

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Peter B. *Edom*

SUBJECT: Haiti - Approval and Authorization of the Emergency Economic Recovery Program (521-0242)

Action Requested

Your approval is requested to authorize \$8 million in ESF funds for the Haiti Emergency Economic Recovery Program (521-0242).

Program Description

In March 1993, President Clinton pledged that the U.S. would exercise a leadership role in mobilizing \$1 billion in assistance resources over the next five years to promote economic and social development in Haiti. The largest share of this assistance is to be provided by the three IFIs, however, such resource flows must await the clearance of IFI arrears accumulated by Haiti since the *coup d'etat* in September, 1991. At the end of FY 1993, such arrears will amount to \$45.6 million. Since the three IFIs, along with the U.S., can be expected to provide the largest levels of assistance in support of Haiti's macroeconomic recovery program, the clearance of their arrears and the consequent reactivation of their disbursements to Haiti are of the highest priority.

The \$8 million to be provided under this program (and the \$1.8 million of previously obligated but undisbursed ESF funds in frozen accounts) will contribute to the efforts of the multi-donor support group to clear IFI arrears and will be an initial demonstration of the U.S.' commitment to follow through on the President's pledge.

Discussion

A DAEC review of the PAAD was held on August 27, 1993. The Emergency Economic Recovery Program was approved at a funding level of \$8 million, to be obligated and disbursed in one tranche.

The review committee endorsed the PAAD's recommendation that no policy conditions precedent to disbursement be attached to the Program, essentially due to the overwhelming necessity to move quickly to engage the IFIs by immediate clearance of GOH arrears.

The DAEC committee agreed that the requirement of a GOH contribution of its own funds to IFI projects serves as an extra measure of control on the use of counterpart funds as well as a sign of GOH commitment to the IFI projects. In order to minimize USAID management burden and vulnerability in the use/tracking of local currency funds, it was decided that disbursement will be

made directly into IFI counterpart accounts. The Mission will explore the accountability and management requirements associated with establishing an IFI counterpart account. If these costs are more than the Mission can reasonably take on, then the Mission may, upon consultation with AID/W, opt to not generate local currency under the program.

While the DAEC committee did not approve a figure for the required GOH contribution of funds towards the clearance of IFI arrears, it was agreed that the covenant (referenced on page 31 of the PAAD) which would require GOH provision of "no less than an equal amount of its own resources" be re-phrased to require a "significant" GOH contribution. This re-wording would make the requirement compatible with negotiation language being used by Treasury.

Congressional Notification

A CN for the Haiti Emergency Economic Recovery Program was sent to the Hill on August 4 of this year. A hold placed by the Senate Appropriations Committee was lifted on September 3, 1993. Obligation of funds will take place following authorization and apportionment by OMB.

Environmental Threshold Decision

The Acting Environmental Coordinator for the LAC Bureau concurred with the "categorical exclusion" recommendation for this project on September 15, 1993.

Waivers

A Section 614 (a) Presidential Determination, required to expend funds under this program, in the absence of the return of constitutional government, was signed on June 25, 1993. However, a democratically-elected government returned to power on August 25, 1993, when Prime Minister Robert Malval and his cabinet were ratified.

Authority

Delegation of Authority 400, in conjunction with Interim Delegation of Authority No. 9, provides Regional Assistant Administrators the authority to authorize project and non-project assistance if the activity does not present significant policy issues and does not require the issuance of waivers that must be approved by the Administrator.

Recommendation

That by signing the attached facesheet you approve and authorize \$8 million for the Haiti Emergency Economic Recovery Program.

Attachment: PAAD - Emergency Economic Recovery (521-0242)

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Haiti Emergency Economic Recovery
PAAD (521-0242) Authorization

Clearances

LAC/DR:JHradsky	<u>(draft)</u>	Date	<u>9/3/93</u>
LAC/CAR:IButler	<u>(draft)</u>	Date	<u>9/3/93</u>
LAC/DPP:Mott	<u>(draft)</u>	Date	<u>9/6/93</u>
LAC/DPP:JStepanek	<u>(draft)</u>	Date	<u>9/8/93</u>
GC/LAC:RMeighan	<u>(draft)</u>	Date	<u>9/15/93</u>
ARA/ECP:LWilson	<u>(draft)</u>	Date	<u>9/10/93</u>
DAA/LAC:NParker	<u> </u>	Date	<u> </u>

drafted:LAC\DR\CEN&CAR\SAlexander\x79171\PAADAUTH.EER

CLASSIFICATION: UNCLASSIFIED

AID 1120-1	AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO.	521-0242
PAAD		PROGRAM ASSISTANCE APPROVAL DOCUMENT	2. COUNTRY
		3. CATEGORY	Cash Transfer
		4. DATE	
5. TO:	A/AA/LAC, William S. Rhodes	6. DVB CHANGE NO.	N/A
7. FROM:	LAC/DR, Peter Bloom	8. DVB INCREASE	None
9. APPROVAL REQUESTED FOR COMMITMENT OF:	\$ 8,000,000.00	10. APPROPRIATION -	BUDGET PLAN CODE
11. TYPE FUNDING	12. LOCAL CURRENCY ARRANGEMENT	13. ESTIMATED DELIVERY PERIOD	14. TRANSACTION ELIGIBILITY DATE
<input type="checkbox"/> LOAN <input type="checkbox"/> GRANT	<input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	FY93/94	
15. COMMODITIES FINANCED			

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only:	U.S.:
Limited F.W.:	Industrialized Countries:
Free World:	Local:
Cash: \$8,000,000.00	Other:

18. SUMMARY DESCRIPTION

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The \$8 million to be provided under this program will contribute to the efforts of the multi-donor support group to clear IFI arrears and will be an initial demonstration of the U.S.' commitment to follow through on the President's pledge.

19. CLEARANCES	20. ACTION
LAC/DR/CEN&CAR:JWall	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
LAC/DPP:JStepanek	<i>William S. Rhodes</i> 9/17/93
GC/LAC:RMeighan	AUTHORIZED SIGNATURE DATE
LAC/CAR:IMBernbaum	Acting Assistant Administrator LAC
LAC/CAR:JJohnson	TITLE
ARA/ECP:LWilson	
A/DAA/LAC:NParker	

CLASSIFICATION:

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