

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523FILE  
(278-K-643)ACTION MEMORANDUM TO THE ASSISTANT ADMINISTRATOR, BUREAU FOR  
ASIA AND THE NEAR EAST

FROM: ANE/PD, Peter Bloom

SUBJECT: Jordan-Commodity Import Program (CIP) Grant  
278-K-643: Amendment to obligate additional FY 86  
funds totalling \$4,548,800

REFERENCE: FY 85 Program Assistance Approval Document (PAAD)

PROBLEM: Your approval is required to amend the Jordan Commodity Import Program Grant and increase the authorized life-of-project funding level from \$160,000,000 to \$164,548,800.

BACKGROUND: On August 15, 1985, the President signed the FY 85 Supplemental Appropriation Act which provided \$250,000,000 of ESF assistance to the Hashemite Kingdom of Jordan. These funds were provided, over a three year period beginning in FY 1985 as an addition to the annual ESF program level for Jordan. The Supplemental Appropriation earmarked \$90,000,000 for project assistance and \$160,000,000 for a Jordan CIP.

On September 16, 1985 the Administrator signed the PAAD authorizing a \$160,000,000 CIP grant to Jordan with an initial FY 85 obligation of \$50,000,000 and delegated authority to the Assistant Administrator for the Bureau for Asia and the Near East (AA/ANE) to approve subsequent obligations of funds (FY 86-\$50,000,000; FY 87-\$60,000,000). This authority was delegated subject to the availability of funds and subject to an AID/W review of the policy environment and the operation of the CIP in Jordan to date. On July 7, 1986 the AA/ANE approved the obligation of the second tranche of \$50,000,000 for the CIP by signing an amendment to the PAAD.

DISCUSSION: In late July of 1986 discussions were initiated to determine which of a number of options was the most appropriate means of transferring \$4,548,800 in FY 86 funding to the GOJ for use on the West Bank. As a result of these and subsequent discussions it was concluded that the most appropriate available mechanism is an amendment to the existing Jordan Commodity Import Program. Such an amendment would increase the life-of-project funding level for the CIP from \$160,000,000 to \$164,548,800.

The additional foreign exchange provided in the amendment will be used to increase value of the Public Sector portion of the CIP so as to enable the GOJ to finance the procurement and importation of major agricultural commodities (e.g. wheat or corn to be purchased by the Ministry of Supply). The procurement of such agricultural commodities will assist the Agency in meeting the requirements of the Zorinsky Amendment (Section 205 of P.L. 99-83). Subsequent to the importation of these agricultural commodities the GOJ will sell them to the private sector and will place the proceeds of the sales in a Special Account which will be earmarked for the exclusive use of the GOJ to finance selected development activities on the West Bank.

Prior to the provision of any Special Account financing for selected West Bank development activities, AID and the GOJ will agree on the criteria to be used by the GOJ in choosing such activities. The criteria and the detailed procedures to be used will be set forth in Implementation Letters as appropriate.

In order to insure adequate tracking of the funding in the Special Account the GOJ will utilize the same oversight and accounting procedures and mechanisms that have been adopted for other CIP generated funds. These procedures, when appropriate, will also be set forth in Implementation Letter.

CONGRESSIONAL NOTIFICATION: A Congressional Notification of the intended FY 86 obligation of \$54,548,800 was sent to the Congress on July 31, 1986. The 15 day review period will expire on August 15, 1986.

WAIVERS: No waivers are required to implement this CIP grant in Jordan.

RECOMMENDATION: That you sign the attached PAAD Amendment and thereby approve an amendment to the existing CIP which will increase the life-of-project funding level from \$160,000,000 to \$164,548,800.

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE  
APPROVAL DOCUMENT  
(PAAD)

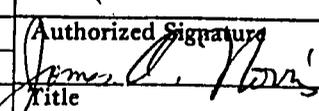
		1. PAAD Number 278-K-643-B (Grant Number)	
		2. Country Jordan	
		3. Category Commodity - Standard Financing Procedures	
		4. Date August 1986	
5. To Charles W. Greenleaf, Jr. Assistant Administrator, ANE		6. OYB Change Number ANE-86-66	
7. From Peter Bloom Director, ANE/PD		8. OYB Increase Same as above To be taken from: Economic Support Fund (ESF)	
9. Approval Requested for Commitment of \$ 4,548,800		10. Appropriation Budget Plan Code 72-116-1037 QESA-86-37278-KG-32 (637-63-278-00-59-61)	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period 8/86 - 9/88	14. Transaction Eligibility Date Authorization Date

15. Commodities Financed  
Agricultural Commodities appearing in the A.I.D. Commodity Eligibility Listing that are eligible for financing under this grant (e.g., wheat and/or corn).

16. Permitted Source		17. Estimated Source	
U.S. only	\$4,548,800	U.S.	\$4,548,800
Limited F.W.		Industrialized Countries	
Free World		Local	
Cash		Other	

18. Summary Description  
Within the guidelines established by the FY 85 Supplemental Appropriation Act of \$250 million, the original Program Assistance Approval Document (PACD) for the FY 85 Jordan Commodity Import Program (CIP) and the FY 86 amendment to the PAAD for the Jordan CIP, this amendment to the original grant represents additional U.S. assistance being made available to provide the foreign exchange required to procure and import agricultural commodities necessary to foster a higher rate of economic growth in Jordan. Funding for this amendment is from the FY 86 ESF appropriation.

The local currency generated by this FY 86 amendment will be used for development activities on the West Bank. The activities and procedures to be followed in this selection and implementation will be mutually agreed upon between AID and the Government of Jordan.

19. Clearances		20. Action	
ANE/DP:BSidman (draft)	Date	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED	
GC/ANE:RJohnson (draft)			
M/FM:CChristensen	8-18-86	Authorized Signature  Title Assistant Administrator, ANE	
SER/OP:MMcDaniels (draft)			
ANE/MENA:GKamens (draft)		Date 9/3/86	
ANE/PD:RVenezia (draft)			
DAA/ANE:RBell	9/3/86		

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

JUN 20 1986

ACTION MEMORANDUM TO THE ASSISTANT ADMINISTRATOR, BUREAU FOR  
ASIA AND THE NEAR EAST

FROM: ANE/PD, Peter Bloom

SUBJECT: Jordan-Commodity Import Program (CIP) Grant  
278-K-643: Fiscal Year (FY) 1986 obligation of  
\$50,000,000

**FILE**  
(278-K-643)

REFERENCES: (A) FY 85 Program Assistance Approval Document  
(PAAD) (B) State 091254 (C) Amman 04610

PROBLEM: Your approval is required for obligation of the second tranche of \$50,000,000 from the FY 85 Economic Support Fund (ESF) supplemental funding for the Jordan Commodity Import Program.

BACKGROUND: On August 15, 1985, the President signed the FY 85 Supplemental Appropriation Act which provided \$250 million of ESF assistance to the Hashemite Kingdom of Jordan. These funds were provided, over a three year period beginning in FY 1985, as an addition to the annual ESF program level for Jordan. The Supplemental Appropriation earmarked \$90 million for project assistance and \$160 million for a Jordan CIP.

On September 16, 1985 the A/AID signed the PAAD authorizing a \$160 million CIP grant to Jordan with an initial FY 85 obligation of \$50 million and delegated authority to the Assistant Administrator for the Bureau for Asia and the Near East to approve subsequent obligations of funds (FY 86-\$50 million; FY 87-\$60 million). This authority was delegated subject to the availability of funds and subject to an AID/W review of the policy environment and the operation of the CIP in Jordan to date.

DISCUSSION: To comply with the requirements of the PAAD, USAID/Jordan has conducted an ongoing policy dialogue with the Government of Jordan related to a variety of macroeconomic issues that are of concern. The Mission has provided detailed cable reports on periodic meetings and discussions with various governmental ministries and officials. These cables have been reviewed and discussed as part of AID/W's normal review of the USAID/J program and comments concerning the policy dialogue

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have been incorporated into both the Jordan Portfolio Review and the Jordan CDSS AID/W reporting cables. In these cables USAID/J was advised that progress in the effort to promote a policy dialogue was satisfactory and that the planned obligation schedule for the second tranche of \$50 million was approved.

Under the initial \$50 million obligation CIP funding was made available on a 50/50 basis to both the private and public sectors. The Mission has reported that as of May 1, 1986 an estimated total of \$33.3 million of CIP funds have been committed. This total is composed of approximately \$17 million in private sector transactions and \$16.3 million in public sector transactions. In an effort to target a greater percentage of future CIP obligations to private sector transactions, the Mission and the GOJ agreed recently that the second \$50 million tranche of CIP funds is to be allocated in the following manner: \$20 million for public sector transactions; \$15 million for private sector transactions; and \$15 million for transactions that are initiated by companies with a "mixed" private/public organizational set up.

The Mission has also indicated that a number of adjustments are planned in the financing terms originally established under the CIP. These adjustments are seen as a means of promoting an increased level of involvement by the local banking system in the implementation of the CIP. The planned adjustments include: (a) increasing the local banking system's share to 50% of the interest rate charged for private sector transactions; (b) merging the list of eligible commodity categories from three into two; (c) changing the duration for payments of the balance due under letters of credit; (d) setting the exchange rate for transactions at the lowest Central Bank offered rate at the time of issuance of the letters of credit; and (e) transferring all downpayments received by local banks to a "Special CIP Account" at the Central Bank.

In addition, the Mission has recently signed with the Minister of Planning a Memorandum of Understanding setting forth the uses and the procedures for administering the "Special CIP Account" and has also negotiated the details of establishing and using a "Trust Fund" that will result from the implementation of the CIP.

**CONGRESSIONAL NOTIFICATION:** Due to the fact that the Congress earmarked \$160 million for the Jordan CIP in the Supplemental Appropriation Act of FY 85, no Congressional Notification is required.

WAIVERS: No waivers are required to implement this CIP grant  
in Jordan.

RECOMMENDATION: That you sign the attached PAAD Amendment and  
thereby approve a second tranche obligation of \$50 million for  
FY 86 under the Jordan Commodity Import Program.

CLEARANCES:

DAA/ANE:REll MS date 6/20/86  
ANE/PD:RVenezia (Draft)  
ABE/DP:BSidman (Draft)  
GC/ANE:RJohnson (Draft)  
ANE/MENA:BHawley (Draft)  
DANIEL MCDONALD (CAG 6) 18/1  
ANE/PD/MNE:SFreundlich:6/3/86:doc 4097d, Revised 6/6/86

AGENCY FOR INTERNATIONAL DEVELOPMENT  <b>PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)</b>		1. PAAD Number 278-K-643-A (Grant Number)	
		2. Country Jordan	
		3. Category Commodity - Standard Financing Procedures	
		4. Date June, 1986	
5. To Charles W. Greenleaf, Jr. Assistant Administrator, ANE		6. OYB Change Number Not Applicable	
7. From Peter Bloom <i>PB</i> Director, ANE/DP		8. OYB Increase None  To be taken from: Economic Support Funds (ESF)	
9. Approval Requested for Commitment of \$ 50,000,000		10. Appropriation Budget Plan Code 72-115/71037 QEF5-86-37278-KG-32(571-63-278-00-59-61)	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period 7/86 - 9/88	14. Transaction Eligibility Date Authorization Date

15. Commodities Financed

Items appearing in the A.I.D. Commodity Eligibility Listing that will be eligible for financing under this Grant.

16. Permitted Source U.S. only \$50,000,000 Limited F.W. Free World Cash	17. Estimated Source U.S. \$50,000,000 Industrialized Countries Local Other
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18. Summary Description  
Within the guidelines established by the FY 85 Supplemental Appropriation Act of \$250 million and the Program Assistance Approval Document for the FY 85 Jordan - Commodity Import Program, this amendment to the original grant represents the U.S. assistance being made available to provide a portion of the foreign exchange required to sustain Jordan's import needs and to foster a higher rate of economic growth.

Clearance:  
ANE/PD:PBloom *PB* date 6/17/86

19. Clearances	Date	20. Action
ANE/DP:BSidman (draft)		<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
GC/ANE:RJohnson (draft)		
M/FM:CChristensen <i>KCP</i>	6/13/86	Authorized Signature <i>Charles W. Greenleaf Jr.</i> Date 7/2/86
SER/COM:MMcDaniels <i>MM</i>	6/20/86	
ANE/MENA:GKamens (draft)		Title Assistant Administrator, ANE
ANE/PD:RVenezia (draft)		
DAA/ANE:RBell <i>RB</i>	6/25/86	