

PDEB/200

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>1</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY Africa Regional; Sahel Africa Regional; Southern Africa Regional	3. PROJECT NUMBER <input checked="" type="checkbox"/> 698-0438 <input type="checkbox"/> 690-0235; 625-0971		
4. BUREAU/OFFICE Africa Market Development and Investment <input type="checkbox"/> MDI	5. PROJECT TITLE (maximum 40 characters) <input type="checkbox"/> Africa Private Enterprise Fund		

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>01</u> <u>08</u> <u>93</u>	7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY <u>85</u> B. Quarter <u>2</u> C. Final FY <u>92</u>
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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				27,500		27,500
(Grant)	(461)	()	(461)	(27,500)	()	(27,500)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	461		461	27,500		27,500

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) DFA	790	840		3,267		20,362		23,629	
(2) SDP	790	840		500				500	
(3) ESF	790	840		518				518	
(4) ARDN	770	100		1,873				1,873	
SD	790	840		980				980	
TOTALS				1,138*		20,362*		27,500	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code B. Amount	

13. PROJECT PURPOSE (maximum 480 characters)

To promote an enhanced and expanded role for the private sector through provision of technical and financial support to host countries and USAID Missions in the planning and initiation of private sector activities.

14. SCHEDULED EVALUATIONS Interim MM YY <u>06</u> <u>90</u> Final MM YY <u>06</u> <u>92</u>	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input checked="" type="checkbox"/> 911 <input checked="" type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) <u>935</u>
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page IF Amendment.)
 This amendment will: (1) increase LOP funding from \$6 million to \$27.5 million, including a Mission buy-in provision for up to \$7.5 million; (2) extend the PACD 3 years to 1/8/93; (3) expand private sector assessments and strategies; and (4) leverage other funding in furtherance of private sector and market led development in Africa. *While this amendment authorizes an additional \$21.5 million for the project, \$1.138 million of this amount was inadvertently obligated prior to this amendment.

17. APPROVED BY	Signature: <i>Warren Heister</i> Title: Associate Assistant Admin. AFR/MDI	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed: MM DD YY <u>11</u> <u>09</u> <u>88</u>
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I. PROJECT GOAL AND PURPOSE

The goal of the Africa Private Enterprise Fund Project (698-0438) is to contribute to broad-based economic growth in selected African countries. The purpose is to promote an enhanced and expanded role for the private sector, through provision of technical and financial support to host countries and Missions in the planning and implementation of private sector initiatives and policy reform.

The existing project totals \$6 million. An increase in funding of \$14 million in core funds and \$7.5 million in projected buy-ins plus a three year extension in the life of the project are being sought through this project amendment. This would increase total life of project costs to \$27.5 million (including the buy-ins). This increase in funding and extension of the project are necessary to permit a timely and adequate response to the growing need and requests from Missions and African countries.

An important purpose of the amendment is to leverage Private Enterprise Bureau, Science and Technology Bureau, Mission, and other sources of funds to further private sector and market-led development. All of the funding shown under the project will be used to the maximum extent possible to leverage such resources using buy-in and transfer provisions.

II. BACKGROUND

Early in the 1980's the Africa Bureau, in response to A.I.D. policy directives, established certain mechanisms to promote and utilize the resources of the indigenous private sectors in Africa to contribute to economic and social development goals. One of these mechanisms was the establishment of the Office of the Associate Assistant Administrator for Private Enterprise Development (AFR/PRE), recently renamed the Office of Market Development and Investment (AFR/MDI).

The purpose of the Office was to help Missions to focus on private enterprise development as an integral element of country programs in major sectors such as agriculture, family planning, and economic development and stabilization. To this end it assisted Missions to incorporate private sector strategies and plans in country programs by undertaking private sector assessments and business and investment studies; recommending policy reforms; assisting with the design of private sector components of traditional projects

in agriculture, health, etc; promoting credit and banking mechanisms; and providing expert consultants in areas of special economic and private sector interest. To finance these activities the Africa Private Enterprise Fund Project was approved in 1984 at a level of \$6 million.

III. PAST DEMAND AND USE, AND RESULTS

Activities financed by the Fund since 1964 have been directed at the four priority areas specified in the Bureau's "Private Sector Policy and Strategy." These are:

- Promotion of policy, regulatory and procedural reforms;
- Financial markets development;
- Privatization; and
- Market growth and development (i.e., information, agricultural markets, business services, investment promotion).

For convenience, these activities may be divided into three categories, as follows:

1. Investment Climate Assessments. Some 15 such assessments have been completed by expert teams provided by two contractors under the project (ISTI and Dimpex Associates). Members of the teams have been primarily senior businessmen and bankers with Third World experience. The countries covered are: Gabon, Benin, Zaire, Swaziland, Ghana, Madagascar, Cameroon, Guinea, Senegal, Mauritania, Botswana, Niger, Guinea-Bissau, Somalia, and Mozambique. Each assessment concludes with specific guidance and recommendations to the Missions regarding effective promotion of the private sector in their countries.

Almost invariably Mission personnel have found these assessments useful in helping them to think through and shape their private sector programs. Options set forth and recommendations have often been praised. And the process of performing the studies has helped turn attention to the private sector and put Mission personnel in touch with key private sector leaders. The assessments have

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also helped Missions in the preparation of program documents such as CDSS's, Action Plans, and ABS's, and with individual projects.

The new MAPS exercises being undertaken in African countries over the next year or two will utilize and build upon these earlier assessments.

2. Technical Studies. About 20 studies of specific topics have been funded under the project. Positive results have come from most of them, as the examples below indicate:

Guidelines for small business credit projects. Development and subsequent use of these criteria have helped shape sounder credit institutions in Sierra Leone, Liberia, and Chad. They are also being used in the Agency's ongoing worldwide microenterprise program.

Kenya stock exchange study. This study was an important prelude to the very important ongoing work to develop Kenya's capital markets by A.I.D. and the World Bank in conjunction with the Government of Kenya.

SBA Small Credit project (VITA). The MDI financial and business consultant found that this credit institution is not financially self-sustaining in the long run, and recommended steps to either improve it or terminate the project. Otherwise it will have to be forever subsidized. The Mission is now acting on these recommendations. This conclusion directly contradicted an earlier study and finding by a social scientist (not funded by MDI) that all was fine with the project.

Three separate studies to support trade and investment missions to the U.S. from Cameroon, Benin, and Botswana. These were funded at the request of the Interagency Group for Private Sector Development in Africa. The consultants prepared specific investment project profiles which generated much interest among U.S. businessmen contacted by the trade missions.

Madagascar Investment Fund. The World Bank used this study as a basis for detailed discussions with Government of Madagascar officials, leading to technical assistance to selected banks recommended in the study.

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Feasibility study of a grain storage and handling facility in Lome, Togo. This project is now moving ahead partly as a result of the study.

3. Support Activities. About a dozen support activities with very useful results have been or are being financed under the project, such as:

Drafting and publication of the Africa Bureau's Private Sector Development Policy and Strategy. This basic brochure is printed in thousands of copies and has been and is being used constantly in meetings with Government officials and business people in the U.S. and Africa. During 1989 it will be updated to reflect new MDI initiatives in such areas as debt-equity swaps, free trade zones, informal markets, and venture capital.

Bibliography of important recent American and European literature concerning the informal sector in Africa, including books, studies, articles, theses, etc. This compilation should be useful to the Bureau in the next few years as we grapple with programs and projects concerning informal markets.

Training and sensitizing seminars for Mission personnel in private enterprise matters have been held in Abidjan and Nairobi, and at Mission Director conferences. These sessions, welcomed and praised by attendees, have broadened the horizons of our field staffs and enhanced their ability to pursue productive private sector strategies and projects.

The costs of experienced private enterprise advisors to the REDSO's (Lessard and Greenberg) and to MDI (Malley) are partially met from this project. These advisors are very productive and the units they are assisting would be much less effective and efficient without them. More such advisors are being hired for African posts to support the Bureau's growing private enterprise programs.

The above examples show that assistance under the project to date has been very much in demand. Unlike many A.I.D. projects, there has been no problem in committing funds. More money could have been usefully committed had it been available. For example, additional evaluations of ongoing private sector

projects could have been undertaken, more feasibility studies financed, and more private enterprise advisors hired more quickly.

The examples also show that there are many positive results stemming from activities financed under the project. And the Bureau is poised to achieve more results in the future from many of the activities.

The designers of the project in 1983-84 expected that major outputs would include feasibility studies, plus assistance to indigenous organizations and the training of Africans. This has not occurred, as the data below indicates. In particular, it was decided by the managers of the project as time passed that assistance to indigenous organizations and training would be increasingly left to Mission programs and other sources for the time being. Privatization proposals also have been fewer than expected because of the creation of the Center for Privatization. But more investment surveys have been undertaken than expected, as they were found to be excellent initial ways to help Missions focus on the private sector.

<u>Project Outputs</u>	<u>Expected in 1984</u>	<u>Actual to Date</u>
Investment Climate Assessments	5	15
Feasibility and Related Studies	30	11
Privatization Proposals	6	1
Conferences	6	3
Credit Agency Designs	5	7
Indigenous Organizations Assisted	30	3
Africans Trained: in Africa	3,000	0
Overseas	96	0

Such adjustments in the project are not surprising as the designers were, in fact, breaking new ground. They created a useful, viable mechanism that has been and is being creatively and positively adjusted and used by the project managers.

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The Project was reviewed and evaluated early in 1988 by independent consultants.*/ They concluded that the Fund is sound and well managed, is producing favorable results, and should be continued. The evaluators found that project activities such as the investment climate assessments serve as a catalyst in focusing Mission and host country attention on the issues relevant to private sector growth and in building contacts for Mission personnel with private sector leaders. The assessments also provide the Missions with points of entry to engage government counterparts in policy dialogue on issues concerning private sector growth.

Some comments of the evaluators are as follows:

"The competence of the consultants.....was exceptionally high".

"AFR/PRE (previous name of AFR/MDI) has been exceptionally prompt in responding to Mission proposals".

"The availability of small amounts of funding outside the country OYB for specific activities.....is very useful to Missions that do not have projects to accommodate these requirements.....the Fund is catalytic".

"We believe a great deal of necessary groundwork has been laid, with the payoff therefrom not yet visible".

"We conclude that the project is soundly conceived, well managed, and should be continued".

IV. FUTURE DEMAND AND USE

In March 1988 the Africa Bureau project review committee favorably reviewed the project and recommended that it be continued, and that an amendment be developed during FY 88 to ensure the availability of adequate funds in FY 89 and beyond.

*/ "Review and Evaluation of the Africa Private Enterprise Fund", by Robert Pratt and Ludwig Rudel, January 1988. Performed under Purchase Order AFR-0510-0-00-8007-00.

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In July the Bureau approved an ABS level of \$10 million in core funds for FYs 1989-1992; this would increase total project funding to \$16 million. It has since become clear that this level will not be adequate to respond to Mission and host country demand; therefore, \$14 million is being requested for this period. In addition, \$7.5 million in buy-ins are projected.

The committee recommended that the amendment should emphasize the contribution of consultancy services to Missions to develop private enterprise strategies and programs. Also, emphasis was to be placed on the improvement and growth of financial markets and institutions that serve them, to include such areas as formal and informal credit markets, micro and small enterprise development, rural commodity markets, savings and stock exchanges, venture funds, export finance, rural and urban commodity flows, and trade and free trade zones.

Demand under the amendment can for convenience, be broken down into the same three general categories used earlier for past demand. However, since the overall program is expanding, more and different types of undertakings are planned in each of the three categories. This is clear from the discussions below.

1. Assessments, Strategies, and Evaluations.
MDI expects to undertake MAPS */ exercises in 20 countries over the next year or so; the first such team has just returned from Lesotho and Swaziland. Planning is well advanced for teams to visit Senegal, Cameroon, Gambia, Ghana, Kenya, Mauritius,

*/ MAPS stands for the Manual for Action in the Private Sector (MAPS). Developed by J.E. Austin Associates Inc., it assists A.I.D. officers in their efforts to promote economic development through stimulation of private enterprise. It is a seven step process, each containing a set of analytical tools, designed to help those involved with private sector programs to design and implement strategies that promote private sector led growth as an engine of economic development. It will assist Missions in preparing program documentation, including CDSS and action plans, and developing or modifying individual private sector strategies. It will also assist in policy dialogue leading to structural reform and liberalization of economies, and can be a powerful tool in efforts to promote privatization and in indentifying options for private sector provision of services currently provided through public sector channels.

Niger, Rwanda, and Zaire in coming months. MAPS builds on the investment climate assessments already financed under the project for some countries. But MAPS is much more comprehensive than the earlier work. The indigenous business and financial sectors will be fully involved in the studies. \$1.7 million has been budgetted for MAPS.

MDI also has budgetted funds for divestiture and privatization work in conjunction with PRE Bureau and the Center for Privatization, and for consultancies to Missions in connection with private energy systems and related matters.

2. Technical Studies, related to investment promotion, micro and small business support, market towns, and venture capital formation. Specific items already planned under this category include:

Debt Conversion Workshop to be held February 9-11, 1989 in Abidjan, in conjunction with OPIC and the African Development Bank. MDI has budgetted \$235,000 for this purpose. Similar workshops in other parts of Africa are expected. This effort, which is intended to disseminate information and stimulate thinking and interaction on Debt for Development in Africa, is a major undertaking with the potential for substantial positive results, as has happened in Latin America in recent years.

Free trade zones assessments and development, in conjunction with PRE Bureau and OPIC. Two African countries will be selected for this program, the first to be pursued during 1989-90, the second in 1991-92. We have budgetted \$500,000 for these two undertakings. OPIC has set aside \$700,000 and PRE \$150,000. Mission buy-ins also are likely.

Informal sector studies and follow-up programs and projects. Teams jointly funded by this project and PRE Bureau already have visited Senegal and Zaire. Kenya, Cameroon, and about five other countries will be visited during 1989.

Application of SBA programs to Africa. With one study on this subject completed, the next step is possible further analytical work plus the consideration of pilot programs in two or three countries.

Small business support. In conjunction with Missions, MDI expects to undertake activities in credit and technical assistance to support small and micro enterprise development and business and trade associations. A small business advisor is joining MDI to assist in this effort and will be financed from the project.

Venture capital formation. Programs to test and promote venture capital undertakings in selected African countries will be started.

3. Support Activities. Such activities will include:

The Bureau's Private Sector Development Policy and Strategy brochure will be updated to reflect current policies and the new MDI initiatives.

Training and related information exchanges in private enterprise matters for Africans and A.I.D. staff will be pursued in close coordination with the PRE Bureau, the Center for Privatization, and others. Planned exchanges include the debt-conversion workshop in Abidjan and privatization conferences in Abidjan and Uganda.

Existing private enterprise advisor positions will continue to be supported at MDI and the REDSO's, and approximately 12 new positions will be created and filled. The next three scheduled are for Cameroon, Zaire, and Swaziland. About \$4 million is budgetted over the life of the project for this activity, which will also be supported by Mission buy-ins.

MDI is receiving numerous requests and indications of future needs from Africa Missions. For example, the Gambia Mission recently cabled that it expects to request about \$400,000 worth of assistance from MDI funding during 1989-92 for a series of studies and projects involving privatization of the river

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transport system, livestock marketing board, and electric power generation, increasing the effectiveness of the Chamber of Commerce, free trade zones development, venture capital possibilities, and market town development. USAID Zimbabwe says it will request about \$550,000 of MDI funds for trade promotion, regional financial markets studies, and the continuation of MDI's ongoing IESC financing; and it will match MDI funds with buy-ins. USAID Mauritania estimated a need for 77 man-months of support for microenterprise, market towns, and rural finance activities. The Niger Mission forecasts needs of \$475,000 for work on market town and exports plus feasibility studies concerning the tanning industry and milling.

The list goes on - there is no dearth of requests to MDI from the field. And as MAPS exercises are completed and produce recommendations, such requests are expected to increase substantially.

V. RELATION TO OTHER PROJECTS

AFR/MDI is participating in three other projects now. None of these projects overlaps with this project, as indicated below;

-The African Project Development Facility project (698-0516), is a combined effort financed by the United Nations Development Program (UNDP) and 13 other donors including A.I.D., and managed by the International Finance Corporation (IFC). Under the project promising African business possibilities are indentified and supported through feasibility studies, expertise, and assistance in finding partners and financing.

-The African Management Services Company (AMSCO) project (698-0517), authorized in FY 1988, is providing management and training services to strengthen private companies in Africa. The three institutional co-sponsors of AMSCO are the UNDP, IFC, and the African Development Bank. The U.S. is one of five countries granting funds to capitalize the operation. Its headquarters will be in Amsterdam.

-The African Growth Fund (0523) is helping to finance a new investment company through which equity investments will be made in viable private enterprises in African countries. OPIC is supporting the Fund, which is managed by Equator

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Holding Ltd. based on OPIC eligibility and policy guidelines.

In FY 1989 MDI also will be involved in the Foreign Investment Advisory Service (FIAS) project which will tie the Africa Bureau into the wide range of services and expertise available from FIAS, established by the IFC in 1987. FIAS is a mechanism for providing advisory services to LDC's to help them develop and improve policies to attract direct foreign investments.

Finally, MDI expects to develop a separate African Venture Capital Fund project during 1989 to support loans and equity investments in existing or new and promising African growth companies. Some exploratory work will be done on this under this project.

Spurring private enterprise growth in the numerous countries of Africa requires very substantial but somewhat uncalculable amounts of resources over many years. Other parts of A.I.D. in addition to Africa Bureau are involved in this effort, especially the PRE and S&T Bureaus. And other USG organizations are involved - TDP, OPIC, and the Peace Corps. Many bilatateral and multilateral donors operate in Africa, as do numerous PVO's. And of course the African countries themselves are expected to commit substantial resources to this endeavor. Thus, AFR/MDI resources, at \$3.5 million average per annum core funding for four more years, is a minor amount of the total - or as one expert said, a "drop in the bucket".

These other private enterprise development and investment entities have not been as active in Africa as they have been in Latin America and Asia. MDI is encouraging and having some success in leveraging them into more activities in Africa. Resources are needed to continue this effort. And from their points of view, MDI buy-ins to their projects (e.g. PRE) permits them to stretch their funds further. Thus, all are mutually supportive.

Almost no undertaking under this amendment will be done alone by MDI - e.g. free trade zones assessments are being funded by PRE Bureau and OPIC in addition to MDI, the debt conversion workshop is being undertaken in conjunction with OPIC and the African Development Bank, studies of informal markets are supported by PRE and the concerned Missions in addition to MDI, the private sector advisors are requested by and partly financed by Missions, etc. In many cases others will put in more funds than MDI, even though MDI may have stimulated the undertakings.

VI. BUDGET

The new authorized life-of-project funding requested is \$20 million in core funds and \$7.5 million in buy-ins (\$27.5 million total). This compares with \$6 million in the existing project, and the ABS level of \$10 million additional (total of \$16 million). It is anticipated that these funds will be obligated as follows:

	Obligations Under the <u>Approved Proj.</u>	Obligation Under the Amendment				<u>TOTAL</u>
		<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	
Core Funds	\$6,000	3,900	3,500	3,500	3,100	\$20,000
Buy-ins		1,500	2,000	2,000	2,000	\$ 7,500

Project funds will continue to be used to meet essential and normal dollar costs of activities such as consultant salaries, travel, overhead and benefits. Every reasonable effort is now and will continue to be made to have local currency costs such as per diem met by Mission and/or local government contributions; such costs will be met from this project only when they are not available from these other sources.

Annexes A and B contain details of how project funds under this amendment will be utilized. They may be summarized and compared with expenditures under the original project as follows:

	<u>Original Project</u>	<u>This Amendment</u>	
		<u>Core Funding</u>	<u>Mission Buy-Ins</u>
Technical Assistance	\$5,840	\$10,125	\$3,565
Regional/Mission			
Technical Support	-	2,000	2,500
Training	70	950	1,000
Commodities	80	425	395
Evaluation	10	500	40
TOTAL	\$6,000*	\$14,000	\$7,500

The above table shows that the majority of funds are being and will be used to finance technical assistance of the types and for the purposes discussed earlier in Sections III and IV of this amendment paper.

*While the original project authorization provided for a \$6 million LOP amount, because of the rush of demand from Missions during 1988 an additional \$1.138 million was inadvertently obligated prior to the amendment herein proposed.

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It was decided at the ECPR to insure that private enterprise advisors hired under the project are providing services which are properly DFA funded. Specifically, GC/AFR noted that each scope of work detailing the specific functions and responsibilities of each long-term private enterprise advisor contracted and funded under the project must be analyzed independently to determine whether it may be DFA funded or must be funded with operating expense funds (OE).

In analyzing whether a long-term private enterprise advisor will be OE or DFA funded, GC/AFR has advised that the following guidance will be applied. First, OMB Circular A-76 provides that activities which constitute "governmental functions" (i.e. functions that cannot be contracted out) are to be funded with OE. The rationale behind the rule that governmental functions cannot be contracted out is that governmental functions are deemed to be "functions so intimately related to public interest as to mandate performance by governmental employees." Some governmental functions are: supervision of other governmental employees, approval of vouchers, negotiating on behalf of A.I.D. or USAID, and making commitments or rendering final decisions on the expenditure of public funds.

On the other hand, DFA funds may be used for most activities directly related to development objectives of the DFA - in this case the preparation and implementation of programs, projects and activities in the private sector field. Some examples of both DFA funded and OE funded activities are listed below.

Project Funded Activities

Drafting project design documents, i.e. PIDs, PPs

Preparing a private sector strategy paper for Mission

Project evaluations

Preparing private sector assessments

OE Funded Activities

Approving on behalf of A.I.D. a Project Authorization, etc.

Supervising governmental employees

Approving financial vouchers

Providing legal services to the Mission

Salaries and benefits of US direct hire employees

Drafting feasibility studies for agribusiness and small industry

A mission private sector project design officer whose functions are to prepare semi-annual reports on private sector projects and programs and a narrative on the private sector strategy and programs/projects for the CDSS, and the Congressional Presentation

OE funded activities also include the costs of activities which constitute management support costs and non-project related commercial activities. Some examples of these two categories of activities include the costs of establishing an automatic data system for tracking disbursements and all expenditures for a Mission's private sector project and program.

In practice, some functions of a private enterprise advisor may be OE functions and others may be DFA functions. In situations where the advisor will perform both categories of functions, the percentage of time to be devoted to each function should be established. If the advisor's time will be spent predominantly on carrying out activities appropriately deemed to be DFA funded functions, and such functions do not include supervision of other governmental professionals, the entire cost of all the services may be funded with DFA funds.

The table shows that about \$1,950,000 will be used for various types of training activities. This includes not only training of the traditional type, but also more general informational exchanges and discussions involving, in many cases, very senior African officials such as Finance Ministers and Development Ministers, etc. Specific conferences currently being arranged that fall under this category include the Debt for Development Conference in Abidjan next month and privatization seminars by the Center for Privatization in both Abidjan and Uganda in the next few months. Also, we expect that in almost all cases the MAPS exercises will lead to recommendations and programs for training of various types, such as business management, financial analysis, technical skills necessary in factories and industries, etc. Training activities are undertaken by MDI only if they are supported by the concerned Missions, and almost invariably they are also sponsored and partly funded by other organizations and entities in addition to MDI.

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The project budgets \$900,000 for the purchase of commodities to support Missions and African institutions promoting private sector development; indigenous institutions include business and trade associations and government bodies serving local business. This subject is discussed in Annex B.

Finally, the budget provides \$550,000 for monitoring and evaluation of the project. The M&E plan is Annex E of this amendment paper, and the Logical Framework on which it is based is Annex D. MDI will hire and manage appropriate talent as needed to carry out the M&E function on a timely basis.

VII. IMPLEMENTATION

MDI is responsible for implementing this project, including overall management, selection of activities to be supported, programming and budgeting. A Project Advisory Committee chaired by MDI and composed of AFR/PD, AFR/DP, AFR/TA, PRE and other interested Bureaus provides advice to MDI. This Committee meets periodically upon call from MDI to review and discuss past work under the project and future activities. In addition, MDI prepares appropriate documentation including annual work plans and budgets for the review and concurrence of the Project Committee.

MDI also is responsible for developing and carrying out a monitoring and evaluation plan for the project. This responsibility is discussed in Annex E. As indicated in Section III earlier, the independent evaluation of the project completed in January 1988 was favorable.

Much of the expertise needed to perform studies, make assessments, and undertake other technical activities are provided to MDI by minority-owned consulting firms funded under the project. This will continue under the project amendment.

Activities are undertaken in African countries only if supported by the concerned Missions. MDI staff are in constant contact with Mission management through travel, scheduling and Mission Director Conferences, telephone, FAX, cables, and overnight letters. MDI also keeps in constant contact with African desk officers and concerned individuals in other parts of Africa Bureau, and with appropriate personnel in PRE, S&T, PPC, and other concerned Bureaus and offices. And MDI frequently meets with and talks by telephone with concerned staff in other organizations such as TDP, OPIC, the Center for

Privatization, IESC, World Bank/IFC, African Development Bank, commercial banks, private companies, etc. as necessary to pursue activities in an efficient and timely manner.

Missions typically submit proposals by cable or letter usually following informal discussion of the matter in person or by telephone. They may request core funding for the desired technical services or, alternatively, finance a portion or all of such services through buy-ins, whereby a portion of the Mission's OYB is transferred to this regional project. In either case, activities which it is judged may entail follow-on work by Missions and positive multiplier effects are favored for financing.

It should be noted that the implementation arrangements employed heretofore, essentially as described above, have been functioning satisfactorily.

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ANNEX A: CONSOLIDATED BUDGET, FY 1989-92
(\$000's)

<u>PRINCIPAL CATEGORIES OF ACTIVITIES</u>	<u>AFR/MDI</u>	<u>PROJECTED MISSION BUY-IN'S</u>	<u>TOTAL</u>
I. <u>Assessments/Strategies/ Evaluations</u>	<u>2,270</u>	<u>.,260</u>	<u>3,530</u>
a. Private Sector Strategy Assessments	1,700	.,100	280
b. Divestiture/Privatization	220	60	2,800
c. Project Design Assistance	350	100	450
II. <u>INVESTMENT PROMOTION</u>	<u>2,900</u>	<u>450</u>	<u>3,350</u>
a. Investment Profiles	700	-	700
b. Feasibility Studies	800	100	900
c. Trade/Export Promotion Studies	400	150	550
d. Investment/Financial Market Conferences	1,000	200	1,200
III. <u>MIRCO AND SMALL BUSINESS SUPPORT</u>	<u>2,455</u>	<u>620</u>	<u>3,075</u>
a. Micro-enterprise Assistance	1,100	320	1,420
b. Trade Association Assistance	435	80	515
c. Intermediate Credit/Financial	800	200	1,000
d. Other	120	20	140

ANNEX A

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<u>PRINCIPAL CATEGORIES OF ACTIVITIES</u>	<u>AFR/MDI</u>	<u>PROJECTED MISSION BUY-IN'S</u>	<u>TOTAL</u>
IV. <u>MARKET-TOWNS/FORMAL FINANCIAL INSTITUTIONS AND MARKETS</u>	<u>2,100</u>	<u>720</u>	<u>2,820</u>
a. Market-town Formation/ Development	1,000	400	1,400
b. Venture Capital Formation/ Development	600	200	800
c. Miscellaneous	500	120	620
V. <u>REGIONAL/MISSION TECHNICAL SUPPORT</u>	<u>2,000</u>	<u>2,500</u>	<u>4,500</u>
VI. <u>TRAINING</u>	<u>950</u>	<u>1,000</u>	<u>1,950</u>
VII. <u>OTHER</u>	<u>1,325</u>	<u>950</u>	<u>2,275</u>
a. Commodities	425	395	820
b. Miscellaneous: Communications, Report Publication, Contigencies	400	515	915
c. Project Evaluation	<u>500</u>	<u>40</u>	<u>540</u>
TOTAL	14,000	7,500	21,500

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ANNEX B

ANNEX B: COMMODITIES AND MISCELLANEOUS

The project budgets \$820,000 for commodities to provide business and related equipment for Mission technical support and African institutions which promote private sector development. Examples are business and trade associations and government bureaus serving local business. Mission private sector advisors will need computer capability, including personal and laptop computers. Africa business and trade associations will have a variety of requirements depending upon organizational capability and goals.

MDI will publish and distribute private sector policy and business information brochures as a technical service to Missions and business development persons.

The following pages illustrate types and costs of equipment which are considered suitable for small to medium scale operations and Mission support.

It is estimated that commodity purchases will be as follows:

-20 System 1 @ \$7,000 for	\$140,000
-20 System 2 @ \$6,400 for	128,000
2 System 3 @ \$120,000 for	240,000
-Other computer related items (equipment, spare parts, shipping, TA)	240,000
-Other business equipment	72,000
Total	<u>\$820,000</u>

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COMMODITIES: Illustrative Equipment and Costs

A. Computer Systems

System 1: Microcomputer System

DESCRIPTION	EST. PRICE	QTY	TOTAL
PC/AT Type System	2,800.00	1	2,800.00
VGA Color			
40MB, 28MS Disk			
1 5.25 1.2MB Floppy			
200 Watt Power Supply			
1 Parallel, 2 Serial			
640KB RAM			
Phoenix BIOS			
VGA Color Display	500.00	1	500.00
MSDOS 3.3	94.00	1	94.00
DBASE IV	488.00	1	488.00
LOTUS 123	281.00	1	281.00
Word Perfect 5.0	234.00	1	234.00
Diskettes	25.00	10	250.00
Paper	60.00	5	300.00
Printer Ribbons	7.00	10	70.00
Printer, Wide Carriage	750.00	1	750.00
24 Pin			
Norton Util. Advanced	81.00	1	81.00
Ed, 5.25"			
600 VA UPS - 480 Watts	1,200.00	1	1,200.00
TOTAL SYSTEM PRICE			7,048.00

System 2: Portable System

COMPUTER DESCRIPTION	EST. PRICE	QTY	TOTAL
286 Based Laptop	3,000.00	1	3,000.00
Monochrome Display			
20MB Hard Disk			
3.5" Floppy Disk			
Battery			
1 Parallel, 1 Serial			
640KB RAM			
Phoenix BIOS			

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DESCRIPTION	EST. PRICE	QTY	TOTAL
MSDOS 3.3	94.00	1	94.00
DBASE IV	488.00	1	488.00
LOTUS 123	281.00	1	281.00
Word Perfect 5.0	234.00	1	234.00
Diskettes	25.00	10	250.00
Paper	60.00	5	300.00
Printer Ribbons	7.00	10	70.00
Portable Printer	400.00	1	400.00
Norton Util. Advanced Ed, 5.25"	81.00	1	81.00
600 VA UPS - 480 Watts	1,200.00	1	1,200.00
PORTABLE SYSTEM PRICE			6,398.00

System 3: Mini Computer System

DESCRIPTION	EST. PRICE	QTY	TOTAL
Minicomputer	60,000.00	1	60,000.00
CPU - 1 Mip			
1 GB Hard disk			
Operating System			
10 Terminals			
Basic Utilities			
DBMS	20,000.00	1	20,000.00
Spreadsheet	5,000.00	1	5,000.00
Office Automation	10,000.00	1	10,000.00
Diskettes	25.00	10	250.00
Paper	60.00	10	600.00
Printer Cartridges	70.00	15	1,050.00
Laser Printer	6,000.00	1	6,000.00
10 KVA UPS	15,000.00	1	15,000.00
TOTAL SYSTEM PRICE			117,900.00

Other Computer Related Items

Power Generators 1KVA	1,000	
Power Generators 10KVA		10,000
PC Laser Printer	2,500	
Modem, 2400 Baud 2/SW	300	
Desktop Publishing Software	300	

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Spares Parts Costs - 20% of total Cost
Short Term Technical Assistance \$5000/week
Shipping - 10%-15% of Cost

B. Other Business Equipment

Fascsimile Machine	1,500
Business Copier	6,000
Typewriter	500

MISCELLANEOUS

Miscellaneous expenses are budgetted at \$915,000 of which \$400,000 is for data collection and communications, \$215,000 for report publication and dissemination, and the remainder (\$300,000) for contingencies. A.I.D. experience demonstrates that it is important to supply modest grants to A.I.D. sponsored private sector organizations such as small business advisory services, credit institutions, and business associations for the purpose of collecting data on techniques used, participants reached, and results realized, so that reports may be prepared and disseminated to similar institutions within the country and abroad. In this way, lessons learned from one facility can be applied to other facilities in the sector, thereby multiplying the impact of the business development project.

In addition, reports on innovations and experience in private sector development will be prepared for use in African seminars and conferences and for dissemination to business extension services in African countries. Also, MDI will be updating the basic Africa Bureau private enterprise policy brochure, which is a very useful es, and will be producing ple on MDI and sources of U.S. of assistance.

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ANNEX C

PROCUREMENT: METHOD OF FINANCING
(\$000)

PROCUREMENT	HC/DIRECT	CONTRACTING METHOD	TYPE OF CONTRACT	FINANCING METHOD	ADVANCE	EST VALUE
Technical Assistance	Direct	8-A & IQC	Cost Reimbursement	Direct Reimbursement	No	12,775
Private Sector Advisers	Direct	PSCs	Cost Reimbursement	Direct Reimbursement	No	4,500
Training	Direct	Small Contracts (PVO & profit)	Cost Reimbursement	Direct Reimbursement	Sometimes (if PVO)	1,950
Evaluation/Audit	Direct	Competitive (IQC, 8-A)	Cost Plus Fixed Fee	Direct Reimbursement	No	540
Commodities	HC/Direct	8-A Firms	Cost Reimbursement	Direct Reimbursement	No	820
Miscellaneous	—	—	—	—	—	915
TOTAL						27,500

ANNEX D: LOGICAL FRAMEWORK

<u>PROJECT GOAL</u>	<u>VERIFIABLE INDICATORS MEASURES OF GOAL ACHIEVEMENT</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
To contribute to broad-based economic growth in selected Sub-Saharan African countries.	<ul style="list-style-type: none">-Increases in economic growth, as measured by GDP.-Increases in private investment, both foreign and domestic.-Increases in share of national resources (e.g. credit, labor) allocated to the private sector.	<ul style="list-style-type: none">-Analyses of data from host country national accounts.-Analyses of macro-economic survey data (CDSSs, IBRD and IMF reports, etc.).	<ul style="list-style-type: none">-Growth will not be unduly constrained by factors beyond control of host country, e.g., international terms of trade, weather.-Political stability and other factors will permit a favorable investment climate.-Private sector will retain a significant share of resources within the host countries, and will use them more efficiently than the public sector.-Benefits of private sector initiatives will not be captured by only a few individuals.

dp

PROJECT PURPOSE

To promote an enhanced and expanded role for the private sector, through provision of technical and financial support to host countries and USAID missions in the planning and implementation of private sector initiatives and policy reforms.

EOPS

1. 80% of A.I.D. missions participating in assessments and strategy development integrate private sector support activities into their country strategies.
2. Participating A.I.D. missions significantly increase the level of program funds to support private enterprise efforts.
3. Ten A.I.D. missions fund private sector officers and/or advisors from bilateral funds.
4. A significant number of new businesses established and existing businesses expanded.
5. Investment promotion programs initiated or expanded in eight African countries.
6. Six African governments assisted with privatization of state-owned enterprises.
7. Five new intermediate credit facilities created or improved.
8. Management and other improvements initiated in 75 % of indigenous organizations assisted.
9. Significant policy changes occur in 50 % of participating countries identified as needing such changes.

MEANS OF VERIFICATION

- CDSS and Action Plans
- ABS and Project Documents
- Host country regulations and legislation related to policy.
- USAID annual reporting.
- Chambers of Commerce and other records on business development.
- Reports from indigenous organizations.
- Follow-up studies.

ASSUMPTIONS

- Host governments and private sector will cooperate with A.I.D. in developing ideas and projects.
- Host governments adopt joint consultant/local private sector recommendations.

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OUTPUTS

1. Completed Private Sector Strategies for:
 - a. Host Countries
 - b. USAID Missions

2. Completed Assessments of:
 - a. National Business Climates
 - b. Financial Market Situations
 - c. Informal and Small Enterprise Sectors
 - d. Indigenous Organizations

3. Completed Feasibility Studies and Proposals for:
 - a. agribusinesses and small industries
 - b. privatization of state-owned enterprises
 - c. intermediate credit facilities
 - d. trade and investment promotion programs

4. Initiatives Designed and/or Implemented in the areas of:
 - a. Investment promotion programs
 - b. Free trade zones
 - c. Credit facilities
 - d. Venture capital
 - e. Debt swap promotions

5. Completed training programs and conferences.

VERIFIABLE INDICATORS

1. Assessments, strategies, studies, proposals and initiatives completed in the following quantities:
 - Twelve private sector strategies.

- Twenty assessments in a thru c.

- Thirty indigenous organizations assisted/assessed.

- Twelve feasibility studies for small industry and agribusiness.
- Six privatization proposals.

- Two studies and/or proposals in areas c & d.

- Ten innovative programs promoted, designed and/or implemented in areas a thru e.

- Five conference actions undertaken.
- 4000 African entrepreneurs trained or otherwise assisted.

MEANS OF VERIFICATION

- Consultant and mission reports
- On site visits by AFR/MDI
- Evaluation reports

ASSUMPTIONS

1. Missions and host governments seek consultant support.
2. Businesses seek training, apply for feasibility study support.

<u>INPUTS</u>	QUANTITY AND COST: FY 89 -92	(\$000)
Technical Assistance		19,530
Regional/Mission Technical Support		4,500
Training		2,020
Commodities and Miscellaneous		900
Evaluations		550
	TOTAL	<u>27,900</u>

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ANNEX E

Monitoring and Evaluation (M&E) Plan

This M&E plan answers the following questions: What information is needed to monitor, evaluate and manage this catalytic project, how will the information be obtained, how and by whom will the information be used, and what resources will be required?

I. Information Needed

There are two levels of information needs for monitoring and evaluation of this project. The first level is the information needed for monitoring the resources provided by the project (inputs), and the direct results of the use of those resources (outputs). Monitoring at this level will be referred to as input/output monitoring.

The information generated for input/output monitoring is used by project managers and others following project progress to assess the quality and quantity of inputs and outputs, to identify problems in a timely fashion, and to make subsequent modifications in project implementation. Examples of monitoring at this level would include assessing information on the number and quality of technical assistants provided, studies and assessments undertaken, strategies developed, entrepreneurs trained, etc.

The second level concerns information needed to monitor impact, or, to put it in terms of the A.I.D. logical framework, monitoring at the purpose/goal level. This is an attempt to determine the extent to which the project, as a catalytic agent, contributes to the accomplishment of its ultimate objectives, and will be referred to here as impact assessment. Examples include such things as numbers of new businesses created and the resulting employment and income generations, improvements in the business climate in particular countries, new or improved credit facilities created, expansion or improved efficiency of indigenous organizations and businesses, and increased resources made available to the private sector.

For the most part, information on country specific impacts of this type will be produced and forwarded by Missions themselves as they mount bilateral programs/projects as by-products of Fund technical assistance. For this purpose, Missions will use documentation specified in Africa Bureau guidance on CDSS, Country Action Plans and project papers. USAID submissions are assembled, distributed and reviewed by appropriate Africa Bureau program, technical, geographic and project development offices.

II. Illustrative Indicators and Their Use

A. Selected Impact Evaluations

MDI will undertake impact evaluations in two to four selected countries in which MDI has undertaken a wide range of activities. Appropriate macro-economic indicators will be developed and utilized for these impact evaluations; examples of possible indicators are growth of GDP and the private sector share in it; changes in levels of foreign trade; number of jobs created; new or improved credit facilities created; and improvements in the business climate as measured by the number of new firms/expansions.

B. Country/Activity Reporting Indicators

In addition to the impact evaluations described above, MDI each year will solicit information from countries that have received Fund assistance. In many of these countries, project assistance may be limited and/or specific in nature i.e. targetted exclusively to privatization, development of credit unions, financial markets, etc. Missions will report on these project activities utilizing appropriate indicators; an illustrative list of possible indicators follows. These illustrative indicators will be modified, as necessary, by the MDI consultant, in cooperation with Missions and MDI. The Mission reports, including data from pertinent bilateral project PIRs, will be summarized, as appropriate, into the Fund's annual report.

The illustrative indicators follow.

A. Private Sector Strategy Development and Implementation

- Number and quality of private sector assessments performed
- Number and quality of Mission-based or host country private sector strategies developed
- Number and size of private sector studies, projects and other activities initiated as a result of the assessments or strategies, by country (both USAID and host country strategies)
- Amount of mission bilateral expenditures attributed to private sector promotion (normally reported in Mission Sector Assistance Reporting System (SARS) submissions)

Amount of Mission and AID/W funded direct-hire or advisor input (by country)

B. Policy Environment/Business Climate

- Number and quality of activities targeted on analyzing or influencing country policy and business climate as well as host country politico-economic changes in support of private sector growth
- Evidence of increased private trade and investment (e.g., number of new firms and expansions) as a result of changes in the policy and business climate in selected countries

C. Financial Market Development and Stability

- Number and quality of feasibility studies conducted for creation or expansion of credit facilities and employment of venture capital
- Number and size of credit facilities created or expanded, and number and size of venture capital opportunities funded
- Per credit or equity expansion facility, number of loans/deals by type of firm, size of transaction, number of enterprises started or expanded, size of firm (number of employees), and socio-economic strata of loan/capital beneficiary
- Number of countries where the debt swap concept was discussed with host country through project efforts
- Number and size of debt swaps arranged

D. Privatization

- Number and use made of feasibility and other studies conducted to examine prospects for privatization of public enterprises
- Number of countries undertaking privatization strategies and programs as a result of project Fund efforts
- Number and size of state-owned enterprises privatized and number and importance of functions contracted by the public sector to the private sector
- Number and importance of fully functioning and successful privatized enterprises

E. Enterprise Development

- Number and quality of feasibility studies for enterprise creation or expansion, and free trade zone development
- Number and size of enterprises created or expanded
- Number of free trade zones developed and functioning
- In selected countries, number of employment opportunities created by enterprise and free trade zone creation

F. Technical Assistance to Indigenous Organizations and Host Country Governments

- Number of initiatives for management improvements
- Number and quality of feasibility or special studies for government supported trade promotion centers
- Number of initiatives to develop Chambers of Commerce
- Number of trade promotion centers initiated
- Volume of increase in trade in selected countries

G. Support Activities for Conferences and Training

- Number of persons trained by type of training
- Number and type of conferences assisted

H. Project Assumptions Monitored

- Assumptions listed in the project log frame will be monitored/evaluated during project implementation

III. Methodology

The project overall will be monitored by AID/W, with substantial input from the Missions that use the services provided. AFR/MDI, the implementing office, will have first line responsibility for project monitoring and evaluation of inputs/outputs funded by core funds, with the assistance of consultants. MDI will report changes initiated by USAIDs in response to Fund's consultant activities.

Beyond this, AFR/DP and AFR/PD will exercise normal AID/W functions concerning documentation and reporting on Mission bilateral programs and projects undertaken as by-products of Fund technical assistance. For instance, AFR/DP will include pertinent instructions in CDSS, Country Action Plan and ABS guidance. In this connection, DP will give particular attention to instructing and monitoring Missions in submission of project expenditure data in the Sector Assistance Reporting System (SARS), including significant results obtained within illustrative indicators A through G above.

In like manner, AFR/PD, with AFR/MDI counsel, will provide guidance and oversight for information to be included in USAID semi-annual Project Implementation Reports on bilateral projects. This information pertains to, among other things, obligation and expenditure levels and results achieved against progress indicators in bilateral project papers. In MDI's own annual report on Fund activities, MDI project managers will incorporate data and progress reports from these regular periodic Mission documents as the primary source of information concerning results of projects generated from Fund technical assistance.

The regular Africa Bureau Project Implementation Review Committee, composed of the usual interested offices, will review progress of the Africa Private Enterprise Fund Project and concur in annual work plans during the Spring semi-annual PIR review of Fund operations. Work plans will incorporate suitable modifications made apparent by project progress and implementation monitoring.

It is expected that MDI consultants will initially design an M & E implementation plan for the project, in consultation with members of the Project Implementation Review Committee. After approval by AFR/MDI, MDI consultants will provide on-going assistance as needed in project monitoring and evaluation functions.

Mission PIR reports on private enterprise-oriented bilateral projects will identify actions taken by the Mission and host country to follow up Africa PE Fund policy and program recommendations, proposals, feasibility studies, etc. Missions will also report on the accomplishments of long-term private sector advisors financed by the Fund.

Once a year MDI will cable Missions to ask that they evaluate the usefulness of Fund catalytic services and report on any significant follow-on Mission private sector activities not otherwise described in PIRS. MDI will use these annual Mission supplementary reports, and regular PIRs, in compiling its overall annual report on the Fund.

In line with present practice, MDI will monitor project inputs and outputs by keeping records of all Fund-financed activity. These records state purpose, expenditure, country assisted, and report or other outcome produced. In its annual presentation, MDI will report follow-on mission and host country initiatives which stem from Fund services.

In addition, MDI-financed business climate reviews, private sector assessments and other studies will incorporate baseline data such as an inventory of the current level of private sector activities and constraints to private sector development in countries assisted. This country-specific information will be put into an easy-to-read format and upon request be given to Project Review Committee members and others interested in A.I.D.'s private sector development programs in Africa.

IV. Evaluations.

Two independent, project-wide evaluations are planned. The first evaluation will concentrate on project implementation to date, focusing on management of the project (role of MDI and other Bureau Offices, the Missions, and the Bureau Project Implementation Review Committee), and on the services provided. The evaluators will also review the level of demand shown for the various project components as well as types of consulting services which tend to evoke constructive USAID and host country responses and initiatives. While concentrating primarily on implementation and any necessary modifications, this evaluation will also examine preliminary evidence of project impact. A second and final evaluation near the end of the project will focus more heavily upon the impact of the project in promoting Mission and host country private sector approaches to development.

MDI also will undertake two to four impact evaluations in selected countries in which MDI has undertaken a wide range of activities.

In addition, provision is made for special topic evaluations of particular components of the project, should the need arise.

V. Budget.

\$160,000 is budgeted for the two project-wide evaluations and \$150,000 for the impact evaluations and possible special topic evaluations. Consultant services to help design and establish the M and E system are budgeted at \$40,000. Finally, \$150,000 is budgeted over the life of project for technical assistance and other needs related to continual monitoring; needs in this regard are expected to include long or short-term technical assistance, or both, and travel funds to permit consultants to assist Missions establish monitoring arrangements for bilateral programs. This brings total funding for monitoring and evaluation to \$500,000 in core funds.

In addition, it is expected that \$40,000 of buy-in will be available for M&E work on this project, giving a total budget of \$540,000.

MDI also will attempt to get other pertinent entities to finance part or all of some of the evaluations, e.g. CDIE in connection with its normal responsibilities for impact evaluations.

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