to draw on the experiences of these advisors as they initiate or expand trading activities in developing countries.

Ends: 12/31/93

Life-of-Project Budget: \$1,300,000

Beneficiaries: USAID, Developing Country Firms,
U.S. Business Schools, Advisors

Contact: Cameron Weber, PRE/EM (202) 663-2384
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Updated: November 27, 1992

OFFICE OF INVESTMENT

The Office of Investment established the Private Sector Investment Program (PSIP) in 1983 under Section 108 of the Foreign Assistance Act of 1961 as amended. The Office assists developing countries overcome impediments to efficient, free market operations, helping to redress market imperfections through guarantees and loans for private sector investments with high developmental impact.

Program: Loan Portfolio Guarantee Program

Purpose: The PSIP's Small Business Loan Portfolio Guarantee (LPG) Program, established in 1989, encourages privately-owned financial institutions to increase credit (loans, financial leases, overdrafts, letters of credit) to small businesses, by guaranteeing up to 50% of the risk associated with losses on the principal amount of credit extended to such businesses. It is a fee for service program.

Conditions of the Guarantee: The guarantee limit per financial institution ranges from \$500,000 to \$3,000,000, depending upon its needs and financial standing, while the guarantee limit per loan to a small business cannot exceed the local currency equivalent of \$150,000. The guarantee is valid for three years and can be renewed for two additional periods of three years each. The program initially covering loans now is available for most forms of credit extensions including letters of credit and leases.

Current Program: The LPG Program has been marketed worldwide, mainly to local banks and finance companies. At present, 55 privately-owned financial institutions in 22 countries are participating, with total guarantee commitments of \$130 million.

Training is an important component of the LPG Program. A.I.D. has a \$1.5 million contract with a Seattle-based firm to provide training to local banks and small business entrepreneurs which are participating in the LPG Program. These training courses strengthen the credit skills of bankers engaged in small business lending and enhance the financial management techniques of small business entrepreneurs. The objective of these courses is to strengthen the institutional capabilities of the lending banks and facilitate the flow of credit to the small business sector by improving communications between the two target audiences.

The Office of Investment is working with A.I.D. Missions throughout the world to develop new programs. Mission priorities, private sector demand and the right economic environment are determining factors in new program development.

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Eastern Europe.....Stephen Eastham
Asia.....Bryan Kurtz

Africa/Near East.....Sandra Goshgarian or Judith Coker Evans
Updated: November 27, 1992

OFFICE OF INVESTMENT

Program: Franchise Guarantee Program

Purpose: The Franchise Guarantee Program strengthens small businesses in A.I.D.-assisted countries by enabling them to start their own business by purchasing franchises. The program fosters expansion of U.S. business opportunities abroad since the 50% guarantee may only be used for the purchase of U.S. franchises. The U.S. franchisors contribute to the transfer of technology as they provide extensive training when the franchise is purchased. The training and continuing franchisor assistance sharply reduces the incidence of failure among start-up businesses.

Conditions of the Guarantee: A.I.D.'s 50% guarantee may be provided at one or more level of the franchise; franchisor, regional master-franchisor, or retail outlet franchisee. Because each industry and franchise has different characteristics, A.I.D. will retain as much flexibility as prudent in establishing credit facilities to expand developmental and economically sound franchise operations. Fees for the guarantee is commensurate with the risk.

Current Program: The Office of Investment is concentrating on franchises which have historically provided strong management training and follow-up. This is necessary to ensure the maximum support for the nascent private sector particularly in countries where there has been little or no private sector activity in the formal economy.

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Updated: November 27, 1992

OFFICE OF INVESTMENT

Program: Forfait Program (Non-Recourse Export Financing)

Purpose: The PSIP's Forfait Program (Non-Recourse Export Program) established in 1988, encourages United States exporters to export to developing countries by providing a 50% guarantee on the US dollars that businesses in A.I.D.-assisted countries require to purchase the exports locally. The program permits participating forfait houses, which provide the needed US dollar financing, to access A.I.D.'s 50% guarantee. The guarantee covers financing for manufactured exports from the United States to eligible countries, reducing the developing country risk by one-half.

Conditions of the guarantee: The following criteria apply to each eligible transaction:

- ◆ Exports of manufactured goods must be from the United States;
- ◆ Exports must be financed through a participating forfait house;
- ◆ Individual transactions may not exceed \$1,000,000;
- ◆ Importer/Buyer must be a privately-owned business; and,
- ◆ Destination must be a country currently eligible to receive United States aid.

Current Program: The Forfait Program is currently available for United States exporters to A.I.D. assisted countries. At present four forfait houses participate in the program. A.I.D. has committed sufficient funds to finance up to \$9.4 million of exports of manufactured goods from the United States.

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Updated: November 27, 1992

OFFICE OF INVESTMENT

Program: Bond Guarantee Facility

Purpose: The Bond Guarantee Facility seeks to broaden and deepen capital markets in A.I.D.-assisted countries while increasing the flow of credit to small businesses. The 50% guarantee (principal only) may be offered to an eligible financial institution on its medium-term issues. Financial institutions are required to match the proceeds pari passu and onlend them to small businesses until the bonds mature.

Conditions of the Guarantee: Guarantees are available for up to 50% of principal not to exceed \$6 million for a term of up to 10 years. Forms vary depending on risk rating. Financial institutions whose bonds are guaranteed must pass the Office of Investment's institution analysis.

The Office of Investment is working with A.I.D. Missions throughout the world to develop new programs. Mission priorities, private sector demand and the right economic environment are determining factors in new program development.

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Updated: November 27, 1992

OFFICE OF INVESTMENT

Program: Resource Mobilization

Purpose: The Resource Mobilization Facility established in 1990 seeks to redirect liquidity within the economy from companies, pension funds and the insurance industry to the small business sector through the use of a guarantee or loan. It is particularly helpful in high inflation countries with structural adjustment programs which reduce liquidity and have the immediate effect of crowding out the small business sector. The program also broadens financial markets by contributing to wider investment options for participating companies, pension funds and the insurance industry.

Conditions of the Guarantee: Loans and guarantees, not exceeding 50% of \$6 million are available for terms up to seven years. Fees reflect country and transaction risk. Financial institutions who act as borrowers under the Resource Mobilization Guarantee are analyzed through the CAMEL model.

Current Program: The program has been implemented in Jamaica, Kenya and Sub-Saharan Africa. In Jamaica, the program guarantees an insurance corporation's loans to banks which have small business portfolios. In this case the banking system did not have liquidity to lend to smaller-sized businesses so that the program had considerable impact on the subsector. In Kenya the program assists a venture capital company to complement its own equity investment in investee companies by mobilizing debt financing from local banks.

The Office of Investment is working with A.I.D. Missions throughout the world to develop new programs. Mission priorities, private sector demand and the right economic environment are determining factors in new program development.

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Updated: November 27, 1992

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OFFICE OF INVESTMENT

Program: Privatization Guarantee Program

Purpose: The Privatization Guarantee Program established in 1991 seeks to provide impetus to privatization programs in A.I.D.-assisted countries. It is particularly helpful in countries where the private sectors' perception of risk is high, e.g., where the asset being privatized has been operated unprofitably by the state for an extended period making the likelihood of its profitability appear uncertain.

The program complements missions' efforts to help reduce public sector debt, the drain on treasury resources and budget deficits. By removing state-owned institutions from government accounts, the program helps to redirect scarce resources to public sector needs and improve the provision of services. It contributes to efficiency in the private sector through the link with entrepreneurial ownership, enhanced competition, better resource allocation, increased accountability, transparency and disclosure, and strengthens capital market formation by increasing private and institutional investors choice of investment options.

Conditions of the Guarantee: The program provides a 50 percent guarantee to participating private financial institutions and companies on their loans, bonds, debentures and other debt instruments, which finance eligible privatizations and divestitures which have appropriate government concurrence. Both participating institutions and proposed privatizations are evaluated by the Office of Investment. The maximum guarantee period may not exceed ten years. The fee structure depends on the country and the privatization risk.

Current Program: So far, the program has been established in three countries, Jamaica, Tunisia and Sri Lanka. A unique feature of the program is that it can be tailored to address specific needs which may vary from country to country. For instance, in Jamaica the privatization guarantee facility is available through seven leading Jamaican financial institutions which will compete with each other for A.I.D.'S guarantee. In Tunisia, the guarantee will be used to cover loans made by one private financial institution to employees to finance the purchase of shares and/or assets of publicly-owned companies. In Sri Lanka, the guarantee provides a counter-guarantee of up to 50 percent of the debt being underwritten by a group of banks for the privatization of a tire company.

The Office of Investment is working with A.I.D. Missions throughout the world to develop new programs. Mission priorities, private sector demand and the right economic environment are determining factors in new program development.

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Updated: November 27, 1992

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Growth and Equity through Microenterprise Investments and Institutions (GEMINI)

Purpose: GEMINI acts as a one-stop source for a wide range of technical needs dealing with small and informal enterprise, on issues ranging from policy to finance to training.

Ends: 30 September 1994

Accomplishments:

- In the Dominican Republic, GEMINI is providing long-term technical assistance to Fondomicro, an innovative secondary-level financial institution established to link international financial markets with institutions retailing credit to micro- and small-scale enterprises. DAI advisors are helping Fondomicro establish credit policies; develop and implement operational financial and information systems; and establish links to sources of concessionary and commercial capital, including the use of innovative financial instruments. GEMINI also is providing assistance to primary-level institutions in financial management, MIS, and overall organizational development.
- In Peru, a GEMINI team developed a project paper for USAID/Peru's new Small Business Employment Expansion Project, designed to generate employment and promote sustained economic growth throughout the productive sectors of the economy. The team proposed a subsector approach to identifying and assisting small businesses with the greatest potential for expansion and employment creation.
- In Bolivia, GEMINI assisted USAID/Bolivia to incorporate ideas on financial systems approaches and savings mobilization into the Mission's microenterprise program. In January, DAI staff carried out a feasibility study designed to assess the local institutional capacity and potential market demand for savings and loan services in rural Bolivia. The team laid out a plan for developing a rural financial institution, focusing on services to offer, organization structure and management, levels of cost and performance required to break even, actions and funds required for start-up, the role of donors and the GOB, and potential risks.
- In Poland, GEMINI is assisting the government to define the appropriate role for the state with regard to small business development. This involves the move from a highly interventionist mind-set to one that places faith in markets and entrepreneurs. DAI is working directly with the Polish government, private business associations, and donors to define this policy. The project provides advice on strategy

for small business development and policy and regulatory reform priorities.

- In Indonesia, GEMINI conducted an institutional evaluation of the Financial Institutions Development Project, Phase II, a \$16 million project that provides technical assistance, training, construction assistance, and commodities to Bank Rakyat Indonesia and a range of other local financial institutions.

- In the Southern Africa Region, (Swaziland, South Africa, Lesotho, Zimbabwe, and Malawi) GEMINI conducted baseline surveys designed to provide information for the formulation of an overall microenterprise strategy. These surveys laid the groundwork for subsequent in-depth subsector studies; highlighted changes in micro and small-scale enterprise growth; provided input for the development of monitoring and evaluating plans, and provided information on types of enterprises, locations, linkages, constraints, and other variables, to allow USAID and host country governments to develop and implement efficient strategies for supporting micro and small enterprise.

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Updated: November 27, 1992

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Institutional Reform & Informal Sector (IRIS)

Purpose: To change institutions (laws, regulations and decision-making processes) which impede economic development in the developing world and in countries in transition from command economies, and to increase the understanding of the roles of institutions in the development process.

Ends: 30 September 1995

Accomplishments:

- **Poland:** IRIS is providing long and short-term technical assistance in legal and regulatory reform to Polish business associations to create the institutional and policy environment for a sound small business sector. IRIS has assisted in drafting the Polish secured transactions law, which facilitates the availability of credit for small and medium scale enterprises. Other IRIS initiatives include trade-name protection and reform of banking law.
- **Costa Rica:** IRIS, in conjunction with local groups, sponsored a seminar on the institutional/political roots of economic policy-making. The seminar used the theory of "public choice" to analyze why Central America tends to be characterized by small groups organized to extract rents from the rest of society. In general, the seminar discussed the question, "how can societies can have democracy, yet still constrain individual liberty?".
- **Nepal:** The IRIS project documented that business registration, licensing and financial approvals in Nepal take as long as 699 days. Following the April 1991 IRIS-USAID/Nepal small business conference, the Government of Nepal, working closely with local business groups, has introduced a new industrial registration policy which simplifies and eliminates many licensing requirements for business.
- **Mongolia:** IRIS is assisting the Mongolians in drafting their first-ever land law. A series of five workshops is being held in the U.S. for Mongolian policy leaders on the institutions and policies that support the formation of a market economy. Topics include the policies affecting business formation, property and contract law, taxes, price regulation and democratic policy processes.
- **WAFER:** IRIS has organized the Washington Area Forum on Economic Reform (WAFER) in conjunction with representatives of the IMF/World Bank, The Brookings Institution, and the Institute for International Economics. This forum is designed to facilitate the interchange and dissemination of ideas and policy options to decision-makers throughout the Washington area. Guest speakers have included Stanley Fischer, Professor of Economics at MIT on "Soviet Economic Reform," Alexander

Yakovlev, former Advisor to President Gorbachev on "Economic and Policy Reform Needs in the Commonwealth of Independent States" and Professor Yujiro Hayami on "Toward a New Paradigm for Land Reform."

IRIS and Potential Activities: IRIS is located at the University of Maryland at College Park, associated with the Department of Economics. The IRIS permanent staff consists of highly skilled lawyers and economists experienced in enacting institutional reform programs. IRIS draws on business people, lawyers and academics from throughout the world, matched with specific needs in various areas of institutional reform.

The IRIS Project is accessible to A.I.D. missions through the PIO/T buy-in mechanism. IRIS offers a strong capacity for design and implementation of policy, legal and regulatory reform initiatives. Because IRIS works predominantly through local groups, building their capacity to understand and undertake reform efforts, IRIS activities tend to be longer-term, generally a minimum of one year.

Examples of the Types of Assistance IRIS Can Provide:

Training in the U.S. and overseas to enable policymakers and business leaders to better understand the institutions and policies that support business development.

Diagnosis, strategy development and implementation assistance in improving the legal and policy environment for the private sector.

Technical assistance to local groups carrying out institutional reform programs. This might include measurement of the costs of particular laws or regulations, or the analyses of reform options. Access to legal and economic experts to assist in analyzing and drafting laws.

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Updated: November 27, 1992

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: A.I.D./Peace Corps Microenterprise Development Program
(MEDP/PASA)

Purpose: To support microenterprise activities in selected countries through the services of Peace Corps Volunteers and their host country counterparts.

Ends: September 1994

Description: A.I.D. provides funds through a Participating Agency Service Agreement (PASA) to Peace Corps' Small Business Development Program, which is run out of the Office of Training and Program Support (PC/OTAPS) in Washington. This joint program provides:
1) in-service training for Peace Corps Volunteers (PCVs), their counterparts in host country agencies, and entrepreneurs to improve their business management skills; 2) small business support services for host country agencies; 3) technical assistance to survey business sectors or improve Peace Corps planning, project design, monitoring and evaluation; and 4) information and training materials development to assist business people and communities in which PCVs work.

Accomplishments: The Peace Corps has used MEDP/PASA funding to support activities worldwide since 1988. Under this cooperative program, workshops, training of local entrepreneurs, surveys, and the development of written and audio-visual training materials have occurred in Honduras, Costa Rica, Dominican Republic, Guatemala, Bolivia, Paraguay, Uruguay, Jamaica, Mali, Botswana, Kenya, Ghana, Lesotho, Senegal, Togo, Malawi, Fiji, Tonga and Western Samoa, and most recently in Poland and Bulgaria. The typical small business volunteer now recruited by the Peace Corps is highly qualified -- having years of business experience, maturity, and generally a graduate degree in business, urban planning or a related technical field.

Future Activities: In the coming year, the MEDP PASA will endeavor to assist countries in leveraging funding from USAID missions and other sources, strengthen the exchange of training and technical assistance expertise between countries, and promote the formation of regional networks of countries promoting Small Business Development. As in past collaboration with A.I.D.'s ARIES (Assistance to Research Institutions for Enterprise Support) project, the MEDP PASA will draw upon the resources of, and work closely with, the GEMINI (Growth and Equity through Microenterprise Investments and Institutions) project, especially in the area of non-financial assistance to microenterprises.

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Updated: November 27, 1992

1A

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Microenterprise Monitoring System (MEMS)

Purpose: To develop and implement a monitoring system which will gather accurate information on A.I.D.'s worldwide microenterprise program from USAID missions, AID/W offices and Implementing Organizations (IOs) that receive A.I.D. funding for microenterprise development. This system is being established in response to a congressional mandate, and will provide data for an annual report to Congress on A.I.D.'s worldwide microenterprise activities.

Ends: September 1993

Description: MEMS will collect two levels of data:

1) **Mission and AID/W level:** US Dollar obligations and local currency expenditures for microenterprise, on a project-by-project basis broken down by uses of microenterprise funds: credit, technical assistance/training, institutional support, or policy/regulatory reform.

2) **Project level:** Details collected from IOs about their microenterprise programs and beneficiaries include: numbers of loans made, including "poverty level" loans, total dollar amount of loans, gender of beneficiaries, and size of microenterprises being served.

Accomplishments: Since PRE/SMIE awarded the MEMS contract to Management Systems International (MSI) in September 1991, the data collection instrument for MEMS has been revised and field tested in Honduras, Bangladesh, Mali, and Sri Lanka. In April and May, the first set of project level data was received and is being analyzed.

Future Activities: MEMS will carry out three primary activities:

#1. A management information system is being developed and implemented to analyze data collected from USAIDs, AID/W and IOs. Some elements of this system already have been incorporated into the CP reporting cycles.

#2. Training workshops will be conducted for staff of USAIDs and AID/W offices who manage and report on projects that include microenterprise development activities. The workshops will assist A.I.D. staff in reporting on Mission level data, and backstopping their counterpart IOs in tracking project level data. Since February 1992, training has been provided to mission staff in 13 countries throughout Southern and Eastern Africa, Asia, and the Near East. In the coming year training will be offered in West Africa, the Lac region and to US-based PVOs who receive A.I.D. support for microenterprise development and AID/W offices.

#3. Technical Assistance will be offered to IOs, receiving A.I.D funding for microenterprise to establish, update, or modify their data collection systems as needed in order to provide the data requested by MEMS. TA will be tailored to the needs of each IO. Provision of TA to create reliable reporting systems will enhance the sustainability of the microenterprise monitoring system.

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Updated: November 27, 1992

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Consulting Assistance on Economic Reform (CAER)

Purpose: To help A.I.D.-assisted countries design, implement, monitor and evaluate economic policy reforms.

Ends: June 1994

Description: CAER's activities include the following:

- designing reforms for specific policy problems;
- monitoring and evaluating existing reform efforts, such as privatization, liberalization, reduction of price distortions, and reallocations of public expenditures; and
- assessing the impacts of reforms, such as on competition, poverty and malnutrition, employment, gender differentials, orientation of the economy toward the external sector

To carry out these tasks, the contract with the Harvard Institute for International Development and its subcontractors -- Williams College, Development Alternatives, Inc., Associates for International Resources and Development, and Interamerican Management Consulting corporation -- gives A.I.D. missions and Washington offices access to highly regarded economists and other social scientists with extensive practical experience.

Accomplishments:

Africa

- Assistance to the Ministry of Finance of the Government of Swaziland in reviewing and improving the policies, practices, and institutions affecting the planning, budgeting, and implementation of capital projects.
- Assistance to AFR/TR and AFR/DP for a rapid assessment of (1) human resource and institutional constraints and (2) capacity in Sub-Saharan countries for improving economic performance.

Asia

- A report on the Philippine Government technical assistance needs for policy reform.
- Assistance to the Government of Sri Lanka on tax reform and competition policy.

Eastern Europe

- A seminar on estimating assistance requirements for Central Europe.
- Advice to the Ministry of Finance in Hungary on privatization.

Latin America and the Caribbean

- Support to the Government of Belize to help develop a policy environment that will encourage efficient economic growth.
- A study of the impact of export processing zones on the employment of women and men.

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Updated: November 27, 1992

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Institute for Contemporary Studies (ICS)

Purpose: USAID's cooperative agreement with ICS supports two programs carried out by affiliates of ICS:

**** The International Center for Economic Growth (ICEG)** emphasizes increasing the ability of developing country economic policy institutions to inform political leaders about modern policies and their impacts, thereby improving the quality of the policy dialogue, decision making, and economic performance; and

**** The International Center for Self-Governance (ICSG)** emphasizes self-governance and entrepreneurship in developing countries, examines alternative approaches, and develops related institutional support, documentation and training materials.

Description: ICS/ICEG supports a network of 240+ primarily independent and non-governmental Correspondent Institutes (CIs) in more than 90 developed and developing (mostly) countries. This support includes: major seminars and conferences; joint research; support for preparing policy analyses and recommendations; dissemination of key related literature; and technical assistance on communication and planning; and fellowships. Sponsored analyses include the relationships among economic growth, policy, human welfare, and the institutional and political constraints on policy.

ICS/ICSG's program is relatively new. Current activities include: developing a primer on self-governance; regional seminars on self-governance; self-governance training materials on (a) natural resources management and (b) the enabling environment; and building a network of collaborating host country institutions.

Current funding plans expire: May 31, 1995.

Selected Accomplishments

ICS/ICEG -- Strong policy reform conferences in Africa and Asia; highly praised publications by distinguished authors disseminated to Correspondent Institutes; development of policy analysis information exchange among this network of institutes; support for a transportation policy analysis that led to reforms saving an estimated \$500m; and technical support to Costa Rica supporting the trade policy dialogue, resulting in the lowering of average tariffs from 100% to 20%

ICS/ICSG -- A Caribbean Basin workshop, praised by participants, on "Self-Governance and Entrepreneurship"; support for the international colloquium of the Center for the Study of Democracy (Sophia, Bulgaria) on "Democratic Change and Stability in Eastern Europe"; publication of V. Ostrom's, The Meaning of American Federalism -- Constituting a Self-Governing Society (1991), and B. Berger (ed.), The Culture of Entrepreneurship (1991).

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OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Anti-Poverty Lending (APPLE)

Purpose: To provide an incentive for A.I.D. field missions to promote more anti-poverty lending for self-employment and microenterprise development.

Description: This project establishes a reserve of \$10 million per year, to be available for re-allotment to field missions to enhance the impact of qualifying anti-poverty lending projects. Missions will compete annually for portions of these funds, based on (a) matching them with their own appropriated funds or local currencies, consistent with host country development goals; and (b) certification that the uses of these resources and matched mission funds comply with Agency policy and Congressionally determined definitions of microenterprise anti-poverty lending. The objective of this incentive fund is to channel additional A.I.D. resources to microenterprises, a sector which increasingly has become identified with family income growth, equity and empowerment of poor people in developing countries. Evaluations of previous experiences with this process of capital formation business development have shown that the provision of such credit has improved substantially the well-being of previously non-serviced groups particularly the poor and women.

Ends: FY 1997

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Updated: November 27, 1992

OFFICE OF SMALL, MICRO AND INFORMAL ENTERPRISE

Project: Microenterprise Impact Evaluation System

Purpose: To strengthen the capacity of local institutions to assess the economic and social impact of A.I.D.-supported activities in microenterprise development, and among microentrepreneurs, to enhance access to any benefits which have resulted because of A.I.D. activities.

Description: The Microenterprise Impact Evaluation System (MIMES) project is a follow-on to the three-year Microenterprise Monitoring System (MEMS) project, launched in FY 1991. MEMS was undertaken in response to Congressional demands for specific information on numbers and sizes of loans, gender of recipients, etc. resulting from A.I.D. microenterprise projects. MEMS will have completed its objectives by 1994, when such monitoring has become self-sustaining in the institutions and field programs funded by A.I.D. The MIMES project reflects a recognition that beyond the MEMS monitoring data, there is a larger need to evaluate A.I.D.'s microenterprise program impact. Impact in human and individual terms (income and employment) and in economic terms (firm viability, productivity, etc.) will be assessed. Comparative analyses of selected countries in Africa, Latin America, Asia and Central and Eastern Europe will be undertaken. Follow-up technical assistance will be provided to selected institutions and regional workshops will be held to share results of the MIMES evaluation work.

Ends: FY 1997

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Updated: November 27, 1992

OFFICE OF INTERNATIONAL BUSINESS DEVELOPMENT

The Bureau for Private Enterprise's Office of International Business Development (PRE/IBD) is responsible for developing, coordinating, assisting and advising on the involvement of the U.S. business community in those activities in developing countries which may contribute to the achievement of A.I.D.'s overall economic development objectives. PRE/IBD creates, implements and sponsors initiatives to stimulate information sharing, cooperative projects and ventures between A.I.D.'s field missions, the U.S. business community and its counterparts in developing countries.

PROJECT: **MARKET AND TECHNOLOGY ACCESS (MTAP)**

PURPOSE: To develop programs and services on a world-wide scale which are capable of accelerating the growth of U.S.-LDC trade and technology linkages on a cost-effective, economically sustainable basis.

DESCRIPTION: MTAP is examining options for stimulating increased participation of a broad range of service providers in trade and technology promotion. Specialized consulting, training and business development support is available to address trade and technology problems in the agribusiness, forestry, and non-traditional tourism subsectors, as well as the selected problem areas of export promotion, market entry and institutional support for technology commercialization. MTAP offers USAIDs a flexible mechanism for launching and testing new trade and technology initiatives, as well as a convenient channel for accessing organizations involved in trade and technology development at the state and local level in the U.S.

ACCOMPLISHMENTS: MTAP has produced important information regarding ways of improving the performance of trade and investment promotion efforts by increasing the involvement of private suppliers of business services. Current and future TA efforts and field tests are expected to yield significant lessons relating to ways of improving the effectiveness and lowering the cost of public-funded trade and technology development programs, particularly through measures that stimulate the supply of private business services. Among some of MTAP publications are: "Business Services in Trade and Investment Promotion"; "The Role of Commercial Services in Officially-Sponsored Trade Promotion Programs: Lessons from the Market and Technology Access Project."

Ends:.....FY 93

Life-of Project Budget:...\$4,760,000 **Buy-in Capacity:** \$9,975,000

Beneficiaries:.....USAID, LDC firms, international
trade organizations

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OFFICE OF INTERNATIONAL BUSINESS DEVELOPMENT

Project: The Trade and Investment Services Project (TIS)

Purpose: To engage the resources of the International Executive Service Corps (IESC) to support a range of industry-specific trade and investment services designed to link businesses in the United States with those in the developing countries and in the emerging democracies of Eastern Europe.

Description: TIS Programs are designed to assist in the expansion of U.S. business through development of joint and coventures, including the sale or licensing of U.S. equipment and technology, long-term sales and coproduction agreements, free zone operations, etc.

In order to support the long-term venture development goals of each country, TIS operates both U.S. and overseas offices for each program except in the Advanced Developing Countries (ADCs) where local Chambers of Commerce operate the TIS offices. The complementary TIS staff in the U.S. provides a comprehensive range of long-term follow on venture development assistance.

TIS SERVICES

TIS business development services include:

- industry assessment surveys by volunteer experts;
- design and implementation of long-term venture development strategies for industries and individual firms;
- short-term technical and managerial assistance to improve production, technical and management capabilities;
- essential information on U.S. markets, technology and equipment suppliers, etc.;
- TIS "hands-on" business development assistance overseas and in the U.S. to identify partners and facilitate the creation of new ventures between U.S. and overseas firms.

TIS PROGRAM MODELS

TIS LDC Programs: Dominican Republic, Egypt, Guatemala, Morocco, Ecuador, Tunisia and Jordan. Operated in cooperation with the local USAID Missions.

TIS ADC Programs: Turkey, Portugal and Mexico
Operated in cooperation with local private sector organizations.

TIS Central & Eastern Europe Programs:
Albania, Bulgaria, Czech and Slovak Federal Republic, Hungary, Latvia, Lithuania, Poland, Romania and Yugoslavia.

**Other TIS-Operated Program Models:
Sri Lanka and Indonesia**

Fast Track - Indonesia: A six-month pilot program. Fast Track uses the basic TIS venture development method (survey, assistance and follow up) to identify companies with immediate potential for attracting U.S. investments and linking them with appropriate U.S. partners.

TIPS - Sri Lanka: A 5-year program, the Technology Initiative for the Private Sector (TIPS) concentrates on providing access to and installation of upgraded U.S. technologies to the Sri Lankan private sector.

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Updated: November 27, 1992

OFFICE OF INTERNATIONAL BUSINESS DEVELOPMENT

Project: Business Advisory Council (BAC)

Purpose: To improve the effectiveness of A.I.D.'s private sector programs and projects, annually assess the Agency's contribution to U.S. competitiveness, and periodically evaluate progress under the Business and Development Partnership Initiatives.

Description: IBD provides secretariat-support for the Administrator's Business Advisory Council which engages CEOs from a cross-section of American industry. The Council is comprised of approximately 15 members from corporate America and is balanced to represent the American business community.

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Updated: November 27, 1992

OFFICE OF INTERNATIONAL BUSINESS DEVELOPMENT

Project: Center for Trade and Investment Services (CTIS)

Purpose: To provide timely and relevant trade and investment information in the U.S. and developing countries.

Description: CTIS is a new program that functions as a full service, comprehensive, "one-stop" information center for U.S. companies and business organizations on programs and activities that support international private enterprise in developing countries. Its primary objectives are:

- (1) to establish a centrally-based, trade and investment informational-services capability which is reliable and user-friendly;
- (2) to establish a cost-effective trade and investment computer information and analytical system, building on existing data sources and networks; and,
- (3) to foster and promote A.I.D.'s unique legislative mandate to encourage "trade and investment abroad" and enhance the Agency's support capabilities.

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Updated: August 3, 1992

OFFICE OF INTERNATIONAL BUSINESS DEVELOPMENT

Project: Doing Business with Business (DBWB)

Purpose: To provide incentives and innovative mechanisms through which A.I.D. may engage private firms, organizations and universities in developmentally sound, commercial activities.

Description: Doing Business with Business is a proposed project designed to provide pre-investment feasibility grants and other business funding to encourage U.S. firms' interest in targeted developing countries; and, cost-sharing for training and business development grants or contracts for trade associations, trading companies and other intermediaries.

Private sector grant assistance contemplated for this project would be established as a worldwide project, authorized by the Administrator, funded by IBD and managed in cooperation with USAIDs in the field.

IBD, through the MTAP project, is exploring various components for "Doing Business with Business" -- options for funding and contracting mechanisms -- including but not limited to:

- a pre-investment study or business development fund to engage U.S. firms in key developing countries; and,
- cost-sharing training and business development grants or contracts for T&I intermediaries, such as trade associations, trading companies, or other T&I facilitators.

Such funding and contracting vehicles would be "centralized" to reduce development and management costs but, managed in the field to ensure proper accountability.

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Updated: November 27, 1992

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OFFICE OF CAPITAL PROJECTS AND ENGINEERING

PROJECT SUMMARY

Purpose: To support developmentally sound infrastructure projects which also benefit U.S. business.

Description: The Capital Projects initiative, driven by the key concepts of development and trade, stresses a fund for worldwide use by all A.I.D. field missions. A.I.D.'s current fiscal year program dedicated to capital projects is estimated to total about \$500 million in new obligations. Our active program is about \$5.5 billion in projects that have not yet reached their completion dates.

To implement the initiative, we are doing the following:

- Establishing a Capital Projects and Engineering Office to lead the return to capital projects. The Office began in October as part of the overall Agency reorganization plan.
- The new Office will address three needs:
 - 1) the strengthening of A.I.D.'s engineer corps,
 - 2) provision of capital project skills to field missions to design and implement capital assistance programs, and
 - 3) management of a fund available to all missions in support of developmentally sound infrastructure projects.
- We plan to initiate a centrally managed Capital Projects Fund in FY 93 to be used for a wide range of capital project related activities such as engineering and feasibility studies, procurement and construction.
- The fund's initial funding will be \$100 million with annual increases as needed. These funds would be additive to the existing capital projects bilateral development programs which are expected to range between \$400-500 million per year.

Examples of current programs:

- Egypt is the largest program, receiving over \$350 million in FY 91 capital project funding. The program primarily involves water, wastewater and power sector activities.
- In the Philippines, Capital Projects has undertaken a \$160 million program dedicated to various technical assistance and infrastructure programs. A substantial portion of the funds has been used for electrification and rural infrastructure.
- The Southern African Regional Program received \$50 million in capital project funding dedicated primarily to transport. For example, the project funded the purchase of several locomotives for Zimbabwe and financed a major highway in Zambia.

- A \$500 million mixed credit program was initiated with EXIM for four Asian countries (Philippines, Thailand, Pakistan and Indonesia). For example, in the Philippines, projects included several telecommunications systems and a geothermal power plant. In Indonesia, telecommunication systems, locomotives, and power generation facilities were purchased, while a power plant was supplied for Pakistan. In Thailand, co-generation and thermal power plants were supplied as was construction equipment.

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Updated: November 27, 1992

OFFICE OF HOUSING AND URBAN PROGRAMS

PROGRAM SUMMARY

The Office of Housing and Urban Programs addresses the shelter and urbanization needs of developing countries and administers AID's Housing Guaranty (HG) Program. With USAID Missions and host country officials, the Office develops strategies for program planning, management and capital investment to benefit lower income urban families.

Through seven Regional Housing and Urban Development Offices (RHUDO's) and a small Washington-based core staff, the Office advises USAID Missions and co-manages most of AID's capital and technical assistance programs for housing and urban development. The Office also engages in dialogue with host country officials to promote policies that improve municipal management and expand affordable shelter, water and sanitation services, urban financial management, community facilities and training of local officials. The expertise of the Office is complemented by four IOC contracts and by two specialized service contracts.

Four basic principles underlie the Office's approach to housing and urban development: 1) private sector participation, 2) policy dialogue, 3) institutional development, and 4) technology transfer.

The Housing Guaranty Program has been the Office's primary vehicle for providing capital assistance for shelter programs and related urban development activities. Through this program, the U.S. private sector provides long-term (generally 30 year) financing for low income shelter, urban and neighborhood upgrading programs, and urban infrastructure in developing countries.

Since its inception in 1961, the Agency has authorized over \$2.5 billion in loan guaranties to finance housing and urban development programs in some 55 countries. During the past several years, between \$100 and \$150 million in HG loan guarantees have been authorized annually (excluding Israel); in FY92 an additional \$100 million is expected to be authorized. FY91 witnessed the creation of a separate Office for Eastern Europe and the first HG loan authorization for three countries in that region (\$35 million).

In recent years, the Office of Housing and Urban Programs has also managed approximately \$5 million annually in centrally-funded grants for related technical assistance, research, and training. Individual country programs also usually include Mission-funded technical assistance and training. In accordance with its goal of maximizing private sector participation in the delivery of housing and essential urban services, in FY90 the Office designed a new grant-funded program to assist in the privatization of solid waste services. To date, privatization initiatives are underway in six countries.

The purview of the Office has gradually expanded and evolved as the Agency has begun to gain a greater appreciation of the importance of broader urbanisation issues. Although housing finance and policy assistance remain important objectives, the Office has increasingly shifted its focus to urban infrastructure finance and development, urban municipal management and urban environmental issues.

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Updated: November 27, 1992