

93258

USAID/CHILE

THE ROAD TO CLOSE-OUT '96

OVERVIEW

USAID/Chile's scheduled and orderly project close-out is marred by a more than 40% reduction in *our* FY95 OYB. Chile requested \$3,663,000 to fully fund close-out projects. Chile is slated to receive \$2,190,045 or \$1,472,955 less than requested.

USAID/Chile's personnel and property release is on schedule, assuming that we receive \$611,200 in FY96 OE. Finally, the Bureau is monitoring the close-out effect on the development elements of the on-going United States-Chile Free Trade Agreement (FTA/NAFTA) negotiations. USAID/Chile is staffed by one USDH and nine Chileans, five professionals and four support staff.

PROJECTS

The AID/W February 1994 review of USAID/Chile's 1995 Action Plan determined and recommended that the final two years of project funding be made available in FY95. Therefore, in mid and late 1994 project officers renegotiated scaled down project activities with the Government of Chile and NGOs based on these understandings and budget figures.

Now, however, with a FY95 budget reduction of more than 40%, USAID/Chile has triaged activities based on account availability and project activity.

The USAID/Chile FY95 activity triage: no FY95 funding; severely reduced FY95 funding; and close to requested FY95 funding level.

1. *No FY95 funding:*

- a. Peace Corps/SPA was budgeted for \$60,000,
- b. Housing Finance Advisor (*part-time*) under a \$40 million HG program was budgeted for \$100,000.

Since neither activity is within USAID/Chile's strategic objectives they were eliminated for funding.

2. *Severely Reduced FY95 Funding:*

Under Strategic Objective One. Responsiveness of Key Institutions to Citizens' Needs Increased.

- a. Justice reform activity supporting modernization of Chile's criminal system was reduced from \$873,000 to \$550,000, a \$323,000 shortfall. CPU the Chilean NGO is negotiating additional reform cutbacks with the Ministry of Justice and the Supreme Court.
- b. Legislative activity supporting Chile's Congress through SUNY/New York and CEAL (Centro de Estudios y Asistencia Legislativa) for \$400,000 was terminated. However, a new direct \$200,000 grant to CEAL will permit CEAL to become sustainable. \$110,000 will be made available in FY95.
- c. Decentralization activity supporting the development of a national Chilean consensus on decentralization was reduced from \$400,000 to \$100,000.

Under Strategic Objective Two. Increased public and private sector capacity to address Chile's environmental problems in support of the Enterprise of Americas Initiative (EAI).

- a. Free Trade Agreement (FTA/NAFTA) activity supporting a public policy dialogue with Chilean Universities, NGOs, think-tanks and labor was reduced from \$505,000 to \$208,00, a \$297,000 shortfall.
- b. CONAMA (Chile's EPA) activity supporting environmental policy and regulatory framework development was reduced from \$460,000 to \$350,000, a \$150,000 shortfall. Within this CONAMA activity we eliminated USEPA funding and increased the World Resources Institute funding level.

3. *Close to Requested FY95 Funding Level:*

- a. Pollution Prevention (EP3) activity demonstrating the efficiency of no-cost/low-cost industrial plant process modification was reduced from \$535,000 to \$500,000.
- b. Personal Service Contractors. All USAID/Chile projects are managed by FSNPSCs whose contracts are replenished annually. \$280,000 will fully fund these PSCs through close-out.

USAID/Chile seeks AID/W guidance. In early February 1995, as this report is written, USAID/Chile is negotiating with the Government of Chile and Implementing NGOs activity cutbacks based

2

on the 40% reduction in FY95 funding. We are also discussing options to meet some or all of the originally determined project goals based on: possible limited additional FY95 funding; FY96 funding; and/or FY95 and/or 96 funding from LAC regional projects or the G Bureau. All these paths present some project vulnerability. Therefore, USAID/Chile seeks AID/W guidance on final project funding levels.

PERSONNEL

USAID/Chile is requesting \$611,200 in FY96 OE to release six FSNs. Three FSNs will be released under program funds.

Following AID/W guidance the nine USAID/Chile FSN personnel have been individually advised of the September 30, 1996 close-out. Individual letters with specific release dates will be issued in late 1995. In three instances, based on unexpected project or office needs an additional month has been added to individual release dates presented in the FY95 Action Plan. In one instance, based on project needs, three months has been added to the release date. In all instances all USAID/Chile staff will be released on or before September 30, 1996. USAID/Chile has made available to FSN staff out-placement services through a local Big 6, as well as a modest incentive package for those who stay through the individually determined USAID release date.

The USDH USAID Representative will depart post June-August 1996. Final close-out actions will be managed by USAID/LaPaz.

PROPERTY

USAID/Chile is housed in a USG owned facility in downtown Santiago. In early 1996 USAID will officially notify the Embassy of our departure and intention of being released from FAAS.

Our EXO, based in USAID/LaPaz will make TDY in late to make a final determination on disposal of NXP, ADP and security equipment through other than local auction. The Embassy in Santiago will manage the auction the first quarter of FY97.

USAID/LaPaz and USAID/Chile

USAID/Chile has been receiving excellent administrative backstopping from LaPaz. Our detailed close-out plan was largely developed at a three day May 1994 LaPaz meeting. We therefore expect to continue to work together to close-out the bilateral program as planned.