

PDBB0694

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <input checked="" type="checkbox"/> A	Amendment Number _____	<b>DOCUMENT CODE</b> 3
<b>2. COUNTRY/ENTITY</b> Africa Regional	<b>3. PROJECT NUMBER</b> 698-0516		
<b>4. BUREAU/OFFICE</b> Africa Market Development & Investment <input type="checkbox"/> MDI	<b>5. PROJECT TITLE (maximum 40 characters)</b> Africa Project Dev. Facility		
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 08 31 90	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY <input type="checkbox"/> 87 <input type="checkbox"/> 88 <input type="checkbox"/> 89 <input type="checkbox"/> 90 B. Quarter <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 C. Final FY <input type="checkbox"/> 87 <input type="checkbox"/> 88 <input type="checkbox"/> 89 <input checked="" type="checkbox"/> 90		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( 700 )	(        )	( 700 )	(2,100 )	(        )	(2,100 )
(Loan)	(        )	(        )	(        )	(        )	(        )	(        )
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)				14,600		14,600
<b>TOTALS</b>				16,700		16,700

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	771R	840				700		700	
(2) DFA	771R	840				1,400		1,400	
(3)									
(4)									
<b>TOTALS</b>						2,100		2,100	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 830                      910	<b>11. SECONDARY PURPOSE CODE</b>  
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code                      _____ B. Amount                    _____	

**13. PROJECT PURPOSE (maximum 480 characters)**

To establish the Africa Project Development Facility for identifying promising new investment opportunities in Sub-Saharan Africa and assisting in preparing such investments for financing.

<b>14. SCHEDULED EVALUATIONS</b> Interim    MM YY    MM YY    Final    MM YY 0 18 9                0 6 9 0	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) <u>apply</u>
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

<b>17. APPROVED BY</b>	Signature:  Title: Associate Assistant Admin, AFR/MDI	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY 0 7 0 9 8 7
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## INSTRUCTIONS

The approved Project Data Sheet summarizes basic data on the project and must provide reliable data for entry into the Country Program Data Bank (CPDB). As a general rule blocks 1 thru 16 are to be completed by the originating office or bureau. It is the responsibility of the reviewing bureau to assume that whenever the original Project Data Sheet is revised, the Project Data Sheet conforms to the revision.

Block 1 - Enter the appropriate letter code in the box, if a change, indicate the Amendment Number.

Block 2 - Enter the name of the Country, Regional or other Entity.

Block 3 - Enter the Project Number assigned by the field mission or an AID/W bureau.

Block 4 - Enter the sponsoring Bureau/Office Symbol and Code. (See Handbook 3, Appendix 5A, Table 1, Page 1 for guidance.)

Block 5 - Enter the Project Title (stay within brackets; limit to 40 characters).

Block 6 - Enter the Estimated Project Assistance Completion Date. (See AIDTO Circular A-24 dated 1/26/78, paragraph C, Page 2.)

Block 7A. - Enter the FY for the first obligation of AID funds for the project.

Block 7B. - Enter the quarter of FY for the first AID funds obligation.

Block 7C. - Enter the FY for the last AID funds obligations.

Block 8 - Enter the amounts from the 'Summary Cost Estimates' and 'Financial Table' of the Project Data Sheet.

NOTE: The L/C column must show the estimated U.S. dollars to be used for the financing of local costs by AID on the lines corresponding to AID.

Block 9 - Enter the amounts and details from the Project Data Sheet section reflecting the estimated rate of use of AID funds.

Block 9A. - Use the Alpha Code. (See Handbook 3, Appendix 5A, Table 2, Page 2 for guidance.)

Blocks 9B., C1. & C2. - See Handbook 3, Appendix 5B for guidance. The total of columns 1 and 2 of F must equal the AID appropriated funds total of 8G.

Blocks 10 and 11 - See Handbook 3, Appendix 5B for guidance.

Block 12 - Enter the codes and amounts attributable to each concern for Life of Project. (See Handbook 3, Appendix 5B, Attachment C for coding.)

Block 13 - Enter the Project Purpose as it appears in the approved PJD Facesheet, or as modified during the project development and reflected in the Project Data Sheet.

Block 14 - Enter the evaluation(s) scheduled in this section.

Block 15 - Enter the information related to the procurement taken from the appropriate section of the Project Data Sheet.

Block 16 - This block is to be used with requests for the amendment of a project.

Block 17 - This block is to be signed and dated by the Authorizing Official of the originating office. The Project Data Sheet will not be reviewed if this Data Sheet is not signed and dated. Do not initial.

Block 18 - This date is to be provided by the office or bureau responsible for the processing of the document covered by this Data Sheet.

# BEST AVAILABLE DOCUMENT

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## THE AFRICA PROJECT DEVELOPMENT FACILITY

### Acronyms and Initials

ACP	African, Caribbean and Pacific States
ADB	African Development Bank
AID	(see USAID)
APDF	Africa Project Development Facility
BADEA	Banque Arabe pour le Développement Economique en Afrique
BDEAC	Central Bank of Equatorial African States and Cameroon
BOAD	West African Development Bank
CCCE/PROPARCO	Caisse Centrale de Cooperation Economique
CDB	Caribbean Development Bank
CDC	Commonwealth Development Corporation
CDCC	Caribbean Development and Co-operation Committee
CDI	Center for the Development of Industry
CIDA	Canadian International Development Agency
DEG	German Finance Company for Investments in Developing Countries
EADB	East African Development Bank
ECA	United Nations Economic Commission for Africa
EEC	European Economic Community
FINNFUND	Finnish Fund for Industrial Development Cooperation, Ltd.
FMO	Netherlands Finance Company for Developing Countries
GNP	Gross National Product
IADB	Inter-American Development Bank
IESC	International Executive Service Corp.
IFC	International Finance Corporation
IFU	Industrialization Fund for Developing Countries (Denmark)
OECD	Overseas Economic Cooperation Fund (Japan)
OPEC	Organization of Petroleum Export Countries
NORAD	Norwegian Agency for Development
SAL	Structural Adjustment Lending
SBI	Société Belge d'Investissement
SMSE	Small- and Medium-sized Enterprises
SWEDFUND	Swedish Fund for Developing Nations
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development

## I. LEGAL CONTEXT

1.1 The countries listed in (a) and (b) below are expected to participate to the extent that the project is concerned with the development of their territories and/or that activities related to the project are carried out in their territories. Their relationship with the UNDP and the Executing Agency will be governed by the Project Document and the documents listed below:

(a) This Project Document shall be the instrument (therein referred to as the Plan of Operation) envisaged in Article 1, paragraph 2 of the Agreements between the United Nations Special Fund and each of the countries listed below, which was entered into on the dates set opposite their respective names. For these states, which have not signed the new basic agreement with the UNDP, the legal framework for this project is set forth in Part V of this Project Document.

<u>Country</u>	<u>Date of Signature</u>
Cameroon, United Rep. of	13 June 1961
Ivory Coast	29 August 1961
Kenya	1 October 1964
Madagascar	5 January 1962
Nigeria	10 February 1961
Senegal	16 December 1961

(b) This Project Document shall be the instrument envisaged in Article 1, paragraph 1, of the Standard Basic Assistance Agreement between the UNDP and each of the countries listed below, which entered into the aforementioned agreements on the dates set opposite their respective names. For the purposes of the Standard Basic Agreement entered into by each country, reference to the respective Government Implementing Agency shall be deemed to be a reference to the Government Cooperating Agency described in that Agreement.

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<u>Country</u>	<u>Date of Signature</u>
Angola, People's Rep. of	18 February 1977
Benin, People's Rep. of	18 January 1974
Botswana	14 May 1975
Burundi	20 November 1975
Cape Verde, Rep. of	31 January 1976
Central African republic	21 August 1976
Chad, Republic of	14 October 1977
Comoros	27 January 1976
Congo, People's Rep. of the	23 October 1976
Djibouti	5 October 1979
Equatorial Guinea	12 October 1976
Ethiopia	26 February 1981
Gabon	11 November 1974
Gambia	24 February 1975
Ghana	27 November 1978
Guinea, Republic of	13 February 1975
Guinea-Bissau, Rep. of	23 June 1975
Lesotho	31 December 1974
Liberia	27 April 1977
Malawi, Republic of	15 July 1977
Mali, Republic of	9 June 1978
Mauritania, Islamic Rep. of	19 July 1979
Mauritius	29 August 1974
Mozambique	15 September 1976
Niger	2 May 1977
Rwanda	2 February 1977
Sao Tome and Principe	26 March 1976
Seychelles, Republic of	18 November 1977
Sierra Leone, Republic of	21 December 1977
Somali Democratic Rep.	16 May 1977
Sudan, Dem. Rep. of the	24 October 1978
Swaziland, Kingdom of	28 October 1977
Togo	21 March 1977
Uganda, Republic of	29 April 1977
United Republic of Tanzania	30 May 1978
Burkina Faso	19 July 1976
Zaire, Republic of	27 May 1976
Zambia	14 October 1983
Zimbabwe	27 May 1980

Government Adherence

1.2 Each of the Governments listed above may signify its adherence to this Project Document by cable or telex, or in a letter (see a suggested form in the Schedule to this Project Document) addressed to the UNDP, at its Headquarters, with a copy to the UNDP Resident Representative responsible for UNDP activities in the relevant country and to the Executing Agency. Upon delivery of such communication, such Government shall be deemed to be a party to this Project Document as fully as if it had signed the Project Document directly, as of the latest of the dates appearing on the cover page hereto.

1.3 Other Governments not listed above which may wish to participate in the Project may do so upon the concurrence of UNDP and the Executing Agency, by following the procedure specified in 1.2 above. If such a country has signed the Standard Basic Assistance Agreement with UNDP, it shall be deemed to be listed in 1.1 (b) above; all other countries shall be deemed to be listed in 1.1 (a) above.

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## II. THE PROJECT

### A. DEVELOPMENT OBJECTIVE

2.1 The underlying objectives of the project are to accelerate private sector growth in sub-Saharan Africa to allow the private sector to play an increasing role in the economic development of Africa thereby generating productive employment, improving participating states' balance of payments through expanded export and bringing about self-sustained growth and development through the creation of medium-sized and smaller enterprises.

### B. IMMEDIATE OBJECTIVE

2.2 The overall objective of the proposed Facility is to accelerate the development of productive enterprises sponsored by private African entrepreneurs, as a means of generating self sustained economic growth and productive employment in sub-Saharan Africa.

2.3 The APDF will achieve these objectives mainly by:

- (a) Assisting African entrepreneurs on a direct and confidential basis in formulating and screening project ideas;
- (b) Providing guidance and, on a selective basis, making technical and consultancy services available to African entrepreneurs who need project preparation and feasibility studies in order to promote and implement sound project ideas;
- (c) Assisting African entrepreneurs with viable project proposals to identify and obtain appropriate technical and managerial personnel and, if needed, technical partners on terms which are equitable and fair;
- (d) Assisting African entrepreneurs to select project partners, and sources of equity and loan finance on appropriate terms;
- (e) Advising private foreign investors or financial institutions seeking to identify investment opportunities and/or local partners in sub-Saharan Africa by bringing the parties together and helping to negotiate fair and equitable conditions of cooperation; and

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- (f) Advising African entrepreneurs interested in purchasing local companies from foreign shareholders or acquiring parastatal enterprises which member countries wish to privatize.

2.4 The Facility will rely on a core staff of its own project development experts as well as external consultants on ad-hoc bases. By seeking to create consultancy task forces which combine foreign expertise with local consultants, the APDF will contribute in the long-run to enhancing and strengthening African consultancy companies.

2.5 The APDF will not finance projects itself, but it will establish broad contacts with existing local and foreign financial institutions, and by increasing the flow of well prepared bankable projects it will contribute to mobilizing local investments and savings as well as increasing the flow of direct investments to sub-Saharan Africa.

2.6 The size for projects which APDF will support will be US\$0.5 - \$5.0 million, with flexibility for adjustment especially downwards in accordance with specific country and project conditions. The projects prepared by APDF will normally not qualify for direct finance from ADB or IFC because they will fall below the minimum size required by these institutions.

#### C. SPECIAL CONSIDERATIONS

2.7 In addition to assisting individual project sponsors in designing and developing individual projects, the APDF will also serve as a practical example for many regional institutions on the techniques of promoting and developing private sector projects.

#### D. BACKGROUND AND JUSTIFICATION

##### African Economic Situation

2.8 While many African countries have common problems, generalizing remains a difficult and hazardous undertaking. The 45 sub-Saharan countries contrast widely, ranging in population from about 100 million people (Nigeria) to 0.1 million (Sao Tome and Principe); in area from 2.5 million km<sup>2</sup> (Sudan) to 1,000 km<sup>2</sup> (Sao Tome and Principe); in GNP per capita (1982 data) from \$4000 (Gabon) to \$80 (Chad), with an average of

about \$490/capita for sub-Saharan Africa as a whole. Some countries enjoy foreign exchange stability and convertibility while the currency of other countries cannot be exchanged on open markets. While the region is richly endowed with resources, their distribution across countries is extremely uneven. Overall, the striking contrast between the potential of its resources and the poverty of much of its population presents a formidable challenge both to its still relatively young governments and to the international development assistance community.

2.9 The 1984 World Bank Report "Towards Sustained Development in sub-Saharan Africa: A Joint Program of Action" gives a penetrating description of the difficult economic conditions prevailing in the sub-continent. This region has had the lowest efficiency of investment and the highest population growth rate. Per capita GNP growth rates continue to be either stagnant or to decline in most countries. As a result, per capita income of the region today is lower than in 1970. Food production per capita continues to decline and serious drought has inflicted severe damage to crops and livestock, and caused widespread famine. Furthermore, the large external debt and the unfavorable external economic environment, which has maintained low primary product prices, have had disastrous effects on the balance of payments situation of sub-Saharan Africa countries.

2.10 The same World Bank report and many other studies indicate that much of the installed industrial capacity in Africa is idle or underutilized as a result of falling domestic incomes, poor investment choices and the lack of foreign exchange needed to purchase raw materials and spare parts.

2.11 One clear conclusion is that African countries must undertake major policy reforms, including action to allow the private sector to make a greater contribution to economic development. The provision of a stable economic environment and the adoption of appropriate investment incentives and exchange rate and pricing policies are essential ingredients for promoting foreign and local private investment. Without this framework, both local and foreign private investors will continue to be reluctant to make or to increase their investments in Africa.

2.12. The reports mentioned earlier, as well as the Lomé III Convention, all attach great importance to the role the private sector can play in sub-Saharan Africa, and many steps are indeed being taken to ensure that the private sector can increasingly

assume this responsibility. However, while many African governments are now preparing reforms and external donors are making increasing assistance available for policy changes, the actual results will depend on the speed at which the private sector responds to these various measures.

#### Role of Private Sector in the African Economies

2.13 The development of indigenous entrepreneurs is an essential element towards achieving long-term and self-sustaining economic growth in Africa. Opening the economy to more indigenous enterprises also provides increased opportunities for African women who have a long tradition of commercial activity in many African societies. While African entrepreneurship certainly exists, as evidenced by the trading and transport sectors in most African countries, emerging African entrepreneurs have had limited industrial and managerial experience. They require assistance in moving from trading to industrial ventures or when making the transition from small-scale to the medium-scale enterprise. Furthermore, private entrepreneurs often lack knowledge about such project components as equipment alternatives and costs, sources of financing, documentation required by lenders, as well as the complexities of these institutions.

2.14 In many parts of sub-Saharan Africa the private sector has not played a significant role during the past two and a half decades. Due to the absence of an indigenous private sector at independence, economic strategies favored public sector growth and resulted in most financial flows to Africa from abroad being directed towards public sector projects. The private sector was given limited access to funding and state monopolies and massive public sector deficits crowded out private enterprises from the financial markets. Government policies which regulated prices, interest rates, investment and foreign exchange further dampened the growth of the private sector.

2.15 In preparing this proposal, the present and future role of the private sector in Africa has been examined in a series of in-depth studies and extensive discussions amongst the sponsor institutions as well as with a great number of agencies, companies and persons both in and outside Africa. This survey was done to establish the potential of private enterprise to utilize the services of the Facility and to

design the Facility to best meet the needs of the private sector. Eleven country studies were carried out by independent consultants which examined the role of the private sector in the selected countries. These reports were prepared for Botswana, Cameroon, Ivory Coast, Kenya, Mali, Nigeria, Senegal, Togo, Zaire, Zambia and Zimbabwe. Additional research was done on other countries to complete the evaluation of the role of the private sector in sub-Saharan Africa.

2.16 The survey confirmed that throughout sub-Saharan Africa a number of private entrepreneurs exist who can make the transition to the modern sector despite the difficult environment described above. In quantitative terms, the survey revealed that the number of entrepreneurs who could potentially utilize assistance from the APDF is greater than what had originally been estimated. Even some countries in which the private sector had not been active until recently appear to offer a potential to utilize the services of the Facility as a result of recent policy changes. The projects which the Facility can expect to assist will range from agriculture through processing, distribution and transportation as well as manufacturing of agricultural equipment but the largest category is likely to be agro-related projects.

2.17 An interesting factor noted both in and outside Africa is the support for the proposed Facility shown by investment and finance institutions active in Africa and particularly by local and regional development banks. These institutions view the Facility as a means of increasing the flow of well prepared projects which they could finance. Many of the financial institutions in sub-Saharan Africa are currently experiencing severe difficulties due to poor portfolio performance often linked to deficiencies in project design and preparation. Local governments assisted by the World Bank Group, the ADB and others are now reviewing the various options to rehabilitate these institutions but significant turn-arounds will require time. The Facility will therefore provide the DFC's a valuable service by preparing sound projects while, concurrently, measures are taken to remedy their financial difficulties.

2.18 The survey also confirmed that in some countries entrepreneurs are reluctant to deal with official agencies including DFC's. Private entrepreneurs frequently expressed that they prefer not to disclose their plans or financial information fearing that the information could be disseminated

and misused. The independence of the APDF was seen as an important element which would help alleviate this preoccupation and thus bring forward and accelerate the implementation of projects. This aspect of the Facility was also stressed by officials of bilateral institutions in industrialized countries who furthermore believe that the Facility will be useful in mobilizing foreign investors and technical partners seeking African partners.

2.19 In most sub-Saharan countries, foreign exchange and local financing are scarce but can be secured internally or externally if projects are well prepared. The analysis of the private sector in Africa confirmed that the major bottleneck to the disbursement of foreign and local credit lines in many countries has been the lack of projects which met the standards set by the lending institutions. In some countries, available credit lines lie dormant and even lapse for this reason. By preparing sound projects, the Facility could accelerate the disbursement of these many underutilized credit lines.

2.20 In more general terms, public investments in Africa usually had low levels of productivity and too often parastatals have become financial burdens to local governments. This is leading many governments to adopting policies to privatize such enterprises. The Facility will be able to advise private entrepreneurs interested in these parastatals.

2.21 In brief, the survey indicated that increased private sector activity is achievable even under the present difficult conditions. It also indicated that the emerging private sector in Africa will need competent advisory support to respond effectively to the opportunities and challenges which the current political and economic situation offers.

#### Existing Institutional Support for Private Sector in Africa

2.22 Much attention has been paid to the creation of institutions and agencies to promote development and industrialization in Africa and the main focus has been on financial institutions such as national development banks and regional development institutions. Most of these national and regional institutions have placed primary emphasis on providing financing for publicly owned companies or for small and medium-sized enterprises. They are generally not mandated nor staffed to do project development work at the stages prior to appraisal and

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their appraisal capabilities are often limited. They usually are not in a position to help take projects from the idea stage and prepare them for presentation to complementary sources of financing. As sources of finance they are important and by December 1981, the African Development Bank Group had financed a total of 53 industrial lines of credit for SMSE's representing a total of 221 million Units of Account to DFC's in 23 member states and to one subregional institution. These lines of credit represented 44% of the industrial sector lending of the ADB Group which indicates the importance ADB has attached to the development of private sector.

2.23 The World Bank Group has since its incorporation provided substantial financial support and policy support to the private sector. The financial support is given primarily through lines of credit to the local and regional development banks or Apex loans to central banks for onlending to private and public sector projects. Since 1951, the World Bank Group has provided over US\$1 billion of such credit lines to sub-Saharan countries. In addition to its direct lending, IBRD works closely with member countries in helping to design policy reforms and to readjust the structure of their economies. An important aspect of these efforts are the structural adjustment and program loans which help generate a macro-economic environment which stimulates the growth of the private sector. The recently established IBRD Special Facility for Africa with over US\$1 billion available will also assist governments to implement such policy reforms.

2.24 Technical, managerial and promotional assistance to private entrepreneurs is available through various multilateral institutions such as UNDP, UNIDO, ILO and CDI (the Lomé Convention agency, Center for the Development of Industry). UN organizations are required by statute to react primarily to requests from member governments and they have been predominantly oriented towards enterprises promoted by the public sector or specific project proposals promoted by local authorities. Furthermore, their role in the project cycle normally terminates when a local sponsor and technical partner have been matched and they are not equipped to assist promoters in obtaining project financing. CDI, as part of the Lomé convention, focuses on the development of joint ventures between ACP entrepreneurs and EEC companies. A February 1985 report commissioned by the EEC entitled "The Constraints on Industrial Co-operation Between Firms in the EEC and the ACP Countries"

concludes that the promotional work done by the CDI is clearly valuable and that given more flexibility the CDI would be able to respond even better to the needs of the private sector. The report however also underlines that private African entrepreneurs are scarce, and that they need to be supported to serve as partners for potentially interested foreign investors.

2.25 A number of bilateral financial institutions (DEG, CCCE/PROPARCO, CDC, CIDA, FINNFUND, FMO, IFU, NORAD, OECF, SBI, SWEDFUND, USAID, etc.) as well as the European Investment Bank, the OPEC Fund, the BADEA, etc., promote industrial development in the public and private sectors in Africa through financial assistance to projects. However, these institutions are often limited to projects which include joint venture partners or equipment supplied from the respective country. Although they frequently offer financing for feasibility studies, they seldom have staff available for pre-appraisal work and, like IFC, most of them only consider projects above a certain minimum size. The proposed Africa Facility would complement this assistance and make use of such financing in appropriate cases. An increased number of better prepared projects and the identification of local partners should contribute to accelerating the flow of viable projects to these bilateral institutions.

2.26 There are many non-government organizations which provide various types of direct support to the private sector in sub-Saharan Africa. Most of these agencies operate on a volunteer basis and provide their services which range from training through hands-on project assistance at little or no cost to the beneficiaries. For example, over the past 20 years, national senior executive service corps have been formed in 12 industrialized countries. These corps provide, on a short term basis, senior business executives able to assist firms in improving technical and managerial skills. Discussions held with a number of the senior executive service corps indicated that the Facility could draw usefully from these services in its work of assisting African entrepreneurs.

2.27 The commercial banking network in sub-Saharan Africa is well developed in most countries. Many of these banks have operated in the sub-continent for several decades and have developed extensive contacts. As these institutions are specialized in short term lending, they generally have neither staff nor financial resources available for project preparation. On the other hand, they do have in-depth knowledge of the private

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sector which forms the largest portion of their clientele and could direct these clients to the Facility in order to assure that projects are properly prepared. There is until now only a limited number of venture capital companies operating in sub-Saharan Africa which are seeking out opportunities for private sector investments. These groups have limited resources but have proved that they can contribute to private sector development. The venture capital companies finance investments in projects where the preparatory work has already been completed as their focus is on investments rather than promotion.

2.28 Private consulting and auditing firms are expanding the scope of their activities in Africa. These firms also provide some assistance to entrepreneurs in project preparation and formulation but their industrial experience is limited and the costs of using their services are often prohibitive for emerging African entrepreneurs. The private consulting firms will be utilized as much as possible by the proposed Facility which will have funds available to contract their services. This should allow the firms to gain valuable experience in project preparation and financing.

2.29 A 1984 report of the African Development Bank entitled "Policy and Operational Guidelines for the Industrial Sector" indicated that in the next five years the ADB's lending to industry is planned to be nearly twice the volume lent during the previous 13 years. This same report stressed the importance which the ADB attaches to developing the productive sectors in Africa and recommended that the ADB commence examining the possibility of establishing a mechanism which would allow the Bank to provide direct financing to the private sector while continuing its ongoing financial support to DFC's. In future years, the ADB intends to study a number of these policy alternatives. Despite the expected increase of direct financial support by the Bank to the private sector, ADB considers that there will remain a substantial need for manpower to prepare the target projects in the US\$0.5 to US\$5 million range which the Facility will assist.

2.30 During the last 25 years, IFC has gained considerable understanding of private sector development in Africa and has established an extensive network of relationships both in Africa and elsewhere. IFC's experience in Africa began in 1960 and by June 1985 more than US\$700 million had been committed in over 100 companies in 37 of the 39 IFC sub-Saharan African member countries. In fiscal year 1985, IFC approved loans and

equity investment totalling US\$107.2 million for 18 African business ventures which represented 24% of IFC's worldwide projects for the year. Currently, IFC maintains two professionally staffed offices in sub-Saharan Africa--Nairobi and Abidjan--and is represented on the boards of directors of some 12 development finance corporations and other financial intermediaries. Under IFC's 1985-1989 five-year plan, the Corporation has undertaken to substantially increase its level of investments in sub-Saharan Africa. IFC will, in extraordinary cases, provide assistance to a limited number of projects which are below IFC's usual level of US\$5 to US\$6 million but the work required in preparing a substantial number of projects in the US\$0.5 to US\$5 million exceeds by far the IFC's own staff resources. Therefore, it is expected that while IFC may provide financing to a limited number of projects developed by the Facility, the majority of the projects will be additional to those IFC will assist in its normal operations.

2.31 The UNDP attaches importance to the development of local entrepreneurs but its financing cannot reach the entrepreneurs directly. The UNDP decision to participate in the Facility reflects its mandate to provide support to development in its member countries. By providing financial as well as logistical assistance by means of its extensive network of resident representatives offices in Africa, the UNDP will contribute to the ability of the APDF to operate effectively throughout sub-Saharan Africa.

2.32 Despite the rather large number of institutions available to assist the private sector, most of this assistance is not being fully or properly utilized by entrepreneurs, either because they lack knowledge of how to obtain assistance or because they are reluctant to deal with official or government agencies or because they do not know how to properly approach them. There is thus a need, through advice and direct assistance to private entrepreneurs, to unlock the potential of those existing resources for the development of the private sector. ADB, IFC and UNDP are therefore bringing to bear the experience, knowledge and strengths of each institution in establishing the APDF. In striving to be as effective as possible, the Facility will coordinate closely with the network of existing institutions and promotional initiatives to maximize the utilization of already available resources.

## E. PROJECT DESCRIPTION

### Outputs

2.33 The APDF core staff will be grouped in 2 teams, one headquartered in Nairobi which will cover Eastern and Southern Africa, and one stationed in Abidjan which will cover Western and Central Africa. These cities have been selected for logistical reasons and because they coincide with the resident representations of IFC in Africa. This on-the-spot contact with IFC will permit the Facility to better benefit from IFC's experience and worldwide contacts.

2.34 Each geographical unit will consist of a core staff of seven professionals with secretarial support and headed up by a regional manager seconded by IFC. The regional teams will be located in independent offices, preferably near to, but not necessarily within IFC's premises. The managers and staff members of the APDF teams will travel frequently to all countries in their areas in order to establish close personal and ongoing relations with individual entrepreneurs, development finance corporations, commercial banks, professional organizations and local authorities. Frequent travels will also be necessary to monitor the development of specific investment projects which the Facility will be supporting. Furthermore, the APDF will benefit from the extensive travel of ADB, UNDP and IFC staff in sub-Saharan Africa in identifying potential new project ideas and in establishing contacts with the entrepreneurs.

2.35 Supervision and coordination as well as the exchange of ideas and experiences between the 2 regional teams will be assured through an APDF coordinator seconded by IFC but based within the IFC premises in Washington, D.C. The APDF coordinator will be in regular contact with the 2 regional offices and he will, through trips to the regional offices as well as to ongoing "projects", be kept informed of the activities of the APDF staff members. The location of the APDF coordinator in Washington will help the APDF staff to have access to the IFC pool of experience and assure coordination of the efforts of the APDF and IFC staff in the promotion of private sector development in Africa. The coordinator will also maintain the relationships with ADB, UNDP, and donors.

2.36 Through its ongoing project work in sub-Saharan Africa, IFC has established a wide network of contacts with entrepreneurs, bankers, consultants, professional organizations and

institutions actively engaged in private project development in the sub-region. The Facility will from start-up be able to utilize this network of contacts including the many development banks with which IFC and ADB are associated as a source of project proposals and potential entrepreneurs.

2.37 Access to IFC's experience and international network of industrial and financial contacts will be an important factor in assuring full use of the Facility's resources and in achieving concrete results already shortly after start-up. IFC's up-to-date information on choice of equipment and comparative costs of technology is a valuable service that the APDF will be able to provide, and which most entrepreneurs would otherwise find it difficult to obtain on an objective and reliable basis.

#### Activities and Modus Operandi

2.38 Project ideas and proposals worthy of APDF support will be identified by means of frequent country "promotion visits" by Facility staff members and by mutual references once the entrepreneurial and institutional network becomes established. ADB, IFC, UNDP, local and regional development banks as well as other institutions active in the region will also provide the Facility with project proposals. Following initial assessment which will take into account the competence and track record of the private sponsors as well as country conditions, staff will select the projects which appear viable and which will have a significant economic impact. These project ideas will be assigned priority and APDF staff members will commence preparing the projects in direct cooperation with the private sponsors.

2.39 A work program, budget and time schedule for the necessary project development work will be established in cooperation with the African sponsors. The need for supplementary assistance from technical or marketing experts will be assessed. The cost of this support will be borne by combining the sponsors resources, funding available from other sources and the Facility's own resources for this purpose. The outline of the work and services to be rendered by the Facility and the funding of these services will be agreed on in a letter of understanding.

2.40 The APDF staff will follow the project development work closely and will assist in the elaboration of terms of

reference which will serve as guidelines for preparing the necessary feasibility report by independent consultants. Thereafter the APDF staff member will assist the African entrepreneur in the presentation to and in negotiations with investment authorities, suppliers of equipment, contractors, financial institutions and possible technical partners. The APDF will also assist in the identification and selection of key staff and in the design of a management structure up to the point where all critical elements are in place and financing has been secured for the project.

2.41 The projects which the Facility can expect to assist will range from agriculture through processing, distribution and transportation as well as manufacturing of agricultural equipment but the largest category will be agro-related projects. Under certain conditions, the APDF will also assist African entrepreneurs in acquisitions and buyouts of foreign owned companies, as well as in technical modernizations and financial restructurings. It is also envisaged that the APDF will give technical and financial advisory assistance to private entrepreneurs interested in taking over parastatal enterprises which a government may wish to privatize.

#### Inputs

##### 1. Qualifications of Staff

2.42 In order for the Facility to achieve its goals, highly motivated and competent professionals with solid and relevant development or business experience will be essential. IFC intends to second two experienced staff members to head up the two proposed offices. It is expected that the staff seconded by IFC will remain with the Facility throughout the trial period.

2.43 The balance of the core staff will be recruited internationally under fixed term contracts. These professionals will have a mix of experience in development finance and be familiar with the requirements and special priorities of various multi-lateral and bilateral agencies, as well as with the practices of commercial, merchant and development banks. The core staff will have had relevant private sector experience and must be able to work effectively with entrepreneurs with whom they would be expected to develop close relations and to be able to prepare, promote and obtain financing for bankable projects. It is expected that the core staff will also include several

engineers as well as professionals with particular experience in agro-related business, since the latter is expected to be the sector of greatest concentration.

2.44 It would be highly desirable for some of the staff to be from the region both because familiarity with the region will be helpful in identifying entrepreneurs and projects, and in order to help increase the number of professionals trained in project development available to staff the local financial institutions of the region.

## 2. Use of Consultants

2.45 The core staff will identify and select short-term consultants to carry out feasibility, market and technical studies. Some of these fees will be paid directly from the Facility's consultancy budget. In the case of larger feasibility studies, these will be financed whenever possible from existing bilateral and multi-lateral lines. Whenever feasible, the Facility will try to use qualified local consultants, in combination with foreign experts, thus further contributing to the transfer of skills and technology in the consultancy field.

## 3. Advisory Board and Operating Policies

2.46 An Advisory Board will be formed to provide the APDF with a forum to review policies and to obtain guidance on activities. The Board will be composed of 7-9 persons of which 3-5 will be drawn from the private sector, both from Africa and from the participating donor countries and the remaining will represent the sponsoring institutions. The Board will be expected to meet twice yearly. The private sector members of the Board will be selected based on their established record as successful and respected members of the business community.

2.47 In all its work the APDF will keep the interest of the private African entrepreneur together with that of the host country foremost in mind. A key feature of the Facility will be the ability of the staff to seek out promising entrepreneurs based on professional criteria and without undue limitations or externally imposed constraints. This is vital for the success of the Facility as it must be able to operate with the same flexibility and efficiency as the private entrepreneurs. Based on these criteria, the Advisory Board will assist the Management in inspiring and securing the highest professional quality and

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total integrity in the work of the staff. The operating principles will eventually need adjustments and sharpening of focus, in which cases the Advisory Board will also play a crucial role. The Advisory Board will receive an annual report of operations and results elaborated by the APDF management at the end of each calendar year, to be passed on after due processing to all sponsoring institutions and donor agencies involved.

#### Expected Demand, Trial Period and Evaluation

2.48 The demand for the services which APDF can offer will depend on a number of factors including the number of entrepreneurs, the entrepreneurial traditions as well as macroeconomic environment, government policies and the availability of equity and loan financing.

2.49 These factors, which vary significantly from country to country, were examined and assessed as part of the survey of the private sector's role in African economics undertaken in preparation for the APDF proposal, and as a result aggregate estimates have been made of the number of projects that the APDF can expect to assist bringing to implementation. Allowing for a certain introductory and build-up phase during the first year of APDF's operations, and considering, furthermore, the long lead time and bureaucratic impediments in obtaining approvals in many countries, the total number of greenfield, rehabilitation and expansion projects that the Facility can do is estimated to be in the range of 60-90 over a three year period and 90-120 in a four year period. These figures will fall well below the number of "requests" the staff will receive for the services of the Facility but are significant in relation to the estimated real need in the target group of US\$0.5 to US\$5.0 million projects.

2.50 In view of the promotional and experimental approach of the Facility, it is important that the trial period allow the Facility reasonable time to prove its effectiveness. It is suggested that this trial period should cover four years. The Facility will need 12 months to establish its base, recruit its staff and to commence building its project pipeline. Once this is achieved, the demand for assistance can be expected to commence to flow and staff productivity should improve substantially. It is really only in this last stage that the benefits of the Facility can be fairly evaluated. This has been proven in the case of the Caribbean Facility.

Budget Summary

2.51 . A proposed budget is given in IV. The estimates of staff requirements together with a graduated, realistic approach to making the Facility operational based on the estimated demand indicate that US\$14 million would be an appropriate level of funding for a four year trial period. The sponsor agencies are seeking the full US\$14 million. Allowance has been made for the extensive use of consultants while keeping core staff at the minimum level felt necessary to develop projects and expand the Facility's coverage. As a UNDP project, the Facility staff would have UN status and immunities. Fee income is not expected to be significant in the initial years of the Facility, but particularly in light of the Caribbean experience, it is intended that after an initial start-up period the Africa Facility will charge a modest "success fee", e.g. between 1% and 2% of the capital raised for a particular project. If no fee is charged, the Facility would lack economic realism and probably be inundated with less-than-serious proposals. The fee policy would be applied flexibly. Experience gained on the fee policy would be a factor in evaluating the Facility and integrating this experience into a long-term approach to the problem of promoting private sector development in Africa. No fee income has been projected in preparing the operating budgets but any fees collected would be utilized to expand the Facility's capacity.

Financing and Work Plan of the Facility

2.52 The trial period of the Facility will be four years. The managements of the three sponsoring agencies have obtained authorizations for the following contributions:

(US\$ millions)

ADB	1.0
IFC	2.0
UNDP	<u>2.5</u>
	<u>5.5</u>

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2.53 An additional amount of about US\$9 million of untied contributions will be needed to complete the funding of the Facility. In meetings with the staffs of the aid ministries of some 14 industrialized countries indications of strong support for the Facility were given. Actual financial commitments are expected to be finalized during 1986 - 1987 although it is possible that some governments will join in financing the Facility at a later date due to budgetary and fiscal calendars. As shown in Annex IV.3 contributions from certain countries will be paid into UNDP and contributions from certain other countries are expected to be made available through IFC.

2.54 In addition, preliminary contacts with the authorities of some developing countries indicate that it may be possible to obtain some tied technical support from these countries for the Facility in the form of experts from these countries.

2.55 Detailed work plans will be prepared after the key personnel have been appointed. This work will consist of obtaining all available country studies and reports as well as compiling names and addresses of banks, consultants, development institutions, business firms and technical assistance sources. In addition, the staff will draw up the detailed operating guidelines and procedures of the Facility which will be submitted to the Facility Advisory Board.

#### F. CONCLUSIONS AND RECOMMENDATIONS

2.56 In view of the need for accelerated growth of the private sector in sub-Saharan Africa and after having examined and assessed the situation of the private sector in African economics, the ADB, IFC and UNDP propose the establishment of an Africa Project Development Facility which will advise and assist African entrepreneurs to prepare and implement sound projects.

2.57 It is estimated that the Africa Project Development Facility would identify, help prepare and arrange the financing for an estimated range of 60 to 90 projects during a three year period or 90-120 projects during a four year period. Most of these are likely to be in the lower half of the US\$500,000 to \$5,000,000 range. If the average size project were assumed to be US\$1.5 million the Facility would generate--or substantially contribute to--new private investments in sub-Saharan Africa primarily by African entrepreneurs of between US\$90,000,000 and US\$180,000,000 in the most optimistic estimate. This would be a substantial accomplishment. The experience gained by the Facility would also be useful in planning future support to private African entrepreneurs.

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2.58 To supplement the proposed financial contributions of US\$5.5 million from the three sponsoring institutions, financial support in the order of US\$9.0 millions will be needed from donors. Preliminary indications of interest and support are encouraging, and firm commitments are now being sought so that the APDF could initiate its operations in 1986.

G. FRAMEWORK FOR PARTICIPATION OF NATIONAL AND INTERNATIONAL STAFF ON THE PROJECT

2.59 IBRD/IFC have and will continue to provide both logistical support and professional advice until Facility managers have been selected. Thereafter, IFC will in exceptional cases be a lender/investors for some of the projects prepared by the Facility and IFC will second the Facility Coordinator and both regional managers.

2.60 ADB and UNDP will both be sources of potential projects which will be identified through the extensive network of resident missions and contacts both have throughout Africa. UNDP may also be a source of complementary technical assistance.

2.61 National and regional development authorities and development finance companies (DFC's) throughout the region will be important in identifying potential projects and entrepreneurs as well as being potential lenders/investors in Facility projects. National authorities will be asked to provide the approvals and policy decisions for projects which the Facility will assist.

2.62 The Facility will also work with national and private development agencies located outside sub-Saharan Africa in identifying projects, in securing technical assistance and partners when needed.

H. DEVELOPMENT SUPPORT AND COMMUNICATION

2.63 In addition to maintaining a regular dialogue with the official national, regional and multilateral development agencies, the Facility will identify project ideas through contacts with commercial banks, chambers of commerce and individual firms and business leaders throughout Africa.

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I. INSTITUTIONAL FRAMEWORK

2.64 States eligible to participate in this project, which include all sub-Saharan countries which are members of the UNDP may decide to participate by notifying UNDP in writing, substantially as set forth in the Schedule to this Project Document.

2.65 IBRD/IFC will act as executing agency, and ADB as Cooperating Regional Agency.

2.66 There will be both an Advisory Committee and a Donor's Conference. The Advisory Committee will be convened once or twice a year for the purpose of obtaining periodic policy guidance including the identification of sectors and types of projects to which priority should be attached and will be comprised of representatives from agencies and institutions that will contribute perspective on overall development objectives, such as UNDP, IFC and ADB and representatives of the private sectors in African and donor countries.

2.67 The Donors Conference will be convened once at the outset and biannually or more often, as needed thereafter, to discuss priorities, financial considerations, and the relationship between this Facility and other programs or institutions in the region that the donors support or contemplate supporting.

J. PRIOR OBLIGATIONS AND PREREQUISITES

2.68 The Facility will commence operations as soon as:

(a) three donor countries or institutions and three states eligible to participate have indicated to UNDP their decision to make cash contributions or to participate in the project, respectively, and

(b) contributions totalling US\$10 million have been pledged.

K. FUTURE UNDP ASSISTANCE

2.69 Possible assistance by UNDP or others beyond the four year trial period will be decided based on the outcome of the evaluation to be undertaken after the first 30 months of the trial period.

### III. SCHEDULES OF MONITORING, EVALUATION AND REPORTS

#### A. TRIPARTITE MONITORING REVIEWS; TECHNICAL REVIEWS

3.1 The project will be subject to periodic review in accordance with the policies and procedures established by UNDP for monitoring project and programme implementation.

3.2 Since the primary objective of the proposed Facility is to accelerate and increase the supply of well prepared bankable projects, an appropriate measure of its performance will be the number of projects developed which eventually receive financing.

3.3 The Facility's success in securing financing for its projects will depend on a number of factors, of which the most important will be the inherent economic, financial and technical strength of the project itself. Of comparable importance will be the credibility and reputation of the Facility in the financial community. Thus, the Facility will, from the outset have the burden of establishing a strong record for the bankability and general quality of its promotion efforts.

#### B. EVALUATION

3.4 The project will be subject to evaluation, in accordance with the policies and procedures established for this purpose by UNDP. The organization, terms of reference and timing of the evaluation will be decided by consultation between the participating Governments, UNDP, ADB and the World Bank/IFC as Executing Agency.

3.5 It will be noted that this is a trial Project to be continued, modified, or terminated after four years as indicated by a careful ex-post evaluation to take place during the last six months of the trial period.

3.6 There will be no certain way of measuring the "additionality" of the projects to be developed by the Facility. But the financial institutions to whom projects are presented, along with the Facility's sponsors will be in a position to assess the Facility's usefulness over the trial period, as well as to provide, on a continuing basis, constructive advice for improving the quality and bankability of its output.

C. PROGRESS AND FINAL REPORTS

3.7 Progress reports on the projects will be prepared by the executing agency and submitted to ADB and UNDP and participating governments at six monthly intervals. Financial reports and a brief review of activities will be prepared in time for an annual meeting of the Donors' Conference. Annual financial audits will be available to donors on request. A Final Report, assessing the Facility's accomplishments and recommending either continuation, modification, or termination of the Facility will be prepared 12 months before the end of the trial period.

**IV.1 PROJECT BUDGET COVERING THIRD-PARTY COST SHARING CONTRIBUTION**  
(in US dollars)

	TOTAL	1986	1987	1988	1989	1990
<b>100. Cost Sharing</b>						
101 Participating countries	-	-	-	-	-	-
102 African Development Bank (ADB)	1,000,000	250,000	350,000	400,000	-	-
103 IFC	2,000,000	250,000	500,000	500,000	500,000	250,000
104 USA (AID)	2,100,000	700,000	700,000	700,000	-	-
105 Canada (CAN\$ 1 million)	800,000	300,000	300,000	200,000	-	-
106 France (FF 10 million)	1,300,000	900,000	200,000	200,000	-	-
107 Italy	1,000,000	300,000	300,000	400,000	-	-
108 Denmark	500,000	200,000	200,000	100,000	-	-
109 Finland	500,000	500,000	-	-	-	-
110 The Netherlands	500,000	500,000	-	-	-	-
111 Sweden	500,000	200,000	200,000	100,000	-	-
<b>199. Total Cost Sharing</b>	<b>10,200,000</b>	<b>4,100,000</b>	<b>2,750,000</b>	<b>2,600,000</b>	<b>500,000</b>	<b>250,000</b>
<b>999. UNDP TOTAL</b>	<b>2,500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

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**IV.2 PROJECT BUDGET COVERING UNDP CONTRIBUTION**  
(in US dollars)

	TOTAL		1986		1987		1988		1989		1990		
	m/m	US\$	m/m	US\$	m/m	US\$	m/m	US\$	m/m	US\$	m/m	US\$	
<b>10. Project Personnel</b>													
11.01	Project Coordinator	48	400,000	6	50,000	12	100,000	12	100,000	12	100,000	6	50,000
11.02/03	Regional managers	96	800,000	12	100,000	24	200,000	24	200,000	24	200,000	12	100,000
11.04/17	Facility officers	558	4,345,000	14	110,000	134	1,030,000	158	1,255,000	168	1,300,000	84	650,000
	Total core staff	702	5,545,000	32	260,000	170	1,330,000	194	1,555,000	204	1,600,000	102	800,000
11.18	Consultants	378	2,552,000	6	64,000	93	612,000	117	796,000	173	820,000	39	260,000
11.99	Total experts	1,080	8,097,000	38	324,000	263	1,942,000	311	2,351,000	377	2,420,000	141	1,060,000
13.01	Administrative support	408	640,000	30	50,000	108	140,000	108	140,000	108	140,000	54	90,000
15.01	Expert travel		2,446,000		31,000		630,000		714,000		714,000		357,000
16.02	Advisory board - donor travel		280,000		56,000		56,000		56,000		56,000		56,000
19.	COMPONENT TOTAL	1,488	11,463,000	68	461,000	371	2,768,000	419	3,301,000	415	3,370,000	195	1,563,000
<b>40. Equipment</b>													
41.01	Expendable equipment												
41.02	Automobiles		160,000		50,000		90,000		20,000				
41.03	Home furniture		128,000		40,000		72,000		14,000				
41.04	Office furniture		40,000		30,000		5,000		5,000				
49.	COMPONENT TOTAL		328,000		120,000		167,000		41,000				
<b>50. Miscellaneous</b>													
51.01	Operation & Maintenance		99,000		11,000		22,000		22,000		22,000		22,000
51.02	Sundry		810,000		12,000		155,000		191,000		222,000		230,000
59.	COMPONENT TOTAL		909,000		23,000		177,000		213,000		244,000		252,000
99.	PROJECT TOTAL		12,700,000		604,000		3,112,000		3,555,000		3,614,000		1,815,000

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IV. 3 PROJECT BUDGET COVERING UNDP CONTRIBUTION, COST SHARING THROUGH UNDP AND COST SHARING THROUGH IFC  
(in US\$)

1. UNDP CONTRIBUTION AND COST SHARING THROUGH UNDP

<u>UNDP Contribution</u>		2,500,000	
<u>Cost-sharing through UNDP</u>			
<u>Institutions:</u>			
	IFC	2,000,000	
	ADB	<u>1,000,000</u>	3,000,000
<u>Countries</u>			
	USA	2,100,000	
	France (FF 10 million)	1,300,000	
	Canada (CAN\$1 million)	800,000	
	Italy	1,000,000	
	Denmark	500,000	
	Finland	500,000	
	Netherlands (Fl 1.5 million)	500,000	
	Sweden	<u>500,000</u>	<u>7,200,000</u>
<b>TOTAL UNDP BUDGET</b>			<b>12,700,000</b>

2. COST SHARING THROUGH IFC

	Germany	1,200,000	
	Bélgium	500,000	
	Japan	<u>400,000</u>	<u>2,100,000</u>
<b>TOTAL APDF BUDGET</b>			<b><u>14,800,000</u></b>

V. LEGAL ANNEX

The following provisions shall govern the relations between the UNDP, the Executing Agency and the Governments listed in paragraph 1.1 (a) above, with respect to the Project.

General Provisions

5.1 For the purposes hereof, the term "Project" means the project defined in this Project Document, and the term "Government" means the government of each of the states which shall have adhered to this Project Document in writing.

5.2 Each of the Governments, the UNDP and the Executing Agency shall cooperate in the execution of the Project with a view to the realization of the objectives described in Part II of this Project Document.

5.3 From contributions provided through cost sharing by the Donors, the UNDP undertakes to provide through the Executing Agency the expert services, training, equipment and other services and facilities required for the Project, within the funds available for the Project.

5.4 The Executing Agency shall carry out its obligations in consultation with the Governments, the UNDP and the Donors, in accordance with the provisions to this Project Document.

Participation of the Government

5.5 (a) The Government shall facilitate clearance through its customs of any equipment, materials and supplies required for the purposes of the Project, and of the personal effects of the non-national personnel assigned to the Project.

(b) In the event that the carrying out of the Project shall require, at the sole discretion of the Executing Agency, the import of any equipment into the territory of any of the Governments, the relevant Government shall exempt or defray any customs duties and other charges related to the clearance of project equipment, its transportation, handling, storage and related expenses within the country. It shall also be responsible for safe custody of the equipment, its installation, maintenance and insurance.

(c) The Government shall make arrangements for all non-national personnel assigned to the Project and their families promptly to be provided with any necessary entry and exit visas, residence permits, exchange permits and travel documents required for their stay in the territory of the Government in connection with the Project.

5.6 Subject to any security provisions in force at the date of this Project Document, the Government shall:

- (a) make available to the Executing Agency for the purposes of the Project all published and unpublished reports, maps, records and other information and data which are necessary for the implementation of the Project; and
- (b) enable authorized representatives of the UNDP, the Executing Agency and the staff and consultants retained by the Executing Agency to carry out the Project to visit any part of its territory for the purposes of the Project and to examine any records and documents relevant thereto.

5.7 The Government shall assist all the non-national personnel assigned to the Project in finding suitable housing accommodations at reasonable prices.

Participation of the UNDP and of the Executing Agency

5.8 The Executing Agency shall select a Project Coordinator and two Project Managers in consultation with the UNDP and shall assign to the Project such Project Coordinator and Project Managers and other project personnel under contract with the Executing Agency.

5.9 The Project Coordinator and Project Managers shall be responsible for the carrying out of the obligations of the Executing Agency under this Project Document, shall supervise the personnel assigned to the Project, and shall be responsible for the management of all materials, equipment and facilities made available to the Executing Agency for the purposes of the Project.

5.10 The Executing Agency may, in agreement with the UNDP, execute any part or all of the Project by subcontract. This selection and appointment of subcontractors shall be made in accordance with the Executing Agency's procedures for UNDP projects.

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5.11 All material, equipment and supplies which are purchased from resources made available through the UNDP shall be used exclusively for the execution of the Project and shall remain the property of the UNDP (in whose name it will be held by the Executing Agency) until completion of the UNDP assistance to the Project. Equipment supplied by the UNDP shall be marked with the insignia of the UNDP and of the Executing Agency.

5.12 The Executing Agency shall make payments for the actual costs of the Project components only to the extent that funds shall have been received by it for that purpose.

The Basic Agreement

5.13 Provisions applicable to the Governments listed in paragraph 1.1 (b) above:

(a) In accordance with the Agreement concluded by the UNDP (Special Fund) and the Government concerning the provision of assistance (the "Basic Agreement"), the UNDP, the Executing Agency and other United Nations organizations associated with the Project and their respective personnel shall be accorded the facilities, privileges and immunities specified in the Basic Agreement.

(b) This Project Document is the document (therein referred to as a Plan of Operation) provided for in paragraph 2 of Article I of the Basic Agreement. The Executing Agency, by its execution of this Project Document, accepts in relation to the Project the provisions of the Basic Agreement (subject as hereinafter mentioned) and accordingly the Government, the UNDP and the Executing Agency agree that such provisions shall be deemed incorporated in and to form part of this Project Document with the same force and effect as if such provisions were fully set forth herein, subject, however, to the provisions of sub-paragraph (c) hereof.

(c) For the purposes of the Project Document:

(i) paragraph 3 of Article II of the Basic Agreement shall not apply to arrangements of an administrative nature made by the Executing Agency in the ordinary course of supervising the Project in accordance with this Project Document; and

- (ii) the terms "Special Fund" and "Plan of Operation" wherever they appear in the Basic Agreement shall be deemed to read "UNDP" and "Project Document", respectively.

Privileges and Immunities

5.14 The Government shall indemnify the Executing Agency and members of its staff for any liability arising out of acts or omissions of such staff members, performed (or omitted to perform) in its territory, in connection with the Project Document or the execution of the Project, except where resulting from wilful misconduct or gross negligence. Such indemnification shall include, without limitation, attorneys' fees, court costs and other expenses incurred by the Executing Agency or members of its staff in connection with the defense against, or settlement of, claims on account of such liability.

5.15 The Government shall exempt all consultants retained by the Executing Agency and the personnel (other than residents of the territory of the Government) of such consultants from, or bear the costs of, any taxes, duties, fees or other levies imposed under laws and regulations in effect in its territories or by any political subdivision or agency therein on such consultants and personnel in respect of:

- (i) any payment made to such consultants or personnel in connection with the execution of the Project;
- (ii) any equipment, materials and supplies brought into the territory of the Government for the purpose of carrying out the Project and subsequently withdrawn therefrom; and
- (iii) any personal and household effects brought into the territory of the Government by such consultants and personnel and subsequently withdrawn therefrom upon departure of the said consultants and personnel.

5.16 The Executing Agency shall provide the Government through the Resident Representative from time to time with the list of personnel to whom the privileges and immunities enumerated above shall apply.

5.17 This Project Document shall be free from any taxes imposed under the laws of the Government or laws in effect in its territory on or in connection with the execution, delivery or registration thereof.

Consultation

5.18 The Government, the UNDP and the Executing Agency shall exchange views on the Project, including its progress and the benefits derived therefrom, and shall furnish to each other such information thereon as they shall reasonably request each other in respect thereof, as provided in this Project Document.

Settlement of Disputes

5.19 (a) Any dispute between the Executing Agency on the one hand and the Government on the other arising out of or relating to this Project Document and which cannot be settled by negotiation or other agreed mode of settlement shall be treated as a dispute between the UNDP and the Government and shall be submitted to arbitration at the request of either the Executing Agency or the Government (in the case of a Government listed in paragraph 1.1 (b) hereto, in the manner set forth in Article IX of the Basic Agreement); provided, however, that the foregoing provisions of this paragraph (a) shall not apply where the UNDP and the Executing Agency are agreed that the subject matter of such dispute results from the willful misconduct or gross negligence of members of the staff of the Executing Agency.

(b) Notwithstanding any termination of this Project Document pursuant to paragraph 5.21 hereof, the provisions of this paragraph shall continue in full force and effect in respect of any dispute arising either before or after termination, provided such dispute shall be submitted to arbitration within six months after the date of such termination.

Suspension: Termination Notices

5.20 (a) The UNDP shall be entitled by notice to the Government and the Executing Agency to suspend the assistance to be provided by it in accordance with this Project Document if any condition arises which interferes with or threatens to interfere with the successful completion of the Project or the accomplishment of the purposes thereof; the UNDP shall consult

the Government and the Executing Agency before any such suspension; provided, however, that the UNDP may suspend its assistance with respect to one or more Governments, in which case the Executing Agency shall continue to carry out the Project with respect to the remaining Governments(s).

(b) Any suspension pursuant to paragraph (a) of this Section shall continue until such time as the UNDP shall give notice to the Government and the Executing Agency that it is willing to resume such assistance.

5.21 (a) If any condition referred to in paragraph 5.20 (a) hereof shall continue for a period of fourteen days after notice thereof shall have been given by the UNDP to all the Governments and the Executing Agency, then at any time thereafter during the continuance of such condition the UNDP may by notice to all the Governments and the Executing Agency terminate this Project Document; the UNDP shall consult the Governments and the Executing Agency before giving such notice.

(b) This Project Document may be terminated by all the Governments, the UNDP or the Executing Agency by at least sixty days' prior notice to each of the others; the UNDP or the Executing Agency, as the case may be, shall consult each other before giving such notice.

5.22 Any notice or request required or permitted to be given or made under this Project Document shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand, mail, telex or cable to the party to which it is required to be given or made at such party's address specified in this Project Document, in the case of the UNDP and the Executing Agency, or the address specified in the letter by which the Government adheres to the Project Document, in the case of the Government; or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

For the UNDP:

United Nations Development Programme  
1 U.N. Plaza  
New York, New York 10017

Alternate address for communications by cable:

UNDEVPRO  
New York, N.Y.

For the Executing Agency:

International Bank for Reconstruction and  
Development/International Finance Corporation  
(Attention: Africa Project Development Facility)  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Alternate address for communications by cable:

CORINTFIN  
Washington, D.C.

Alternate address for communications by telex:

440098 - World Bank  
248423 - World Bank  
64145 - World Bank

SCHEDULE

Re: African Project Development Facility

Dear Sirs:

Please refer to UNDP Project Document Number \_\_\_\_\_ relating to the Africa Project Development Facility.

The purpose of this letter is to inform UNDP and, by copy of it, the Executing Agency, of the intention of the Government to participate in the Project, as defined in the Project Document.

For the purposes of carrying out the Project in [name of country], the Government agrees that its relationship with UNDP and the Executing Agency shall be governed by the provisions of Part I of the Project Document.

Sincerely,

Government of \_\_\_\_\_

By. \_\_\_\_\_

Authorized Representative

cc: UNDP Resident Representative  
International Bank for Reconstruction and Development/  
International Finance Corporation

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**AGREEMENT**

**between**

**UNITED NATIONS DEVELOPMENT PROGRAMME**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT/  
INTERNATIONAL FINANCE CORPORATION**

**in respect of the  
AFRICAN PROJECT DEVELOPMENT FACILITY  
(UNDP's Project Document Number \_\_\_\_\_)**

**Dated \_\_\_\_\_, 1986**

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AGREEMENT dated as of \_\_\_\_\_, 1986, between UNITED NATIONS DEVELOPMENT PROGRAMME ("UNDP") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("IBRD")/INTERNATIONAL FINANCE CORPORATION ("IFC") regarding UNDP's Project entitled Africa Project Development Facility.

1. UNDP, at the request of the governments of certain of the countries listed in UNDP's Project Document Number RAF/85/022/B/01/42 (the "Project Document"), has decided to carry out the regional sub-Saharan project (the "Project") described in the Project Document.

2. UNDP hereby requests IBRD/IFC to act as UNDP's Executing Agency for the purposes of the Project, on the terms and conditions set forth in this Agreement, as supplemented by the Project Document. It is understood that IFC shall carry out all the activities required of the "Executing Agency".

3. UNDP and the Executing Agency shall contribute to the Project such funds, services and facilities as are set forth in the Project Document.

4. Countries and institutions wishing to do so (referred to below as "Donors") may make cash contributions in convertible currencies to assist in meeting the cost of the Project. Each Donor will be requested to give notice in writing to UNDP, with copy to the Executing Agency (see a suggested form in the Schedule hereto).

5. UNDP shall, upon written notice from not less than 3 Donors of their determination to make cash contributions aggregating not less than US\$10 million, declare this Agreement effective and shall give cable or telex notice thereof to the Donors and the Executing Agency.

6. The contributions of the Donors on account of whose written notice such declaration is made shall be made in accordance with the schedule of payments indicated for each donor in the notice of determination referred to in paragraph 4. These

schedules of payments will be incorporated in the budget of the UNDP Project Document.

7. Payments may be made in United States dollars directly into the UNDP Contributions Account Number [015-002284] at the Chemical Bank, UN Branch, New York, New York 10017, indicating when doing so the UNDP project number RAF/85/022/B/01/42. Payments made in convertible currencies other than US dollars will be converted into US dollars at the UN exchange rate on the day payment is received by the UN, either in New York or at a UN account in the donor country.

8. If and to the extent that the Executing Agency shall charge entrepreneurs or financial institutions for services rendered to them under the Project, as described in the Project Document, all monies received on account thereof shall be converted into US dollars (if received in any other currency) and deposited in the above-mentioned account at the Chemical Bank, noting when doing so the UNDP project number RAF/85/022/B/01/42.

9. UNDP shall notify the Donors when all activities related to the Project have been terminated. Any monies unutilized upon termination of the Project shall be remitted by UNDP to the Donors, pro rata in proportion to their respective contributions in cash to the Project; provided, however, that notwithstanding the completion or termination of the Project, UNDP shall continue to hold unutilized contributions until all commitments and liabilities incurred in carrying out the Project shall have been satisfied and the Project activities shall have been brought to an orderly conclusion.

10. UNDP shall provide through the Executing Agency, to the extent that funds are available for the purpose, the expert services, equipment, training and other services required for the Project.

11. UNDP and the Executing Agency shall cooperate in the execution of the Project with a view to achieving the objectives set forth in the Project Document.

12. The Executing Agency shall carry out its obligations in consultation with the governments that shall have adhered to the Project Document (the "Participating Governments"), UNDP and the Donors, all in accordance with the provisions of the Project Document and this Memorandum of Agreement.

13. The Executing Agency shall make payments for the actual costs of the Project components only to the extent that funds shall have been received by it in accordance with the provisions of this Agreement.

14. The Executing Agency shall furnish to UNDP and the Donors (a) periodic progress reports, (b) an annual report that will include information on the expenditures incurred during the previous year, and (c) a final report within nine months after completion or termination of the Project.

15. The Executing Agency shall provide UNDP with the list of personnel assigned or employed by it for purposes of the Project, to whom the privileges and immunities granted by the Participating Governments shall apply, and UNDP shall, through its Resident Representatives, provide such list to the Participating Governments.

16. (a) UNDP shall be entitled by notice to the Participating Governments and the Executing Agency, after consultation with them, to suspend the assistance to be provided by it in accordance with this Agreement if any condition arises which interferes with or threatens to interfere with the successful completion of the Project or the accomplishment of the purposes thereof; it being understood that UNDP also may suspend its assistance with respect to less than all the Participating Governments, in which case the Executing Agency shall continue to carry out the Project with respect to the remaining Participating Government(s). Any such suspension shall continue until such time as UNDP shall give notice to such Participating Government(s) and the Executing Agency that it has decided to resume such assistance.

(b) If any condition referred to in paragraph (a) above shall continue for a period of fourteen days after notice thereof shall have been given by UNDP to all the Participating Governments and the Executing Agency, then at any time thereafter during the continuance of such condition UNDP may, by notice to all the Participating Governments and the Executing Agency, terminate this Project. UNDP shall consult the Participating Governments and the Executing Agency before giving such notice.

(c) The Project may be terminated by a decision of all the Participating Governments, UNDP or the Executing Agency, communicated with at least sixty days' prior notice to each

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of the others. UNDP or the Executing Agency, as the case may be, shall consult each other before giving such notice.

17. Any notice or request required or permitted to be given or made under this Memorandum of Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand, mail, telex or cable to the party to which it is required to be given or made, in case of UNDP and the Executing Agency, to the address specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

**For UNDP:**

United Nations Development Programme  
1 U.N. Plaza  
New York, New York 10017  
United States of America

**Alternate address for communications by cable:**

UNDEVPRO  
New York, N.Y.

**For the Executing Agency:**

International Bank for Reconstruction and Development/  
International Finance Corporation  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

**Alternate address for communications by cable:**

CORINTFIN  
Washington, D.C.

**Alternate address for communications by telex:**

440098 - World Bank  
248423 - World Bank  
64145 - World Bank

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SCHEDULE

Notice of Determination to Make a Cash Contribution

[Date]

UNDP

Gentlemen:

Reference: Africa Project Development Facility

I am pleased to inform you that the [Government of \_\_\_\_\_ or Name of Institution] has determined to provide you with US\$ \_\_\_\_\_ for purposes of the project identified in the Project Document Number RAF/85/022/B/01/42 of the United Nations Development Programme, for which IBRD/IFC is the Executing Agency. This commitment is to take effect on \_\_\_\_\_ and will remain in effect until December 31, 19\_\_\_. Payment will be made [according to the attached Schedule, and/or, in the following fashion.] It is understood that you will administer such funds in accordance with the provisions of the said Project Document and the agreement between UNDP and IBRD/IFC dated \_\_\_\_\_, 1986, regarding the subject Project.

Sincerely,

GOVERNMENT OF \_\_\_\_\_

By: \_\_\_\_\_

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INITIAL ENVIRONMENTAL EXAMINATION

OR

CATEGORICAL EXCLUSION

Project Country: AFRICA REGIONAL

Project Title: Africa Project Development Facility (698-0516)

Funding: FY (s) 1987-89 \$ 2.1 million

IEE Prepared by: F.B.Johnson, AFR/PRE

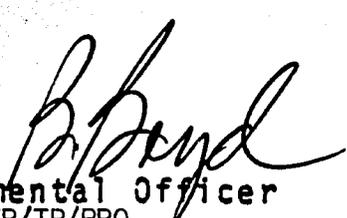
Environmental Action Recommended:

Positive Determination \_\_\_\_\_  
Negative Determination xx

Categorical Exclusion:

This activity meets the criteria for Categorical Exclusion in accordance with Section 216.2 (c) (2) (iv) and (vi).

- v. Projects in which A.I.D. is a minor donor to a multidonor project and there is no potential significant effect upon the environment of the United States, areas outside any nation's jurisdiction or endangered or threatened species or their critical habitat.
- vi. Contributions to international, regional or national organizations by the U.S. which are not for the purpose of carrying out a specifically identifiable project or projects.

Concurrence:   
Bureau Environmental Officer  
Bessie L. Boyd, AFR/TR/PRO

APPROVED X  
DISAPPROVED \_\_\_\_\_  
DATE \_\_\_\_\_

Clearance: GC/AFR Ward Date 7/2/87

## 5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

### A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1987 Continuing Resolution Sec. 526.

Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

N/A. The African Project Development Facility (APDF) is a regional development institution.

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without

N/A

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Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

N/A

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? N/A. Assistance is to a regional development institution.
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? N/A. Assistance is to a regional development institution.
6. FAA Secs. 620(a), 620(f), 620D; FY 1987 Continuing Resolution Secs. 512, 560. Is recipient country a Communist country? If so, has the President determined that assistance to the country is important to the national interests of the United States? Will assistance be provided to Angola, Cambodia, Cuba, Iraq, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan without a certification? The assistance is not being provided to a country; the APDF is a regional NGO funded by at least 16 donors.
7. FAA Sec. 620(i). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? N/A
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? N/A
9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? N/A

10. FAA Sec. 620(q); FY 1987 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1987 Continuing Resolution appropriates funds? There is no recipient country and UNDP is not in arrears to A.I.D.
11. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percent of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) N/A
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? N/A
13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operating Year Budget? (Reference may be made to the Taking into Consideration memo.) N/A. The AFDP is a UNDP project.
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? N/A

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15. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? N/A
16. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? N/A
17. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) N/A
18. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? N/A
19. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) N/A

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20. FY 1987 Continuing Resolution Sec. 528. N/A  
Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

21. FY 1987 Continuing Resolution Sec. 513. N/A  
Has the duly elected Head of Government of the country been deposed by military coup or decree?

**B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY** N/A

1. Development Assistance Country Criteria N/A

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. Economic Support Fund Country Criteria N/A

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded from Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1987 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project. Notification of the FY 1987 obligation was sent to Congressional Committees on April 19, 1987, and expired as of May 14, 1987, without objection.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (a) yes  
(b) yes
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? N/A. Proposed APDF projects can be implemented within existing national law.
4. FAA Sec. 611(b); FY 1987 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A

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5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. Yes and it is being so executed.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Project will encourage countries' efforts in all these areas indirectly by assisting development of private enterprises themselves.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Private U.S. citizens and consultant firms, including BA minority firms will be utilized.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. N/A
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A

11. FY 1987 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? APDF assists enterprise development and is not for the production of commodities for export.
12. FY 1987 Continuing Resolution Sec. 558 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers? Assistance is not for agricultural development activities but enterprise development activities.
13. FY 1987 Continuing Resolution Sec. 559. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? The assistance will be used direct to establish a regional development institution.

14. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded, by helping to increase production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of

The assistance is to the UNDP, an international development agency, and is not for the purpose of carrying out a specifically identifiable project. Thus, pursuant to 22CFR 216.2(c) (2) (vi), no IEE is required. A.I.D. through its TA activities, will promote adoption of sound environmental analyses.

U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

15. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

The project focus is primarily on industrial, commercial and value-added enterprise, and would not be expected to impact negatively on ecosystems.

16. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

17. FY 1987 Continuing Resolution Sec. 532. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

Disbursement of assistance is according to certain criteria reviewed and approved by A.I.D.

## B. FUNDING CRITERIA FOR PROJECT

### 1. Development Assistance Project Criteria

- a. FAA Secs. 102(b), 111, 113, 201(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and

(a), (b), (c), (d) and (e): Insofar as this project improves APDF's capacity to provide assistance in these priority areas to individual enterprises.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

- b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used? yes
- c. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? APDF is expected to assist enterprises that utilize appropriate technology.
- d. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? There is no recipient country.
- e. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? The project's ultimate beneficiaries are not slated to be the poor majority, but expanded economic activity by assisted enterprises should enlarge economic opportunities for the poor.

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The project reflects the assistance needs of the APDF, founded in response to requests from UNDP African member states.

g. FY 1987 Continuing Resolution Sec. 540. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

N/A

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

h. FY 1987 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?

N/A

If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

i. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

IFC and UNDP competitive selection procedures will apply.

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- j. FY 1987 Continuing Resolution. How much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? A.I.D. will provide to UNDP a list of eligible minority enterprises and require UNDP to report annually on the number of such enterprises retained by APDF.
- k. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity? N/A
- l. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? N/A
- m. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water N/A

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control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

**2. Development Assistance Project Criteria  
(Loans Only)**

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?
- c. FY 1987 Continuing Resolution. If for a loan to a private sector institution from funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds?
- d. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

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3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?
- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?
- c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction, operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

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**5C(3) - STANDARD ITEM CHECKLIST**

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

**A. PROCUREMENT**

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? A.I.D. will provide UNDP a list of eligible minority small businesses and A.I.D. has reviewed and approved UNDP's contractor selection procedures for this project.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? No. IFC and UNDP procurement procedures will apply.
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those N/A

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countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Private enterprises will be utilized to the fullest extent practicable.
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? FIC and UNDP purchasing procedures will apply.
9. FY 1987 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? N/A
10. FY 1987 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A

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**B. CONSTRUCTION**

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?

**C. OTHER RESTRICTIONS**

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes, regular review of APDF activities.

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4. Will arrangements preclude use of financing:

- a. FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 540. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? I to 4: Yes.
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.
- c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? N/A.
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? N/A.
- e. FAA Sec. 662. For CIA activities? N/A.
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? IFC and UNDP purchasing practices will apply.
- g. FY 1987 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? N/A.

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- h. FY 1987 Continuing Resolution Sec. 505. Yes.**  
To pay U.N. assessments, arrearages or dues?
- i. FY 1987 Continuing Resolution Sec. 506. Yes.**  
To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?
- j. FY 1987 Continuing Resolution Sec. 510. Yes.**  
To finance the export of nuclear equipment, fuel, or technology?
- k. FY 1987 Continuing Resolution Sec. 511. N/A.**  
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?
- l. FY 1986 Continuing Resolution Sec. 516. N/A.**  
To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

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PROJECT PAPER

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Approved: July 9, 1987

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