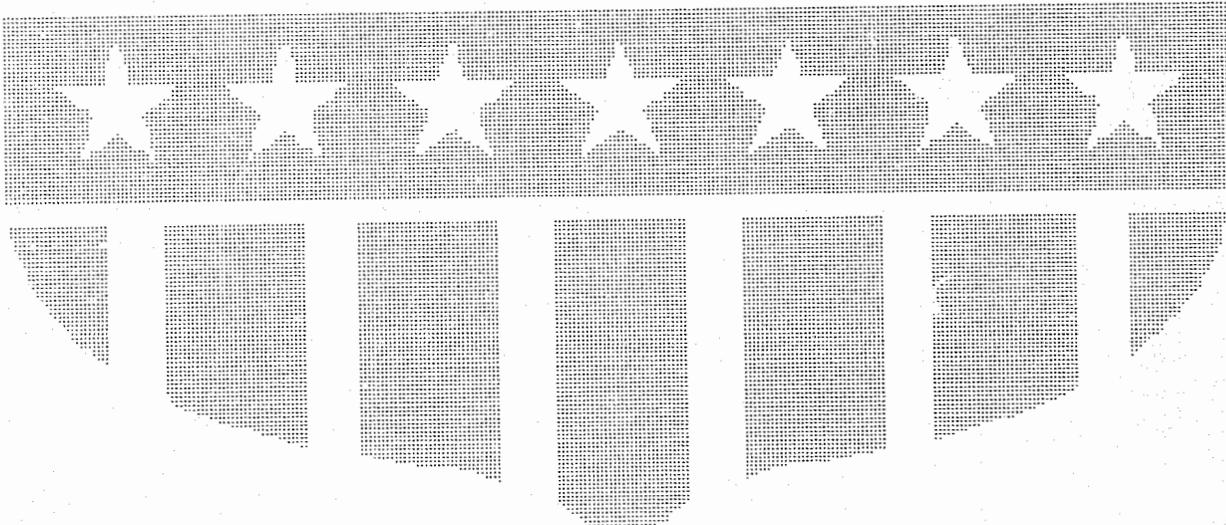


MISSION TO PAKISTAN AND AFGHANISTAN



**PROJECT ASSISTANCE COMPLETION
REPORT**

**Project Design and Implementation Fund
(391-0470)**



*Submitted by Office of Portfolio Operations
April 1995*

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LIST OF ACRONYMS

AKRSP	Aga Khan Rural Support Program
APWA	All Pakistan Women Association
CDSS	Country Development Strategy Statement
DAI	Development Alternative Inc.
EAD	Economic Affairs Division
ECI	Entrepreneurship and Career Institute
EP&D	Energy Planning and Development Project (391-0478)
ESF	Economic Support Fund
FVDB	Fruit and Vegetable Development Board
FWCS	Family Welfare Cooperative Society
FY	Financial Year
GOP	Government of Pakistan
GSP	Geological Survey of Pakistan
IBRD	International Bank for Reconstruction and Development
IESC	International Executive Services Corp
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
LOP	Life of Project
LUMS	Lahore University of Management Sciences
MSU	Multi-Donor Support Unit
NDI	National Democratic Institute
NGO	Non-Governmental Organization
OPP	Orangi Pilot Project
PACD	Project Assistance Completion Date
PACR	Project Assistance Completion Report

LIST OF ACRONYMS (Continued)

PC-1	A GOP planning document which sets forth funding for a development project
PD&S	Project Design and Support
PDIF	Project Design and Implementation Fund
PDP	Parliamentary Development Project
PED	Primary Education Program
PID	Project Identification Document
PIE	Private Investment Expansion Program (391-0514)
PP	Project Paper
PSC	Personal Services Contract
PVO	Private Voluntary Organization
RFP	Request for Proposal
SAP	Social Action Program
SOM	Skidmore-Owing and Merrill
SRSC	Sarhad Rural Support Corporation
TAF	The Asia Foundation
TIPAN	Transformation and Integration of Provincial Agricultural Network Project (391-0488)
TOT	Training of Trainers
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
USG	United States Government
USGS	United States Geological Survey

PROJECT ASSISTANCE COMPLETION REPORT

PROJECT DESIGN AND IMPLEMENTATION FUND (PDIF) (391-0470)

I. BASIC PROJECT DATA

Project Title and No:	Project Design and Implementation Fund (391-0470)
Date of Authorization:	March 29, 1982
Date of Original Agreement:	March 29, 1982
Original PACD:	September 30, 1987
Revised PACD:	December 31, 1994
Amount Authorized:	US \$ 33,000,000 Rs. 29,700,000 (Mondale Rupees)
Amount Obligated: (as of 12/31/94)	US \$ 33,000,000 Rs. 29,700,000 (Mondale Rupees) Rs. 11,177,261 (PDIF Trust Fund)
Amount Expended: (as of 12/31/94)	US \$ 30,413,560 Rs. 29,700,000 (Mondale Rupees) Rs. 3,124,582 (PDIF Trust Fund)
Grantee's Representative:	Secretary Economics Affairs Division (EAD) Ministry of Finance & Economic Affairs Government Of Pakistan, Islamabad
Implementing Agencies:	- Economic Affairs Division (EAD) - The Asia Foundation (TAF) - Behbud Association - All Pakistan Women Association (APWA) - Family Welfare Cooperative Society - Orangi Pilot Project
AID Project Officer	: M.D. Malik

II. PROJECT GOAL AND PURPOSE

The goal and purpose of the PDIF Project was to assist the Government of Pakistan (GOP) in developing, designing and implementing high priority development projects to promote economic stability and self-sustaining growth, and to finance both the foreign exchange and local currency costs of technical and related assistance needed for the design of portfolio projects and for the preparation of Mission's development strategy. The project authorization was subsequently amended to include implementation support for other USAID/Pakistan Program portfolio projects and direct grants to a number of NGOs and PVOs.

III. BACKGROUND

In early 1980s, the United States Government (USG) and the Government of Pakistan embarked on a renewed and strengthened effort to increase their economic and development cooperation. This effort was marked by high level USG-GOP consultations in 1981 which culminated in the negotiation of a \$3.2 billion economic and military assistance package which the USG agreed to provide to the GOP between FY-82 thru FY-87. The economic assistance component was designed not only to maximize its development impact but also to produce as favorable a balance of payments impact as possible. The balance of payments objective reflects two critical purposes of the agreed upon economic assistance: (1) to reduce the burden created by Pakistan's increased defense expenditures; and (2) to reduce the constraints on development which balance of payments strains generate. In this manner, the interrelated economic development and security interests of both nations were planned to be supported. The USG Economic Assistance Negotiation Team, headed by the USAID Administrator, visited Pakistan in August 1981 to discuss details of the economic portion of the military/economic assistance package with the Government of Pakistan. These negotiations were successfully completed and agreement was reached on the composition of the FY 82 ESF program and on the areas of concentration for the FY 82 through FY 87 period.

The economic assistance package was one of the strategic elements of the renewed and expanded USG/GOP relationship. This package was designed to help Pakistan to fulfill the basic human needs of its people and at the same time to address the country's foreign exchange needs through quick disbursing activities while laying the foundation for more rapid economic growth. The economic assistance program agreed to by the USG and GOP negotiating teams was aimed to reactivate a long-term development assistance relationship; provide balance of payments support; address key economic problems; complement and support IMF and IBRD assistance programs; and to expand resource availability for local cost financing.

Due to the suspension of the assistance program prior to the USG-GOP negotiations held in 1981, USAID/Pakistan staffing was substantially curtailed and project development activities had not been undertaken. Under such a situation, the required extraordinary project development and design work called for special efforts and instruments. Substantial outside assistance was

anticipated to supplement USAID/Pakistan staff. Steps to expedite project design and approval or arrangement for additional resources for on-going projects such as additional or expanded delegations of authority to approve new projects and project amendments were considered crucial.

In view of the foregoing, the Mission felt the need to have a project which would provide USAID/Pakistan with a quick and convenient way to fund studies, project design activities, evaluations and other similar efforts related to project design. This resulted in the design and approval of the PDIF Project which was originally authorized on March 29, 1982 as the "Project Design Fund". It was a five-year project to finance both the foreign exchange and local currency costs of technical and related assistance needed to prepare projects to be financed as part of the renewed economic and development program between the U.S. Government and the Government of Pakistan and to prepare the Mission's development strategy. It had an initial authorized funding level of US \$10.0 million in grant funds and Pak Rs. 29.7 million in the local currency. The project authorization was subsequently amended on May 14, 1985 to include implementation in the title and objectives of the project and to add a new purpose of implementing the recommendations of the joint GOP-donor Implementation Task Force. On February 16, 1987, the project authorization was further amended to add \$15 million (to a new total of \$30 million) and to extend the PACD to September 30, 1991. Under subsequent amendments, the current authorized level of funding was increased to \$33 million in grant funds by adding \$3 million in May 1988 for direct grants and/or cooperative agreements to NGOs/PVOs. The PACD was also extended to December 31, 1994.

An external evaluation of the PDIF Project was conducted in March 1987. The evaluation team concluded that the Mission has been utilizing PDIF Project's financial resources in an orderly manner and virtually all of the project funds were clearly used to achieve the project purposes.

During the life of this project, its financial resources were utilized to finance the following categories of the USAID/Pakistan Program activities:

- A. Technical and related assistance and goods needed to develop and design projects which were carried out as part of the renewed economic development relationship with Pakistan;
- B. Technical and related assistance and commodities for studies required to prepare the Mission's development strategy and assistance activities. Examples of areas of such studies are: edible oil, food security, fertilizer, resource mobilization, mechanization, agricultural commodities and equipment evaluation, energy-resources, coal, railroad electrification, narcotic strategy, macro-economic analyses, education sector assessment, private sector constraints, shelter and recurrent costs; and
- C. Technical and related assistance to implement the recommendations of the Joint GOP-Donor Implementation Task Force.

IV. PROJECT COMPONENTS

The PDIF Project primarily focused on providing technical and related assistance for the design, studies and other related implementation activities. A small component of the project was devoted to support local NGOs/PVOs to support their programs not directly related to a particular portfolio project.

A. Technical and Related Assistance:

Under this component, the following types of activities were funded under the PDIF:

1. Project Design:

This category of activities included development of portfolio projects, feasibility studies, operations research and pilot testing of hypotheses leading to final project design, e.g. Project Identification Documents (PIDs), Project Papers (PPs) and PC-1s.

2. Policy Studies:

The policy studies involved CDSS-related studies, sector assessments and studies to facilitate GOP review of policies critical to the success of certain sector programs. Priority was given to studies which enhanced policy dialogue efforts or sharpened understanding of technical or institutional constraints to policy reforms.

3. Implementation Support:

This category included usage of PDIF funds to help the GOP to improve performance in the areas of program planning, budgeting, project approval, project monitoring, evaluation, financial management, audit activities not otherwise budgeted for; and augment Mission's capability to implement the projects portfolio such as hiring of short and long-term consultants to work in critical areas such as commodities procurement, contracting and engineering to accelerate implementation of the portfolio and pipeline drawdown. Due to the closure of the USAID/Pakistan Program, PDIF financial resources were also used to complete Pressler useful units of assistance and fund close-out activities for other portfolio projects as well as to provide a bridge-funding mechanism until sources of funds were found to continue USAID-supported activities.

4. Other General Purpose Activities:

The general purpose activities funded out of the PDIF Project included holding of seminars, workshops, program-related information and publicity, bridge-funding between terminating and follow-on projects, and pre-project implementation activities.

B. Grants to NGOs/PVOs

A \$3 million component was added to the PDIF Project aimed at making several operational grants to a number of NGOs in Pakistan carrying out certain community development works.

V. INPUTS

The PDIF Project was authorized on March 29, 1982 with an initial Life-of-Project (LOP) funding level of US \$10 million in grant funds and Pak Rs. 29.7 million in local currency. The project agreement has since been amended thirteen times. The current LOP funding is US \$33 million (including \$3 million component of direct grants to NGOs), Pak Rupees 29.7 million of Mondale rupees and GOP contributions (trust fund) of Pak Rupees 11.177 million. The GOP contributions in local currency represent the net proceeds from the sale by USAID of certain commodities financed by USAID under the PDIF and other Project Agreements, which commodities are of no further use for those projects. A summary of the PDIF Project's LOP obligations and expenditures as of December 31, 1994 by project element are listed in the following table:

PROJECT ELEMENTS	OBLIGATIONS (as of 12/31/94)	COMMITMENTS (as of 12/31/94)	EXPENDITURES (as of 12/31/94)
1. Technical and Related Assistance	30,000,000	27,554,067	27,475,604
2. NGOs/PVOs	3,000,000	2,937,956	2,937,956
TOTAL: (U.S. \$)	33,000,000	30,492,023	30,413,560
Mondale Rupees	29,700,000	29,700,000	29,700,000
PDIF Trust Fund (Rs)	11,177,261	3,124,582	3,124,582

VI. PROJECT ACCOMPLISHMENTS

The PDIF Project, over its life from 1982 through 1994, has provided USAID's Pakistan Program with a highly flexible funding mechanism for financing design and implementation activities and technical support to all other portfolio projects. Due to the closure of the USAID Program as a result of the imposition of the Pressler Amendment, PDIF financial resources were lately used for close-out activities, including bridge-funding, and close-out audits. Under the PDIF Project's umbrella, grants to NGOs/PVOs were awarded for various community-based activities and for institutional development activities such as the training institute for Karachi

"kachi abadies" (low-income settlements), working women's hostel in Lahore, construction of a judicial academy in Islamabad, construction of an auditorium for APWA in Lahore, purchase of a helicopter for medical emergencies for Edhi Foundation in Karachi and for providing computers and training for the Senate, National Assembly of Pakistan and the four provincial assemblies.

Mission established detailed guidelines for the utilization, management, and approval of PDIF resources and published them in the form of a Mission Order, a copy of which is attached as Annex-1.

USAID/Pakistan has made a very effective and appropriate use of the PDIF Project's financial resources. PDIF funds were used to finance 59 project related-activities including the design of 27 large and complex Mission portfolio projects. This permitted a relatively rapid start-up of an essentially new program and a high level of obligations. There were as many as 60 different sectoral and cross-sectoral studies funded under this project. These studies provided very crucial information and analysis to the host country government to make major policy reforms. Such policy-related studies cover a variety of areas including studies on edible oils, fertilizer, energy, agribusiness, poultry, primary education and other private sector activities. The use of PDIF fund to augment USAID staff support by hiring both short- and long-term PSC employees, provided valuable assistance to handle the large volume of paperwork involved in the design effort (specifically when some projects needed interim studies/reports in addition to the normal documentation such as PIDs and PPs) and to provide the contracting and procurement help needed to implement the program. About 46 implementation activities were financed by PDIF Project which also included support to the Narcotics Awareness Program, the Commodity Import Program and some GOP activities. PDIF project's financial resources were also very successfully utilized to finance a few pre-implementation project support activities such as the preparation of RFPs, evaluating responses to RFPs, and advertisement of RFPs for solicitations for pre-qualification. PDIF financing was also used to provide computers and other office equipment to various departments and organizations of the GOP for designing, monitoring and implementation of projects. Such departments and organizations include the GOP's Economic Affairs Division, Nutrition Section of the Planning Commission and the Federal Bureau of Statistics. PDIF project has also supported GOP's planning and implementation activities by hiring of local individuals and consultancy firms.

The local currency portion of the PDIF Project funds was used to meet local costs in support of project design, specific sectoral and cross-sectoral studies, implementation support including logistic support. A few examples of the utilization of the local currency are as follows:

- (1) a contract with Emmay Associates Limited, Lahore to analyze the Fruit and Vegetable Development Board (FVDB) component of the Fruit/Vegetable Marketing Sub-Project under USAID's Agricultural Production, Distribution and Storage Project (391-0476) (this project was, however, dropped at PID-approval stage);

- (2) logistic support for the University of Illinois design team hired under a contract to design and implement the Pakistan Agricultural Education, Research Extension Project (391-0477) (this project was also dropped at PID-approval stage);
- (3) logistic support for the team of Institute for Development Anthropology hired to provide forestry consultancy services;
- (4) logistic support for the DAI team to carry out field work, analyses, and preparation of the PP for the NWF Area Development Project (391-0485); and
- (5) port clearance charges associated with the import of project- and program-funded commodities.

The following sections highlight significant activities financed and completed under this project by component:

A. Project Design Activities

Over its life, the PDIF project financed 59 project design-related activities which culminated in the design of the following projects:

1. Irrigation Systems Management Project (391-0467)
2. Agricultural Commodities & Equipment Project (391-0468)
3. Population Welfare Planning Project (391-0469)
4. Tribal Area Development Project (391-0471)
5. Maralia Control II Project (391-0472)
6. Rural Electrification Project (391-0473)
7. Development Support Training Project (391-0474)
8. Primary Health Care Project (391-0475)
9. Energy Planning & Development Project (391-0478)
10. Baluchistan Area Development Project (391-0479)
11. Road Resources Management Project (391-0480)
12. Forestry Planning & Development Project (391-0481)
13. Social Marketing of Contraceptives Project (391-0484)
14. NWF Area Development Project (391-0485)
15. Energy Commodities & Equipment Project (391-0486)
16. Lakhra Coal Mining & Power Generation Project (391-0487)
17. Transformation and Integration of Provincial Agricultural Network (TIPAN) Project (391-0488)
18. Food Security Management Project (391-0491)
19. Agriculture Sector Support Program (391-0492)
20. Private Sector Power Project (391-0494)

21. Child Survival Project (391-0496)
22. Primary Education Development Project (391-0497)
23. Institutional Excellence Project (391-0498)
24. Special Development Fund (391-0500)
25. Shelter Resources Mobilization Project (391-0507)
26. Baluchistan Road Project (391-0510)
27. Private Investment Expansion Program (391-0514)

B. Policy Studies

CDSS-related studies and sector assessments and studies to facilitate sectoral programs were conducted with PDIF financing. High priority studies which helped the GOP to reform its policies included an overview of Pakistan's edible oilseeds industry, edible oils stock and trade management, Pakistan's fertilizer policy, policy analysis framework for Pakistan's poultry industry, a mechanization study, and the primary education. The edible oils studies were used by the GOP to remove some of its restrictions on its imports and to carry out a major deregulation of the domestic industry. The fertilizer policy study helped the GOP to cut its subsidies. Several other small scale studies financed under the PDIF project were used by USAID in the development of the CDSS. Highlights of a few other studies follow:

- **Before It's Too Late - Environmental Docu-Drama:** To increase awareness about environmental issues in Pakistan, USAID used PDIF funds to work with the Pakistan Television Corporation, the GOP and the UNDP on an environmental docu-drama. The Pakistan TV asked USAID to fund the researchers and script writers and to pay for production and broadcasting costs for this all Pakistan endeavor. Background research, incorporating technical and scientific input for this documentary film required extensive travel throughout the country and led to a film which was both educational and entertaining. Scripts were developed out of the research and shooting and production of the documentary film followed. Testing showed that the film increased the awareness of the Pakistani populace about environmental issues and what they themselves can do to help conserve and enhance Pakistan's natural resources and its delicate environmental and ecological system.
- **Study on Human Capital Accumulation in Pakistan:** PDIF financed the cost of a research effort on human capital accumulation in Pakistan, the first component of a planned three-year research undertaking in Pakistan in continuation of the work initiated by the International Food Policy Research Institute (IFPRI). The subsequent phases of this study were funded out of the Primary Education Development (PED) Program. The purpose of this study was that productivity enhancement is the most effective means of reducing poverty and that human capital accumulation is an effective means of enhancing productivity. Other means of reducing poverty, such as providing additional land or physical assets, are not as amenable to government action as the provision of educational opportunities. The study was the most

comprehensive assessment of the determinants and consequences of human capital accumulation in rural Pakistan. A principal aim of this study was to promote a dialogue on educational policy among researchers, USAID officials, and senior policy makers in the GOP.

- **Pakistan Integrated Household Survey:** The PDIF Project partially financed the foreign exchange cost of the Pakistan Integrated Household Survey, conducted by the Federal Bureau of Statistics. This activity, initiated by the World Bank, aimed at collecting a wealth of socio-economic data, and by using novel surveying and data processing techniques, making the results available to analysts and researchers in record timely fashion. Survey findings shed light on a variety of topics including the incidence and impact of various GOP programs, employment generation, expansion of small enterprises and rural off-farm employment and agricultural productivity. Given the evolving social sector emphasis of USAID's program in Pakistan and its policy concerns relating to the distribution and impact of GOP subsidies, factors affecting nutritional status, and the impacts of investment in health care and education, USAID fully supported this survey and made valuable use of its findings.
- **Macroeconomic Model:** PDIF financed the Applied Economics Research Center, University of Karachi to develop, refine, document and implement a macroeconomic model to help evaluate the quantitative effects of the GOP policy changes. This work required the compilation of a consistent set of long-term economic data, particularly for the agricultural and industrial sectors.

C. Implementation Support

PDIF project provided financial resources to support and accelerate implementation of other portfolio projects. Such activities can be categorized as support for pre-implementation activities, project approvals, monitoring, bridge-funding, evaluation, augmenting the USAID's support staff and consultants and advisors to accelerate the implementation of portfolio projects. A few such implementation activities are briefly discussed below:

- **International Executive Services Corp (IESC):** IESC began providing consultancy services to Pakistan's corporate sector in 1984 in the fields of agribusiness, construction, printing, chemicals, finance and business education. In 1989, the USAID/Pakistan Mission provided funds to IESC under the Agriculture Sector Support Project (391-0492) enabling it to expand its operations and provide consultancy services to small clients. As the IESC consultancy services also covered other sectoral and cross-sectoral activities, it was deemed appropriate to provide PDIF project funding under subsequent modifications to enable IESC to provide consultancy services for non-agricultural activities. Later on, when the imposition of the Pressler Amendment precluded funding from other portfolio projects, PDIF financed IESC consultancy services for the remaining period of their activity.

Without PDIF funding, the IESC program would have closed prematurely, jeopardizing the smooth phase-out of the program and completion of the useful units under the Pressler Amendment.

- **Evaluation of Road Resources Management Project:** PDIF Project funds were used to conduct mid-term and final evaluations of several portfolio projects. One such evaluation was the mid-term project evaluation of the Road Resources Management Project (391-0480). PDIF funds helped the Mission to evaluate project accomplishments and to identify needed changes in targets, outputs, project activities, and implementation schedule and procedures. Due to the reduction of the LOP funding under Pressler, project funds were not available for the evaluation.
- **Thar Desert Coal Resources Assessment Report :** PDIF Project funds were used to publish an assessment report of Pakistan's Coal Resources. The Coal Resources Assessment Project was carried out under the Mission's Energy Planning and Development Project (EP&D) No. 391-0478. Principal agencies for this activity were the Geological Survey of Pakistan (GSP) and the United States Geological Survey (USGS) which provided technical assistance under a PASA with USAID. Several new coal fields were discovered as a result of this project. When the EP&D Project ended on June 30, 1993, a small part of the data gathering phase of this activity was not yet completed. A determination was made to fund an additional three person-months of USGS to complete data gathering and compilation of this assessment report. This additional level of effort was crucial to the successful completion of the project. As the EP&D project had already terminated, PDIF provided the only available resources for this task.
- **Architectural and Engineering Services:** PDIF resources were used for a contract extension of Skidmore-Owing and Merrill (SOM) to continue to provide architectural and engineering services for the construction of the NWFP Agricultural University at Peshawar. This contract was initially funded out of the USAID's TIPAN Project which was terminated on August 29, 1994. Since the construction of the University building could not be completed on time, SOM was not able to supervise testing and balancing of HVAC systems and other special equipment installed at the University. The University authorities approached USAID to extend SOM's contract until December 31, 1994 to assure testing and installation of the above equipment. As the TIPAN project had already ended, USAID used PDIF resources to extend SOM's contract for an additional four month period from August 29 through December 31, 1994 to ensure completion of the useful units of assistance.
- **Short and Long-Term PSC Staff:** The PDIF Project's resources were utilized for hiring a number of short and long-term professional staff as local hire personal services contractors to have a talent bank of individuals to undertake professional and administrative assignments within the USAID Mission. The Mission was able to

bring them on board at a much lower cost and within the shortest possible time to carry out specific tasks for various Mission offices. This activity was crucial to the efficient operation of the Mission.

- **USAID Roster:** PDIF resources were utilized to develop a roster of short-term U.S. national employees who provided technical assistance for various program and sectoral projects activities. This funding mechanism provided the USAID/Pakistan Mission with a greater degree of flexibility in acquiring services of people having specific expertise to perform specific tasks on a short-term basis.

D. NGOs Support

- **Behbud Association of Pakistan (Behbud):** Behbud Association of Pakistan is a national, multi-functional, human resources development organization with its headquarters in Rawalpindi and branches in Lahore, Karachi, Quetta, Peshawar, Islamabad, Gujranwala and Multan. It supports development of women and children in the fields of education, health, community development, population planning, skill development training and counseling, legal aid and income generation. Behbud also provides material and financial help to the needy and under-privileged people of Pakistan.

A PDIF grant was awarded to Behbud for construction of office buildings and facilities at five different locations in Pakistan to enable Behbud to move out of rented facilities and thus save their own funds for development activities. A small amount of furniture and equipment was also procured under this grant. With USAID funding, Behbud was able to construct additional classrooms at their Rawalpindi Office, additional classrooms and a day care center at Saidpur, Islamabad. In Multan and Quetta, classrooms and maternal and child health centers were also constructed under this grant.

- **APWA Lahore Grant for Zeenat Auditorium:** The Punjab Branch of the All Pakistan Women's Association (APWA) was awarded a grant for the construction of a multi-purpose auditorium in Lahore, named "Zeenat Auditorium" in memory of the founder of APWA's Punjab branch in Lahore, Late Begum Zeenat Fida Hussain. This auditorium will be used for seminars, conferences, and different types of training courses. This facility will also be made available to other organizations on a reasonable fee in order to generate financial resources for APWA's development activities. After its completion, USAID provided additional funding for the purchase of equipment, furniture and fixtures for the auditorium.
- **NGO Capacity Building:** A PDIF grant was made to Aga Khan Rural Support Program (AKRSP) to provide financial and technical assistance to the Sarhad Rural Support Corporation (SRSC) to strengthen its role as an efficient and effective PVO

responsible for the implementation of small scale development projects among the rural poor in the NWFP. In addition, several pilot activities on the AKRSP model were undertaken by the Sarhad Rural Support Corporation with funding provided under this grant. SRSC is now a fully staffed and functional registered NGO in Pakistan and is actively engaged in the development activities in the North West Frontier Province.

- **Air Ambulance Service :** A grant was made to Abdul Sattar Edhi Foundation to purchase an ambulance helicopter to supplement emergency medical support presently provided by this Foundation. This included a two-year supply of helicopter spare parts and ground support equipment. The procurement was made by USAID directly. This helicopter is being used to evacuate seriously injured persons from the site of accidents and calamities (flood, earthquake, bomb blasts and fire, etc.); for inter-hospital transfer of casualties requiring special treatment and surgery; for search and rescue of stranded people in deserts, mountains, sea; for quick transportation of blood, vital organs, and for the transportation of physicians and specialists to remote areas. The air ambulance service has greatly strengthened Edhi Foundation's capability to cater to the emergency situations.
- **Training Facilities for Orangi Pilot Project:** The Orangi Pilot project (Orangi) is a philanthropic and public service oriented society established to develop and test viable "self-help" models for improving the living conditions in low-income settlements, known as "Katchi Abadis." Based on the specific recommendations made by the Government of Sindh, a grant under PDIF funds was awarded to Orangi for construction of a building, class rooms and hostels for its research and training institute. Construction was completed by Orangi using their skilled labor and building techniques. It is a low-cost building, well planned and does not need any air-conditioning. Hostel accommodation is on the first floor of the building. NGO representatives from Sindh, Punjab and NWFP receive training on mechanisms and models used by OPP.
- **Family Welfare Cooperative Society (FWCS) Working Women's Hostel:** USAID/Pakistan provided a grant to the Family Welfare Cooperative Society for construction of a working women's hostel in Lahore. The two storey hostel, part of the existing community center complex at the FWCS headquarters, is within walking distance of government offices and other institutions in the area. Previously there was no suitable accommodation available for single women in this area. The grant funded construction, furnishings and recurrent costs for the first three years of its operation. Soon after its completion, the hostel was fully occupied and all of its recurrent costs are now being paid out of the fees charged to the occupants.

E. Other General Purpose Activities

- **Parliamentary Development Project (PDP):** The Asia Foundation (TAF) received PDIF support to strengthen democratic institutions in Pakistan. PDP was designed to achieve its purpose through a combination of human resource development initiatives and institutional and technical development activities which would lead to (a) substantial improvements in legislative members' ability to conduct business in a manner commensurate with internationally established norms of parliamentary procedure; (b) the establishment of mechanisms which would allow for effective management of the institutional resources, human and material, with respect to both administrative and legislative procedures and practices; and (c) the establishment of the means for inquiring members to be provided with relevant legislative information and support services to facilitate their active participation in floor debates and committee deliberations. Initial funding was for a Need Assessment Study. Based on the study findings, grant financed procurement of computer hardware and related bilingual application software and imparted training to staff of the Pakistan Senate and National Assembly at Islamabad and four Provincial Assemblies in Lahore, Peshawar, Quetta and Karachi.

- **Federal Judicial Academy, Islamabad:** The Asia Foundation (TAF) was awarded a grant to support the Government of Pakistan in establishing a Federal Judicial Academy in Islamabad under the Ministry of Justice. This project was primarily directed at human resource development. Activities included U.S. observational tours for key Ministry of Justice personnel involved in the design and start-up of the Academy, initial training and continuing education for judges, training of trainers, and national and regional seminars and conferences. The Academy provided a forum for the dissemination of judicial research on a variety of relevant topics. A judicial information center with a small library was also established.

- **Microenterprise TOT Workshop for Women :** PDIF funded the Entrepreneurship and Career Institute (ECI) to conduct three Training of Trainers Workshops for women on microenterprise development. This was an eight-week intensive training program with the prime focus being to help NGOs, GOs and private sector representatives learn the key concepts of microenterprise development and how to impart their concepts to women at the grassroots level. The program focussed, in the first stage on entrepreneurial potential, linkages with support organizations and business opportunities; then helped the trained entrepreneurs secure relevant technical training and credit in the second stage. The final stage of the training program put theory to use and also helped participants develop confidence in conducting small businesses on their own. The outcome of these workshops were seventy five women certified as microenterprise trainers and ninety women from the grassroots levels given entrepreneurial training.

- **Financing Development in the 1990s:** In its efforts to help the GOP seek ways to improve access to high quality economic analysis, USAID, at the request of GOP, financed a visit to Pakistan by Professor Gustav Papanek in early 1990, who was asked to advise both on economic strategy and on the GOP's structure for economic policy analysis. Professor Papanek recommended establishing a new structure within the GOP that would attract the participation of first-class Pakistani economists now working overseas. In line with these recommendations, USAID financed the Lahore University of Management Sciences (LUMS) to host a conference of Pakistani economists from within and outside of Pakistan on the subject of "Financing Development in the 1990s." The idea for this conference grew out of the U.S.-based-Pakistani economists' desire to retain their contacts with the economists working inside Pakistan, a view expressed in a similar conference held in early 1980s in the United States. Those who participated in the earlier conference felt that such a conference held in Pakistan would bring back U.S.-based-Pakistani economists. This conference enabled the best and widest range of Pakistani economists' thinking on economic strategy for the 1990s to be brought to Pakistan and enhanced the opportunities for public participation in GOP policy discussions.
- **Private Investment Expansion Pre-Program Costs:** In its fifth meeting held in January 1989, the United States and Pakistan Joint Economic and Cultural Affairs Subcommission agreed that the development of private initiatives was essential to Pakistan's potential for sustained rapid growth in employment and income. It agreed in principle that a collaborative effort between USAID and the GOP to support private investment be developed. In response, a Private Investment Expansion (PIE) Program was designed to supplement existing activities and to address the majority of constraints that confront private investment in Pakistan. Several studies such as the study on stock exchanges, study on capital markets, study on investment promotion and several short-term training and investment promotion site visits were conducted for this purpose with PDIF funds.
- **Social Action Program (SAP) Support:** USAID awarded a grant out of the PDIF Project to partially finance the operational costs for the Government of Pakistan's Social Action Program (SAP). Multi-Donor Support Unit (MSU)-SAP is an umbrella program designed to increase attention to and resources for the social sectors (basic education, family planning, primary health, rural water supply and sanitation) and to encourage an integrated approach to delivery of services in these sectors. The function of the MSU is to strengthen the institutional capacity of the GOP to establish priorities at the policy, budgetary and administrative levels and to resolve implementation bottlenecks, thus increasing the impact of the development projects. It also assists the GOP to develop a policy framework and implementation strategy for the social sectors, within which particular projects can be developed. USAID's support to MSU's operational costs greatly assisted in ensuring sustainability of the programs initiated under the USAID's Primary Education

Development and Child Survival Projects. It also provided us a continuing voice in the SAP consultative group after our project support had ended.

- **Observer Team for 1990 Elections:** A PDIF grant was made to the National Democratic Institute (NDI) for International Affairs, Washington, to provide an international observers delegation to monitor the October 1990 general elections in Pakistan and report to what extent they were free and fair. The project was jointly funded by Mission and USAID/Washington. The delegation evaluated the elections in three phases: (1) pre-election preparations and campaign environment; (2) balloting and counting process; and (3) post-election reviews of the formation of the new government and the complaints filed before the Election Commission. As a follow-up activity, AID/Washington awarded another grant to NDI in 1992 to propose a series of recommendations designed to strengthen Pakistan's democratization process.

VII. LESSONS LEARNED

- A. The renewed USAID Program in Pakistan in 1980s would not have taken off without the flexible funding mechanism provided to the Mission by the PDIF Project.**

In early 1980s both the Governments of the United States and Pakistan decided to make renewed efforts for strengthening the economic and development cooperation between the two countries. PDIF Project's funding was the only available financial resource within the Mission which could be counted upon to assist other portfolio projects at different stages - from initial studies and surveys through the project close-outs. Initially, several sectoral and cross-sectoral studies, statistical analyses and surveys were financed under this Project to explore potential areas for USAID assistance. As discussed above, these studies and surveys resulted in the designing of over 25 huge and complex portfolio projects. PDIF Project funds were utilized for financing project design activities of all these projects. Then, during the life of these projects, PDIF Project funds were used to provide implementation support, such as technical assistance etc. At the close-out stage, PDIF Project funds were used to provide bridge-funding for those on-going activities which were initially funded under other closed projects. This project served the USAID/Pakistan Program as a PD&S Fund but with greater flexibility and access as compared with the availability of PD&S Funds. The USAID/Pakistan Mission's successful experience recommends having such funding mechanism for other Programs as well.

- B. The technical assistance financed by the PDIF Project made it possible for the Mission's technical and support offices to utilize the services of a number of consultants and experts at a very low cost and with a quick turn-around time.**

The PDIF Project provided valuable assistance to Mission's technical and support offices by financing the services of a number of expatriate consultants and advisors whose expertise was needed for the implementation of different portfolio projects and specific short-term tasks. Without the contributions of a number of these consultants and experts in a variety of capacities, the Mission would not have been able to accomplish its planned objectives. Likewise, the PDIF Project funds were also used for hiring a number of short-term U.S. dependent employees for the accomplishment of brief assignments. This option proved to be much cheaper than the expenses incurred in having TDYers or USDHs for such brief assignments.

- C. The process of obtaining concurrence of the counterpart host country agency for the use of PDIF financial resources was very time-consuming.**

Per arrangements made with the counterpart host country agency -- Economic Affairs Division (EAD) -- USAID was required to submit a request for their concurrence on each planned usage of PDIF Project's financial resources. Due to lethargic attitude of the EAD and the bureaucratic line-of-command in the Government of Pakistan organizations, it normally took them three to four months to accord their approvals, and that too, after repeated follow-ups. USAID has experienced that in some cases the approval process took more time than the total duration of a planned activity itself. Their side of the story is that the Section Officer initiates the approval process and is required to rout it to the Secretary through the Deputy Secretary, Joint Secretary and Additional Secretary. The paperwork flows back to the Section Officer in the same channel causing inordinate delays in case anyone of these officials is preoccupied or is not available. This problem gets worst if another Government ministry or a semi-autonomous organization is involved in a specific planned activity. In early 1992, USAID imposed a unilateral deadline by telling EAD that if they did not respond within seven days from the date of receipt of the request, USAID would assume that EAD had no objection to our planned usage of the PDIF Project funds. EAD immediately countered this by responding before the expiry of the above seven days deadline that the matter was under active consideration and USAID would be informed as soon as a decision was made.

A possible solution to overcome the above situation would have been the possibility of obtaining blanket approvals rather than seeking approval for each planned activity. The blanket approvals could have covered a broader range of activities such as studies, project design, technical support, procurement, bridge-funding and financial and/or close-out audits. The Mission could have agreed to send the GOP a periodic status report on how funds under the above range of activities were spent. This

option was successfully tried in August 1994 when the Mission was able to obtain EAD's blanket approval for allocation of \$100,000 to conduct close-out audits of contracts, cooperative agreements and grants to be identified later.

Additionally, a minimum "threshold" should have been established and agreed upon with the EAD so that the requests above that threshold only be submitted to the EAD for their approval. Due to the absence of such a minimum threshold, USAID was required to make requests for allocation of even a few hundred dollars and wait for several months for such approvals. The establishment of such a minimum threshold could have greatly reduced the number of requests made to the GOP.

- D. The "End-Use" check of the commodities procured and delivered to different GOP entities should have been carried out soon after these commodities were delivered and installed there.**

PDIF funds were utilized to procure office equipment and other commodities for several GOP ministries/agencies, including EAD. Carrying out end-use check of the PDIF Project-funded commodities three-four years after procurement and delivery of such commodities to a number of GOP entities proved to be a very onerous task. The Mission had to make all-out efforts to complete these end-use checks due to the planned closure of the USAID Mission in Pakistan. It proved to be a very massive exercise to dig out three-four year old records to trace the delivery of commodities and reconcile it with the GOP entities. The end-use checks should have been carried out as soon as the commodities were delivered and installed at the beneficiary organizations.

- E. Disbursement of the entire amount of grant as an "advance" to a grantee without any leverage should be avoided.**

Making advance payments to a grantee without any leverage proved to be a very bad experience for the USAID Mission. A grant of Pak Rupees 1.6 million was awarded to a local NGO (APWA) for furnishing an auditorium building previously built with USAID financial assistance. The entire amount of the grant was paid to the grantee as "advance". When USAID conducted a financial audit after the termination of this grant, it transpired that their bank account, separately maintained for this grant, showed an unexpended advance balance of about One Million Rupees as of June 30, 1994 which was the termination date for this grant. According to the terms of the grant agreement, USAID demanded return of the above unspent advance amount but were informed that this amount had been spent during the period of July through December, 1994. When they were told that they could not spend USAID money after the termination of their grant, the NGO filed a request for extension of the grant termination date. They requested USAID that either USAID should extend their grant or wait for an indefinite period until APWA could find another donor to refund

the unspent advance amount to USAID. With the planned closure of the USAID Program and without any chances of recovery from this NGO, the Mission had no option but to extend their grant until December 31, 1994 to regularize their expenditures for the July through December period.

F. Better coordination with the technical offices using PDIF Project funds would have resulted in much better monitoring of the completion of planned activities.

Over the Life-Of-Project, it was observed that there was not much coordination between the technical and support offices utilizing PDIF financial resources and the Program Office which managed the PDIF Project. It appears that the Program Office's role used to end as soon as funds for a planned activity were allocated. The "activity" offices did not send any information to the Program Office as to whether a planned activity for which PDIF Project funds were allocated, was successfully completed or even cancelled. It is recommended that Programs enjoying the benefits of an "enabling" project such as the PDIF Project, make clear the roles and responsibilities of all involved offices. The "allocating" office should manage the project and monitor its activities; and the "activity" offices should be required to report progress regularly and to submit a final report as soon as an activity is successfully completed.

VIII. SUSTAINABILITY

As is evident by its name, the PDIF Project was a "FUND" which provided support to the other Mission portfolio projects to finance project design, technical support and implementation activities. Except for a few direct grants awarded under its NGO and technical assistance components, all other PDIF-funded activities were carried out in support of other portfolio projects and not as independent projects or tasks. Therefore, while the PDIF Project's valuable contributions to other projects cannot be ignored, it is not possible to comment here on their sustainability. However, the question of sustainability of other portfolio projects has been discussed separately in each project's PACRs. The sustainability of selected activities carried out independently with PDIF funds under its NGO and technical assistance components is briefly discussed below:

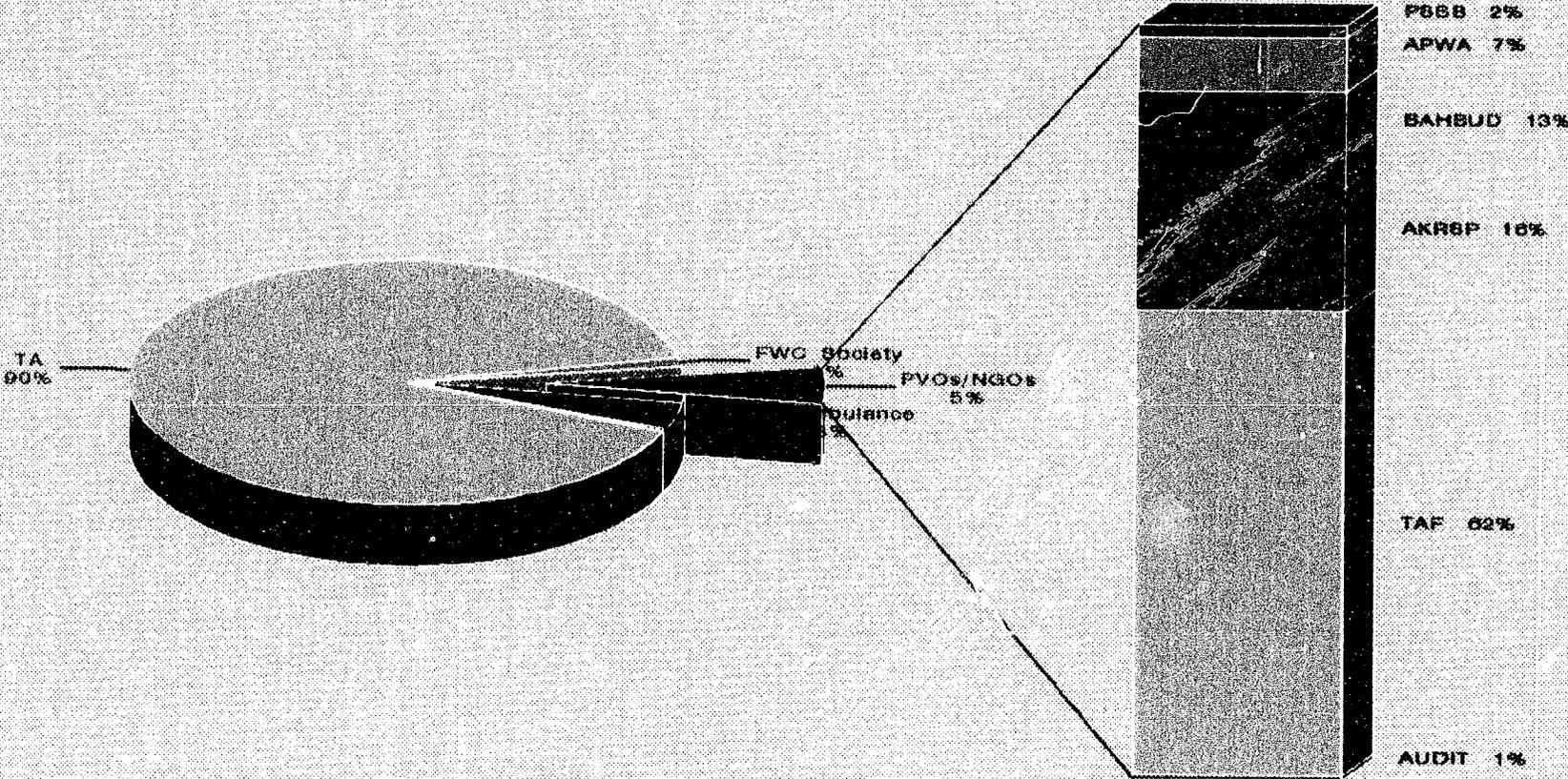
- **APWA's Zeenat Auditorium:** As discussed above, USAID had granted funds for the construction of this auditorium and an additional grant for its furnishing. This is now a multi-purpose auditorium which will not only host APWA's own functions but will also be available to other customers on payment of a reasonable amount of rent. The funds so generated will help meet the operational cost of APWA's different programs and the maintenance costs of this auditorium. In addition to several projects planned for activities targeted for women, APWA is also running a

girls college within its own premises. It is expected that this facility will eventually become self-supportive.

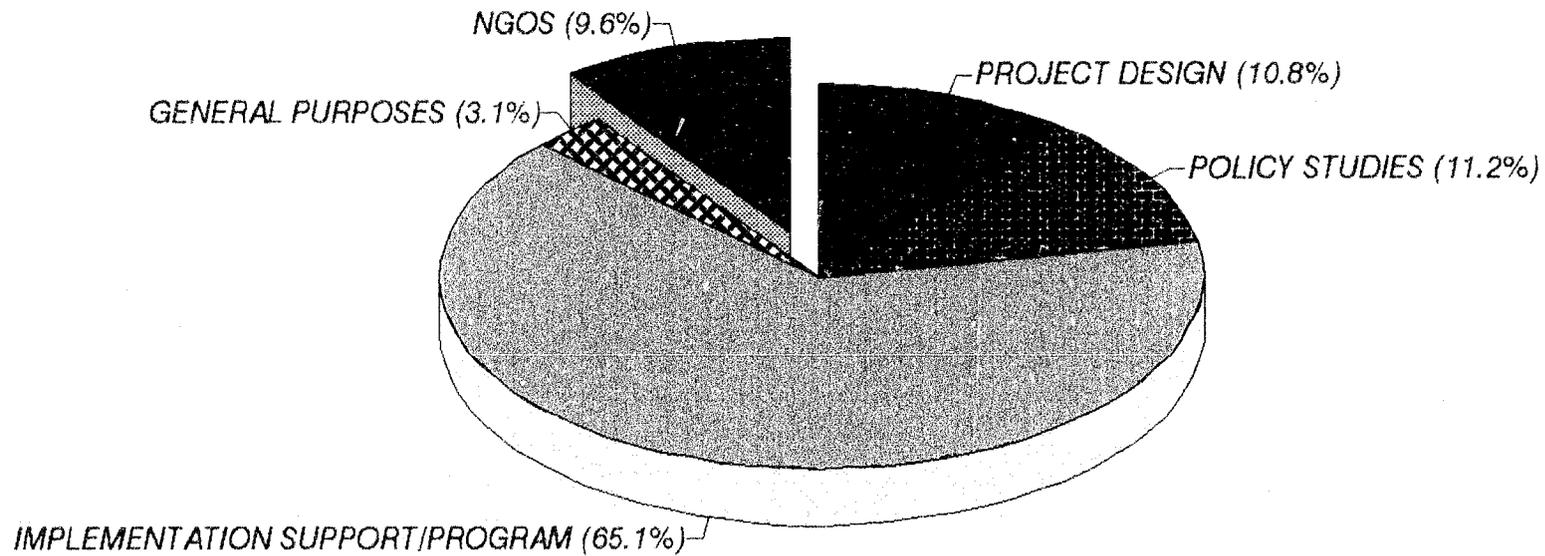
- **Working Women's Hostel:** The Working Women's Hostel, constructed by the Family Welfare Cooperative Society at Lahore with USAID financial assistance, has proved to be a valuable community center in that area. A large number of single working women are living in this facility which is located within a walking distance of various government offices. The entire recurrent costs are being paid out of the fees charged to the occupants of this facility.
- **Air Ambulance Service:** USAID had awarded a grant to The Edhi Foundation for purchasing a helicopter and its spare parts and its ground support equipment. This helicopter has helped the Foundation to evacuate seriously injured persons from the sites of road accidents and from areas affected by natural calamities such as flood, earthquake, bomb blasts and fires. The helicopter is also used for inter-hospital transfer within of serious patients within cities. The Edhi Foundation is a charitable organization. It receives charities and donations from all over the country and is able to support the operational and maintenance costs associated with this air ambulance service from this income.
- **Behbud Association of Pakistan (Behbud):** Behbud is a multi-functional organization engaged in the development of women and children by providing support in the fields of education, health, community development, population, legal aid and income generation activities. With USAID's financial assistance, Behbud was able to construct its office buildings at five different locations in Pakistan to replace rental facilities. The construction of these office buildings has resulted in a substantial saving for Behbud which it now uses for program activities.
- **Parliamentary Development Project:** Under an operational grant awarded to The Asia Foundation for strengthening democratic institutions in Pakistan, computer equipments and related software programs were provided to the Pakistan Senate, National Assembly and the four Provincial Assemblies which are now fully automated. The staff has received proper training organized by TAF and these Institutions have made commitments to keep some money in their annual budgets for the maintenance of these equipments. Their libraries are now well organized and are being used by their members. The National Assembly and the Senate have already started issuing Newsletters and their Directory of Members. The computer equipment provided by USAID is upgradeable, and when the time comes to upgrade these machines, the Assemblies can do so by using their own funds. USAID's contribution in the automation of the Senate, National Assembly and the four Provincial Assemblies is tremendous.

PDIF PROJECT # 391-0470

OBLIGATIONS BY COMPONENTS



PDIF PROJECT # 391-0470
BREAKDOWN OF FUNDS BY ACTIVITIES



MISSION ORDER

ORDER NO: PAK-3-8
DATE: September 14, 1993
SUPERSEDES: PAK-3-8, 02/28/90

SUBJECT: Management and use of PDIF (391-0470) and Technical Services and Support Project (306-0200) Resources

AUTHORITY: AID Handbook 3, Chapters 9 and 11
AID Handbook 19, Chapter 11 (B) 3

I. PURPOSE

This Mission Order provides USAID guidance on the utilization, management, and approval of Project Design and Implementation Fund (PDIF) and Technical Services & Support (TSSP) resources, under the technical and related assistance component of the subject Project. It does not apply to the NGO/PVO (Grants) component of the subject Projects. The PDIF is managed by the Office of Portfolio Operations (O/PO), with individual activities supervised by the relevant technical offices. The intent of this guidance is to help assure that these resources are used to the fullest extent possible in meeting Government of Pakistan (GOP) and Mission implementation needs, in accordance with the Project Authorization and relevant Agency regulations.

It also applies to the Technical Services and Support Project (TSSP), which supports a broad range of technical assistance (TA), logistic support, design, evaluation, studies and specific grants and analyses required to plan, to manage and to evaluate the Afghanistan Assistance Program, including funding for independent monitoring and data collection, audits and financial analyses of Program and Project activities. The TSSP is also managed by the O/PO. Individual activities are supervised by the relevant technical offices of the Mission.

II. APPLICABLE USES OF FUNDS

A. PDIF

In determining allocation of PDIF resources, O/PO will analyze requests, and funds will be allocated in one of the following categories. In general, preference will be given to funding short-term activities, i.e., less than one year. Requests rejected by the O/PO can be appealed by the Chief of the requesting office to the Deputy Mission Director.

1. Project Design (PD)

This category includes project development, feasibility studies, operations research and pilot testing of hypotheses leading to final project design, e.g. project identification documents, project papers, PC-1s, etc. This category was deleted with the Action Memorandum for the Administrator approved April 12, 1991, hence project design funds are not available under the PDIF.

2. Policy Studies (PS)

This category includes Country Development Strategy Statement (CDSS)-related studies and sector assessments and studies to facilitate GOP review of policies critical to the success of certain sector programs. Priority will be given to development of program performance measurement systems. Priority will also be given to studies which enhance policy dialogue efforts or sharpen understanding of technical or institutional constraints.

3. Implementation Support/Program (IS/P)

This category includes:

- a. Helping the GOP improve performance in the areas of program planning, budgeting, project approval, and project monitoring. PDIF could also be used in direct support of GOP ministries/institutions to facilitate implementation of development projects other than those funded by AID. Since implementation takes place in the field, emphasis may also be given to the implementing organizations, not just to Planning, Economic Affairs Division (EAD) and other GOP ministries.
- b. Evaluation and financial management/audit activities not otherwise budgeted. This may include the development of program/project monitoring and accounting systems, data collection and evaluation systems, and audit work not otherwise provided. However, it should be noted that all project papers must include plans and financing for evaluation; should include financing for monitoring, data collection and evaluation systems as necessary; and should also address the question of adequate audit coverage. Requests for evaluation-related PDIF resources must be consistent with annual evaluation plans.

- c. Augmenting (usually only on a short-term basis) the Mission's capability to implement the Pakistan project portfolio. Eligible activities include the hiring of consultants in critical across-the-board areas such as commodity procurement, contracting, and engineering to accelerate implementation of the portfolio and pipeline drawdown. However, offices requesting PDIF resources must be mindful of the need to limit and describe the services involved, to those which can be appropriately funded with project monies and which can be related essentially to assistance to the GOP. The costs for personnel serving two projects should normally be prorated between such projects, rather than being charged to PDIF, where the duties of the personnel fall clearly within the scopes of the projects.

4. General Purpose (GP)

This category includes GP activities such as seminars, workshops, program/sector/project-related information and publicity, and special economic or statistical surveys that cannot be funded under specific projects. Bridge-funding between terminating and follow-on projects is also eligible under this category. Clearly defined pre-project implementation activities (e.g., between AID project paper approval and GOP PC-1 approval) are also eligible for financing.

- B. TSSP

1. Studies and Evaluations

Recent studies and evaluations carried out under TSSP include: an assessment of flood damage to the Helmand Valley irrigation system, a wage and salary survey inside Afghanistan, and evaluations of the Education Sector Support, Private Voluntary Organization (PVO) Support and Agriculture Sector Support Projects. TSSP has also financed design and re-design efforts in all program sectors of the portfolio.

2. Technical Assistance (TA)

This category covers the procurement of short-term and long-term professional and administrative support staff needed for the implementation support of Afghanistan projects. In the absence of a bilateral agreement, for the relatively large amount of AID assistance going to Afghanistan, O/PO relies heavily on local hire and US PSC staff financed through

TSSP. Short-term US PSC technical assistance has helped improve grantee financial management systems and evaluate programs benefitting Afghan women.

3. Procurements for Design and Initial Implementation

TSSP's authorization allows financing of inputs or initial implementation to relieve critical constraints to the solution of technical planning.

4. Pre-Project Activities

TSSP provides pre-project seed money to establish relationships between the Mission and other institutions and agencies, to finance a number of pre-project activities such as prefeasibility and feasibility studies and consultancy services.

5. Contribution to Strategy Development

The AAM authorizes financing teams of specialists required to assist the O/PO office with the development of program strategies and all other related activities under this project.

6. Training

TSSP was designed and authorized to provide funds for training activities considered necessary for the effective development and implementation of discrete Cross Border Humanitarian Assistance projects.

7. Specific Grants

This component of the TSSP includes grants to upgrade capabilities of selected Afghan organizations and institutions and for other specific purposes. Recent examples of such grants are: grants to Agency Coordination Body for Afghanistan Reconstruction (ACBAR) for PVO coordination, wages/benefits survey; a grant to IOM for Professional Afghans Registry and a planned HB13 grant to UNOCHA to forward fund the operations of Mine Dog Center.

8. Logistic Support

Annex operations in support of the Afghan Program in Islamabad, Quetta and Peshawar are financed under TSSP. These funds are used to cover the

cost of leases for these facilities as well as equipment, supplies and utilities required for the operations.

9. Monitoring and Data Collection

In 1988, an independent monitoring unit was established with financing under TSSP. The unit which serves the Mission's informational needs is managed by a US PSC and is made up of teams of Afghan data collectors, analysts and monitors who make periodic trips inside Afghanistan to update the Afghan Program data base and verify presence of Program-funded facilities and services. The unit also processes and reports contextual data about Afghanistan in list and map format, and is the locus of program baseline data and program performance indicators.

III. SCOPE OF ACTIVITIES AND LIMITATIONS

A. Service Contractors

1. PDIF and TSSP resources may be used to finance PSCs if the scope of work is clearly related to one of the categories identified above. PDIF PSCs will normally be for a period of less than one year. TSSP funded PSCs are not subject to this limitation. However, ordinary technical assistance requirements should be built into sector-specific projects.
2. PDIF and TSSP resources (like other program funds and OE funds) may not be used to finance contract employees and PSCs to perform duties and responsibilities reserved for USDH employees. AIDAR specifies that PSCs may be used for governmental functions except:
 - a) Supervising USDH employees;
 - b) Negotiating on behalf of the USG with foreign governments and public international organizations;
 - c) Entering into agreements on behalf of the USG; and
 - d) Making decisions involving governmental functions such as planning, budgeting, programming, and administration.

B. Commodity Procurement

PDIF funds may not be used to finance commodity procurement, except in support of improved performance in program planning, budgeting, project approval, and project planning, as detailed in II. A.3.a above. TSSP funds may not be used to finance commodity procurement except to finance procurement of equipment and commodities needed for the design and initial implementation of cross-border activities and in support of logistic operations and monitoring & data collection in II. B.3 & 4 above. Incidental procurement of expendable items in connection with procurement of services otherwise permissible under this guidance, is permitted.

IV. THE PROCESS FOR ALLOCATING AND UTILIZING RESOURCES

The following procedures will be employed for the development and approval of a request to use PDIF and TSSP funds. The procedures are considered simple, practicable, and necessary to ensure the best allocation of limited resources.

A. Estimates of Needs

Mission Offices will be asked periodically to estimate their PDIF or TSSP needs. O/PO will prioritize these requests (any issues regarding prioritization will be referred to higher levels of management, as appropriate) and budget PDIF and TSSP funds for priority activities.

B. Requests For and Approval of Funds

In order to actually tap PDIF and TSSP resources, the requesting office must submit, through the respective Project Officer and cleared by Regional Legal Advisor (RLA) and Office of Financial Management (OFM), (budget and concept review as relates to financial matters), an action memorandum for approval of the Chief, O/PO, requesting PDIF or TSSP funding for the specific purpose.

In case of requests originating with the GOP or when the Mission decides to use PDIF in response to a general funding request from the GOP, the technical office (for that activity) should initiate the action memorandum to tap the PDIF resources.

The memorandum for use of either fund should include, at a minimum, the following:

1. Background;
2. Indication of category which pertains to the activity requested (see paragraph II above);
3. Implementing office of the GOP or USAID and the designation/name of the responsible officials in USAID and GOP if PDIF monies are requested;
4. Purpose and justification for the necessity of the proposed activity, including an estimate of the consequences of the proposed activity not being implemented;
5. Justification as to why project funds, instead of PDIF or TSSP, cannot be used to fund the proposed activity, if such activity is related to any ongoing project(s);
6. Estimated beginning and ending dates of the activity;
7. Detailed Budget;
8. Recommendations; and,
9. Approval/Disapproval block for Chief, O/PO.

Any additional information may also be provided to support particular requirements of the requesting office. PDIF or TSSP funding requests which do not provide adequate and appropriate information, as outlined above, will be returned to the originating office to be reworked.

C. EAD Concurrence for PDIF Funds

After approval of the action memorandum by the Chief, O/PO, the PDIF Project Officer will seek concurrence of the GOP's Economic Affairs Division (EAD) to use PDIF resources for the proposed activity. Please note that it cannot be

assumed that a request to use PDIF will automatically be approved by EAD. EAD is examining such requests carefully, and the Mission must ensure that the justifications it advances are adequate.

D. Notification of Approval

Once approved/disapproved, the original action memorandum will be retained in O/PO and a copy returned to the originating office. Copies of approved memoranda will also be sent by O/PO to OFM.

In all cases of approved requests, an approval number will be assigned by the PDIF or TSSP Project Officer. This number will be indicated on the copies of the action memorandum which are returned to the originating office and sent to OFM. These offices must indicate that approval number in all subsequent related documents, such as PIOS.

E. Earmarking/Committing Funds

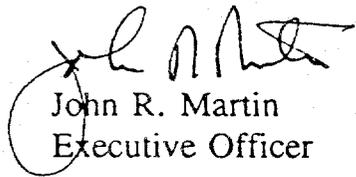
On the basis of the approved funding for an activity, the implementing office should prepare a PIO for all subsequent earmarking(s). However, a Purchase Order can serve as the earmarking and commitment document if the amount involved is not more than \$5,000. PIO, contracts, and other implementing documentation should not be sent to O/PO unless they are the implementing office for a specific activity.

F. Monitoring Implementation

The requesting/implementing office should maintain a complete record of the progress of each approved activity. It is the responsibility of each Officer managing an activity, to provide O/PO with actual disbursements and estimates of accrued expenditures at the end of each fiscal quarter. O/PO will then aggregate these estimates to report accruals to OFM for the PDIF and TSSP Projects as a whole. This will also help O/PO to track the implementation of each approved activity.

V. ACTION

All offices must refer to this guidance when requesting PDIF or TSSP funding approvals. By so doing, we should be able to avoid misunderstandings or delays in funding necessary activities.



John R. Martin
Executive Officer

Distribution:
All Offices, All Posts
Pakistan Desk, AID/W