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

PROJECT PAPER
PROJECT NO. 298-0050
APRIL 1984

REGIONAL PRIVATE ENTERPRISE DEVELOPMENT

UNCLASSIFIED

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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

April 2, 1984

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, NEAR EAST

FROM: NE/PD, Robert H. Bell 

SUBJECT: Regional Private Enterprise Development
(Project No. 298-0050)

Problem: Your signature is requested to authorize this project in a life-of-project amount of \$2,800,000 from DA regional funds. Initial funding in FY 1984 would be \$500,000.

Background: The Regional Private Enterprise Development project will foster private sector development through institution building, technical and managerial assistance, human resource development and transfer of U.S. technology. The project will provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development in cases where Missions do not already have suitable projects for financing new private sector activities. Countries eligible for assistance are: Jordan, Lebanon, Morocco, Oman, Portugal, Tunisia, Turkey and Yemen. Two NE Mission/Representative countries have been excluded: Egypt, because its private sector program is adequately funded, and Italy, because its program is limited to earthquake disaster relief.

The NEAC met on December 5, 1983, and decided that implementation procedures should be defined in more detail and that cost sharing guidelines for private sector beneficiaries should be established. Both of these items were discussed in a subsequent meeting outside of the NEAC and the PP has been revised to reflect those decisions. (Relevant excerpts from the PP are attached to this memo.) In addition to these two items, the NEAC raised other questions, and the PP has been revised according to NEAC decisions.

Project: The project will directly support U.S. efforts to encourage the private sector to take an expanded role in the economic development of eight NE countries. The project will finance:

- (1) Studies of economic policy, sector policy, and business environment;
- (2) Technical and managerial assistance to be provided by IESC, PVOs and other organizations to small and medium scale private companies and support to business/trade associations;

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- (3) Investment promotion including sector surveys, feasibility studies, and investor conferences; and
- (4) Training including vocational training, entrepreneurial training, management training, and management assistance/training to financial institutions.

Implementation

Individual missions, host governments, private sector entities, and AID/W can initiate subprojects lasting one year or less. Proposals will be reviewed by the originating entity for conformity to subproject eligibility and selection criteria (described in the PP) and completeness of subproject financing information (described in the PP). NE/PD will prepare a short approval memorandum, to be cleared by designated NE offices and others, as appropriate. Subprojects will be approved by the Office Director, NE/PD, up to \$75,000 and by AA/NE above \$75,000.

Procurement of goods and services will generally be done on an AID Direct contracting basis. For instance, for services, IQC and Section 8(a) Small Business contract modes will be used; also, PASA and PSC modes will be used. In some cases AID Direct contracts are not appropriate, such as for IESC services, PVO services or feasibility studies by potential private investors; in these cases, other contracting modes are planned.

Notification to the Congress: Congress was notified on March 14, 1984 of our intent to obligate funds for this project. The 15 day waiting period expired on March 28, 1984, with no objections expressed.

Evaluation: A two-step evaluation process is planned. The first step, to be performed in March 1985, is a two-week desk evaluation. The second step, to be performed in August 1986, will be more comprehensive, will evaluate the impact of subprojects on private sector development, and will make recommendations on the continuation of the project.

Project Funding: The project will be fully authorized but incrementally funded over six fiscal years for a seven year life-of-project.

Funds are being authorized from the DA account because all ESF funds are presently allocated. However, DA funds are to be used only in DA countries, and ESF funds in ESF countries. We expect small amounts of ESF funds to become available over the year to finance ESF country subprojects.

Recommendation: We recommend that you authorize funding for the proposed project in the amount of \$2,800,000 of which \$500,000 is expected to be obligated during FY 84 by signing the attached authorization.

UNITED STATES INTERNATIONAL DEVELOPMENT COORDINATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION

Name of Country: Near East
Region

Name of Project: Regional Private
Enterprise
Development

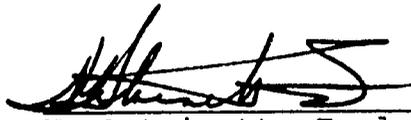
Number of Project: 298-0050

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Near East Regional Private Enterprise Development Project involving planned obligations of not to exceed \$2,800,000 in grant funds over a six-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is seven years from the date of initial obligation.

2. The project will provide Near East Bureau Missions with financial resources which will allow them the flexibility to respond to host country priorities for private sector development. It will permit Missions to respond in a timely manner to Near East countries that want to promote private enterprise development through institution building, technical assistance and the transfer of U.S. technology.

3. The Project Agreements which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall contain such terms and conditions as A.I.D. may deem appropriate.

4. Commodities financed by A.I.D. under the project shall have their source and origin in the particular recipient country in which a project activity is being conducted or the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the particular recipient country in which a project activity is being conducted or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.



W. Antoinette Ford
Assistant Administrator
Bureau for Near East

05 APR 1984

Date

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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	DOCUMENT CODE 3
2. COUNTRY/ENTITY NEAR EAST REGION	3. PROJECT NUMBER 298-0050	
4. BUREAU/OFFICE NEAR EAST BUREAU	5. PROJECT TITLE (maximum 40 characters) Regional Private Enterprise Development	
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 30 90	7. ESTIMATED DATE OF OBLIGATION (Under 'B:' below, enter 1, 2, 3, or 4) A. Initial FY 84 B. Quarter <input type="checkbox"/> C. Final FY 89	

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 84			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(500)	(To be)	()	(2,800)	()	(2,800)
(Loan)	()	(deter-	()	()	()	()
Other U.S.		mined)				
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	500			2,800		2,800

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) 106	800S	840S				500		2,800	
(2)									
(3)									
(4)									
TOTALS						500		2,800	

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)

Foster private enterprise development through institution building, technical and managerial assistance, human resource development and the transfer of U.S. technology.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 03 85 08 86 03 89	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

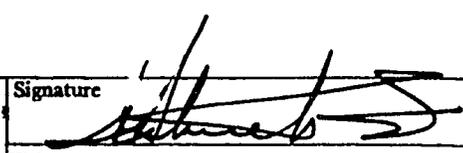
17. APPROVED BY	Signature:  Title: Assistant Administrator Bureau for Near East	Date Signed MM DD YY 04 05 84	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
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ABBREVIATIONS

Agency	Agency for International Development
AID	Agency for International Development
AID/W	Agency for International Development - Washington
GOE	Government of Egypt
GOJ	Government of Jordan
GOL	Government of Lebanon
GOM	Government of Morocco
GOP	Government of Portugal
GOT	Government of Tunisia
GOT	Government of Turkey
GOY	Government of Yemen
HG	Host Government
IESC	International Executive Service Corps
IFC	International Finance Corporation
IQC	Indefinite Quantity Contract
NE Bureau	Near East Bureau
NE/PD	Near East Bureau - Office of Project Development
PACD	Project Assistance Completion Date
PASA	Participating Agency Services Agreement
PIO/C	Project Implementation Order/Commodities
PIO/P	Project Implementation Order/Participant Training
PIO/T	Project Implementation Order/Technical Services
PPC	Bureau for Program and Policy Coordination
PRE	Private Enterprise Bureau
PS	Indigenous Private Sector
PSC	Personal Services Contract
PVO	Private Voluntary Organization
SER/CM	Contracts Management Office
SER/COM	Commodity Management Office
S&T/IT	Bureau for Science and Technology, Office of International Training
Team	Private Sector Reconnaissance Team
USAIDs	Near East Bureau Missions

SUMMARY AND RECOMMENDATIONS

- A. Project Title : Regional Private Enterprise Development
- B. Project Number : 298-0050
- C. Source of Funds : Near East Bureau Regional Development Assistance Funds (Section 106)
- D. Total Project Amount : \$2.8 Million
- E. Terms : Grant
- F. Grantee : Funds will be made available to NE region host governments and to the indigenous and U.S. private sectors
- G. Coordinating Entities: Near East Bureau Missions and Near East Bureau/Project Development Office
- H. Implementing Entities: NE Bureau Missions and AID/W - NE/PD; host government; and private sector
- I. Life of Project : Seven years
- J. Goal/Purpose:

The goal of this project is to assist in fostering the development and growth of private enterprise so that it can gradually assume the leading role in providing the long term economic growth needed in the AID recipient countries of the Near East region. The purpose of this project is to provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development and provide the NE Bureau with the flexibility to respond in a timely manner to those NE region countries that are willing and in a position to rapidly implement activities that will foster private enterprise development through institution building, technical assistance and the transfer of U.S. technology.

K. Major Pre-Authorization Achievement:

A major result of the Private Sector Team reconnaissance visits to selected countries in the NE region was the repeated request by host governments and the private sectors alike for greater AID involvement in assisting private enterprise growth.

L. Recommendations:

The Near East Bureau's Office of Project Development recommends authorization of a grant in the amount of \$2.8 million. This grant will be used to fund the U.S. dollar costs of technical and managerial assistance, training, studies, surveys, conferences and workshops and possibly, a limited quantity of related commodities.

INTRODUCTION

- 1.01 The Agency has four priority areas in which it is concentrating its efforts to meet AID's Congressionally mandated objective of assisting recipient countries meet the basic human needs of their poor majorities through sustained, broadly-based economic growth. Those priority areas include:
- Economic Policy Reform;
 - Institutional and Human Resource Development;
 - Private Sector Initiatives; and
 - Technology Development and Transfer
- 1.02 Of these areas, Private Sector Initiatives have become the primary vehicle for the Agency to achieve this objective. The AID Policy Paper on Private Enterprise Development states: "AID intends to encourage indigenous private sector development across all of its development activities because private enterprise, in a free and competitive market environment, is the engine that makes economic growth, and thereby, the alleviation of poverty, occur most quickly."
- 1.03 The goal of the Agency's private sector initiative is to foster the growth of productive, self-sustaining, income and job producing private sectors in developing countries using the financial, technological, and managerial expertise of the U.S. private sector, indigenous resources, multilateral institutions and Agency resources where appropriate.
- 1.04 To achieve this goal the Agency's private sector strategy has two major thrusts. They are:
- To identify and address constraints to enhancing the role of private enterprises in development; and
 - To promote developing country private enterprise.
- 1.05 Irrational government economic policies, disfunctioning markets, inadequate and/or deteriorating physical infrastructure, insufficient supply of investable funds, undeveloped managerial/entrepreneurial skills, unskilled labor, lack of and/or inappropriate technology, and insufficient foreign private investment have all been

identified by the Agency as major impediments to private sector growth.

- 1.06 The Agency's initial strategy thrust is to identify specific constraints to private sector growth and development within the broad impediment categories mentioned above in all AID recipient countries.
- 1.07 After this identification process, the strategy thrust is to promote private enterprise development with programs and projects that will assist the AID recipient countries address and ultimately alleviate these constraints. The Agency's approach is to develop programs and projects that will:
 - Improve the functioning of markets in these countries, primarily through encouraging policy reform, strengthening institutions which serve the private sector and developing human resources through training and management development; and
 - Increasing the flow of technical and financial resources utilizing to the maximum extent private U.S. entities.
- 1.08 The Agency is concentrating its efforts in four priority sectors. They are: (1) agriculture, (2) agribusiness, (3) small and medium scale industry, and (4) privately owned and operated service enterprises. However, private sector activities are not limited to these areas and will vary from country to country depending on the level of development and identified needs.
- 1.09 The Private Enterprise Bureau (PRE) has been established as a key element in the Agency's private sector initiative and serves as the Agency's laboratory for experimentation with innovative project and program ideas. Ten countries have been identified in which they will concentrate their efforts.
- 1.10 The Agency's private sector initiative is not, however, concentrated only in PRE. It is the responsibility of each regional and staff bureau to review its program objectives and strategies and assess how the private enterprise initiative can be incorporated to achieve Agency objectives, utilizing, where possible, previous AID experience and the results of PRE experiments, if available.

II. BACKGROUND

A. Near East Bureau Private Sector Strategy

- 2.01 The objective of the NE Bureau's private sector initiative in the NE region parallels that for the Agency as a whole. That objective is to stimulate indigenous private sector development and assist it to become the major catalyst to broad based economic growth and development through increasing the employment, productivity and incomes of the poor. Furthermore, in supporting a strong indigenous private sector, the Bureau believes that this will improve the climate for U.S. trade and investment in the area.
- 2.02 In a number of countries in the NE region, the host governments have, to a great extent, pre-empted private sector growth, by controlling investment through public policy. In most instances, however, these governments have recognized the virtues of private sector development, as demonstrated by the middle income nations of Korea, Taiwan, Turkey, Brazil and Chile, and are actively investigating or instituting methods of encouraging indigenous private sector growth and foreign private investment in many, if not most, sectors of their economies, particularly in those areas of comparative advantage (i.e., Turkey - agribusiness and agricultural exports).
- 2.03 There are structural impediments to private sector development in all of the NE region countries and these impediments seriously affect the environment in which the private sector operates. Impediments include, but are not limited to:
- Government economic policies, e.g., controlled prices, interest rates, etc. which distort the economy and act as disincentives to the expansion of private sector activities;
 - Cumbersome governmental procedures for the review, approval and monitoring of private investments;
 - Inappropriate and inadequate tax, trade and investment laws;
 - Lack of debt and equity financing facilities;

- A lack of vocational, entrepreneurial, and mid and senior level management skills and appropriately trained labor; and
 - Outmoded technology applications.
- 2.04 The governments together with the private sectors of most of the AID recipient countries in the NE region have requested AID assistance in ameliorating the effects of these impediments on expanding private sector activities.
- 2.05 With AID's programs in Portugal and Tunisia phasing out and funding levels limited for all countries in the NE region, except Egypt, the NE Bureau supports small interventions that best advance the institutional development of private sector entities.
- 2.06 Accordingly, the major thrust of our private sector program in the NE region is to accomplish the following:
- Public and private institutional reforms through technical assistance in areas of policy formulation and analysis.
 - Training to improve managerial, technical, and vocational skills to foster and encourage private sector growth;
 - Legal reform of economic, commercial, tax and trade laws governing private investment to improve the financial, legal and administrative environment within which the private sector operates;
 - Capital market development as the major vehicle for channeling domestic savings into productive private enterprises through debt and equity instruments;
 - Provision of term foreign exchange credit to the private sector through intermediate credit institutions (in Egypt only) and mobilizing indigenous foreign exchange and local resources for private sector financing through existing and new financial institutions; and
 - Encouragement of joint ventures between private business organizations and U.S. companies primarily as a device to transfer technology, management and technical skills and, in some instances, capital.

2.07 We are implementing this strategy utilizing the resources of AID, the U.S. private sector through management and technical consultancies, and cooperation with other U.S. government agencies such as the Departments of Commerce, Agriculture and State, the Trade and Development Program, the U.S. Trade Representatives Office, the Overseas Private Investment Corporation and the Export-Import Bank, and other international donor agencies such as the World Bank, International Finance Corporation, the Arab Funds and the African Development Bank.

B. Near East Bureau Reconnaissance Missions

2.08 In conjunction with the NE Bureau Private Sector strategy and initiatives, Private Sector Teams (Team) visited Egypt, Tunisia, Jordan, Turkey and Portugal in March and June 1982. The primary purpose of these visits was to assess the climate for private sector development with particular emphasis on identifying problems and opportunities where AID could be of assistance to the local private sector. A secondary purpose was to identify opportunities for U.S. investment, trade and technology transfer. Assistance programs were examined primarily in the context of ways to improve the policy dialogue to help stimulate private sector development and growth, institution building and related technical assistance, the creation of better links with U.S. technology and to stimulate improved U.S. investment and trade. The Team was particularly interested in identifying areas where the U.S. had a particular technological and technical capability to contribute to problem solving and institution building. (A Team is planned to visit Morocco with the same Terms-of-Reference.) Together with Lebanon, the NE Bureau views these countries as providing the best opportunities for significant private sector growth and receptivity to AID assistance in these areas.

2.09 In each country, the Team met with local private businessmen, business associations, and banks; U.S. businessmen in country and U.S. bank branch and representative offices; officials of the U.S. Embassy and AID Mission; and pertinent host government officials.

2.10 During the course of these visits, a number of important areas were identified where AID could be of assistance in improving private sector growth and development. These include:

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1. Technical assistance for capital markets authorities to help improve and expand various forms of financial intermediaries as well as assistance in disclosure and capital market regulation.
 2. Assistance for investment promotion authorities in helping identify and stimulate priority investments.
 3. Technical assistance for public and private development banks including assistance for small-scale enterprise financing.
 4. Entrepreneurial, vocational, and mid-level and advanced management training.
 5. Technical assistance to agribusiness development, particularly involving food processing and food production.
 6. Assistance to develop relationships between professional societies in the developing countries and in the U.S., e.g., relationships between engineering and construction organizations.
 7. Assistance in developing and fostering relationships between Chambers of Commerce in the U.S., and in the developing countries to provide for an exchange of trade and investment information.
 8. Assistance to expand activities of the International Executive Services Corps (IESC), particularly in small and medium-scale enterprises.
 9. Assisting host countries with packaging of investment proposals with U.S. companies, to support U.S. trade and investment.
- 2.11 The Team's findings, conclusions and identification of opportunities for AID assistance, as well as experience gained in other private sector programs, such as in Egypt, forms the basis for this project.

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III. THE PROJECT

A. Goal

- 3.01 The goal of this project is consistent with the private sector objectives and strategies of the Agency and is reflective of the NE Bureau's objective. That goal is, in conjunction with other private and public efforts, to assist in fostering the development and growth of private enterprise in the AID recipient countries of the Near East region, both individually and collectively, so that it might assume an increasing burden and the leading role in providing the long term economic growth needed.
- 3.02 The goal of this project also conforms with the programs and strategies of the AID recipient countries in the NE region. Below is a synopsis of strategies regarding private sector development espoused by the host governments that the Team visited:

1. Jordan

The Government of Jordan (GOJ) hopes to achieve its development objectives through adherence to a free economic system based on the private initiative with public sector participation only where absolutely necessary. It is the GOJ's policy not to interfere in private sector activities. The GOJ has embarked upon a strategy of encouraging both private indigenous and foreign investment in regional export and import substitution industries in an effort to become self-sustaining in generating foreign exchange to finance its substantial trade imbalance. The GOJ is also in the process of improving its ability to support private sector initiatives through an on-going effort to modify and refine legislation affecting the private sector, providing infrastructure through establishing free zones and industrial estates, rationalizing education opportunities and allowing the expansion of specialized credit institutions.

2. Tunisia

To achieve its development objectives, the Government of Tunisia (GOT) indicates in its Sixth Development Plan the private sector generating a greater share of total investment. An initial major step in this direction was the establishment of five Tunisian-Arab

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Investment/Development Banks capitalized at \$1 billion by the Tunisian and Arab governments primarily for the establishment of projects in the private sector. The Plan's guidelines call for financial, administrative and fiscal reforms to stimulate that increase in private investment. The GOT is currently giving high priority to encouraging private investment in export industries and industries that provide significant employment generation. The Government is also looking for ways to expand science and technology relationships with the U.S., including engineering and construction links to U.S. companies.

3. Turkey

With the assistance of the International Monetary Fund and structural adjustment loans from the World Bank, as well as balance-of-payments support from the United States government and other donors, the Turkish government has initiated an economic reform program to stabilize its economy. The government initiated this program in January 1980 and it is a distinct departure from past government attempts to attack the above problems because of: (1) its orientation toward maximum reliance on free market forces and away from the previously utilized direct government intervention/central planning scheme; and (2) a shift from an import substitution policy steeped in the public sector towards an export oriented economy based in the private sector. A major element of the Turkish government's restructuring strategy is to draw a clear line of distinction between public and private sector activities. The Turks are well on their way to achieving this goal through the adoption of policies designed to reallocate public sector investment resources away from the inefficient State Economic Enterprises (SEEs) and toward infrastructure development to support private sector investment and growth in the energy, agriculture/agribusiness and industry sectors, the latter two sectors oriented towards exports to enhance the country's balance-of-payments position.

4. Portugal

The Government of Portugal's (GOP) stated objective is to develop and implement medium term policies to rationalize the economy and operate it on as much of a free enterprise basis as possible. The GOP has

indicated that it is committed to private sector growth and its taking on an increasing share of national investment. Two means of achieving this objective include providing fiscal and financial incentives to foster private productive investment and implementing budgetary policies which will permit private sector growth at a higher rate than that for the public. GOP actions in these and other areas to foster private sector growth are becoming increasingly important and maybe even critical as the time approaches to entering the European Common Market.

B. Purpose

3.03 With the exception of the Egypt and Israel programs, funds for NE Bureau economic assistance are scarce and, therefore, limited. The purpose of this project is to provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development. The project also provides the NE Bureau and Missions the flexibility to respond, in a timely manner to those NE region countries that are willing and that have positioned themselves to rapidly implement activities that will foster private enterprise development. In concert with the NE Bureau private sector strategy, the project will assist the Missions accomplish the following:

- Identify constraints to private enterprise development; and
- Design and implement activities to promote private enterprise activities which will address the impediments identified through institution building and technical/managerial assistance activities and fostering the transfer of U.S. technology and, where feasible, investment capital.

C. Project Description

3.04 The project will fund the following types of programs and activities identified by the Missions, host governments and the indigenous private sectors. The project provides for:

1. Technical assistance to: (a) define host government economic policy constraints to economic and private sector growth and the identification of alternative

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policy approaches given the prevailing circumstances, which can in-turn provide the basis for a meaningful economic policy dialogue with host governments, and (b) assistance to host governments to improve policy analysis and formulation capacity and reformulate and rationalize economic policies that encourage market development and foster private enterprise growth;

2. Technical assistance to host government institutions with direct or indirect impact on private sector development to improve both the investment climate and the environment in which private business is conducted.
3. Technical assistance in establishing the framework for the development or continued development of money and capital markets.
4. Technical and managerial assistance directly to indigenous small to medium scale private enterprises to improve performance, efficiency and upgrade technical and marketing capabilities.
5. Technical and managerial assistance and training to public and private financial institutions to improve analytical capabilities and operational efficiency.
6. Vocational, entrepreneurial, and middle/advanced management training.
7. Technical assistance and training in formulating investment policy, setting investment priorities and strengthening investment promotion capabilities.
8. Assistance in the development of links between indigenous and U.S. business associations to strengthen the capacity of the indigenous associations, to represent to their respective governments and to the public, private business interest.
9. Assistance in encouraging private U.S. investment through sector surveys, feasibility studies, and investor conferences.

IV. TECHNICAL DESCRIPTION

A. General

- 4.01 As a regional project encompassing assistance to several different countries at different levels of economic and private sector development and sophistication, the demand for project resources, within the broad categories mentioned above, will be varied. Accordingly, there will be a number of quite different and discrete activities within the broad categories defined above, from the respective countries, that will be funded by the project, as each attempts to satisfy its needs. Project funds are to be directed to those new private sector activities that would not be financed by other Mission funds.
- 4.02 The activities funded can be those that:
- Are new and discrete;
 - Supplement on-going Mission private sector initiatives with the host government and/or private sector;
 - Support other U.S. government private sector initiatives, e.g., TDP, OPIC, ExIm.
 - Support PRE initiatives; and
 - Complement or be designed in conjunction with other Domestic, Regional and International Donor private sector efforts (i.e., IFC).
- 4.03 To ensure maximum project flexibility and maintain absolute control over funding utilization, bilateral grant agreements will not be executed with the respective AID recipient governments of the NE region. Some countries are more active in private sector development activities than others (e.g., Tunisia, Jordan and Turkey vs. Yemen and Morocco) and are, therefore, better prepared to utilize the resources provided by this project. It is the intention of this project to provide the maximum financial support to those countries, and in those instances, where concerted efforts are being taken to privatize the economy and foster private enterprise growth and development. To do so the project needs the flexibility to allocate and reallocate resources to where they are needed most and used most efficiently. When appropriate these private

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enterprise funds could be made available directly to the private sector in these countries.

4.04 Countries eligible to participate in this project include all NE countries which have AID Missions/Representative Offices (except for Egypt and Italy) and Turkey. AID has a strong interest in encouraging all of these countries to expand the role of the private sector as part of their economic development strategies. In the case of countries where AID is phasing out (presently Portugal and Tunisia) it is particularly appropriate to provide assistance of the kind proposed in this project as they become more self-reliant. However, subprojects in these two countries and Turkey must show specific benefits both to the country and to U.S. interests. Two NE country Mission/Representative Offices are excluded from this project: Egypt because the Agency's program is adequately funded from ESF and Italy because of the Agency's exclusive focus on earthquake disaster relief. This list of eligible countries is:

1. Jordan
2. Lebanon
3. Morocco
4. Oman
5. Portugal
6. Tunisia
7. Turkey
8. Yemen

B. Implementation Mechanism

4.05 Subprojects will be utilized as the implementing mechanism for this project. (Detailed implementation procedures are provided in Section IX of this paper.) Subproject proposals will originate with a proposal from the entity requesting assistance. The NE Bureau Missions, with assistance from AID/W, and in conjunction with the host governments and the private sector will be individually and jointly responsible for the identification, development and implementation of subprojects to be funded from the project. The one exception will be Turkey where, because of the absence of an AID Mission, private sector development activities will be implemented by NE/PD.

4.06 While some discrete activities have already been identified (e.g., Madiera Investment Promotion) and Terms-of-Reference written, many activities have yet to be developed. Consequently, subproject eligibility criteria have been developed and are provided in Annex A. These

criteria provide uniformity and consistency to the program and are reflective of the Agency and Bureau private sector objectives and strategies, experience in the implementation of on-going private sector programs such as in Egypt, as well as the findings of the Private Sector Team. These criteria are to be applied across the board in all NE region countries utilizing this project.

- 4.08 The Missions will be responsible for determining subproject eligibility. Subproject proposals will take the form of subproject financing requests. The information and its format for submittal to the Missions is provided in Annex B.
- 4.09 All contracting, whether for services, training or commodities, will be performed on an AID-Direct Contracting basis. (Bilateral agreements are a prerequisite to host country contracting.) Accordingly, the Project Implementation Order (PIO) for Technical Services, Training, and Commodities will be utilized to reserve funds under the project. All services, training and commodities will be of U.S. source and origin, except as set forth in Section 5.03. For technical assistance, the use of Section 8(a) Small Business firms and the Indefinite Quantity Contract, Requirements Contract, Participating Agency Service Agreement, and Personal Services Contract will be used to the maximum extent possible and will enable a rapid response to subproject financing requests.

C. Detailed Descriptions

1. Studies

a. Economic Policy

Subprojects in this category will finance studies in economic policy areas such as monetary and fiscal policy, subsidies, divestiture, exports, the foreign exchange regime, trade, etc., all of which have a major impact on the functioning of markets in the host countries. These studies will have the two-fold purpose of providing the NE Missions with a basis for policy dialogue with the host government and provide the host government with the basis for reformulating policy. These subprojects will also finance advisory assistance in formulating policies in the above mentioned areas and training in policy analysis and formulation.

b. Sector Policy

Subprojects in this category will provide funding for sector policy development where none now exists or for policy reformulation, geared to assisting the host government institute policies which will allow them to take advantage of their comparative advantage in a particular sector. Advisory assistance can also be funded to provide policy implementation assistance. For example, export promotion and agricultural products brand development are key agricultural policy development and implementation issues in the NE region.

c. Business Environment

Subprojects in this category of activities will be designed to support private and public sector efforts to modernize and improve the financial, legal and administrative environment within which the private sector operates. Resources will be directed primarily at the investment and business infrastructure in four major areas: (1) Accounting and Auditing Standards; (2) Capital Markets Program; (3) Legal and Tax Services; and (4) Investment Facilitation, Information Systems and Policy Planning.

For example, Capital Market assistance can focus on the following areas: (1) education and promotion to demonstrate the benefits and potential of securities markets, both for savers of funds and users of funds, (2) efforts to increase the supply of and demand for securities, (3) introduction of new types of securities and new securities intermediaries, (4) emphasis of the development role of a capital markets authority, (5) improvement of disclosure requirements for companies traded in the market, (6) new financial legislation covering the capital market, underwriting and leasing and identification and removal of legal impediments to capital markets activities, (7) training of securities professionals, and (8) modernization of procedures and facilities for trading securities.

2. Technical/Managerial Assistance

a. IESC

This element of the project will depend to a great extent on the services of the International Executive Service Corps (IESC) and appropriate Private Voluntary Organizations (PVO). IESC, through the use of retired U.S. business executives, will provide technical and managerial assistance to small and medium scale private enterprises to solve specific operational problems. In the process they will transfer technical know-how, managerial techniques and, in some instances, technology, to the recipient companies.

IESC, partially financed by PRE, is active in the NE region countries of Portugal, Egypt, and Turkey. Mission supported IESC programs are under development in Tunisia and Jordan. The Portugal and Egypt programs are Mission supported. This project element will assist the Missions maintain financial support for IESC, and items eligible for reimbursement will be determined by IESC and the AID Mission.

b. Support to Business Associations

Subprojects financed in this category of activities will be designed to forge relationships between U.S. and host country private professional associations/societies. Technical and management/organizational advisory assistance will be provided by the U.S. counterpart organization. For example, in Egypt a project is being developed to strengthen and modernize Egypt's accounting, financial and auditing systems through the development of a relationship between U.S. National Association of Accountants and the Egyptian Syndicate. Similar subprojects are envisioned for activities in this category.

3. Investment Promotion

Subprojects in this activity category will be designed to improve the quality and quantity of information available to indigenous and foreign private investors. Sector surveys, feasibility

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studies, and investor conferences, seminars and workshops will be financed.

a. Sector Surveys

Sector surveys will be performed for priority sectors identified by the host governments. They will be brief profiles and identify markets, import requirements, present state of manufacturing, raw material and labor availabilities, potential for export, pricing restrictions, etc. Once completed they can be widely distributed to U.S. and local private businessmen.

b. Feasibility Studies

Potential U.S. investors can apply to AID for a grant to partially recover the cost of conducting pre-investment feasibility studies. These studies will be designed to allow the U.S. company to develop preliminary engineering and design cost estimates so that they may have the information required to make an informed investment decision.

c. Investor Conferences, etc.

Subprojects in this category can finance conferences, seminars or workshops that promote U.S. investment and technology transfer to the NE region AID recipient countries. The conferences, etc. can be held either in the U.S. or the host country. The subprojects can be supportive of both public and private sector investment promotion efforts. The conferences, etc. can focus on several sectors or concentrate on only one. Funds will be utilized for facilities and expenses of resource people only. Funds cannot be used to finance the maintenance expenses of the potential investors themselves.

4. Training

a. Vocational Training

Subprojects in this area will be designed to establish new and/or upgrade the capabilities of existing vocational training facilities.

Activities can include the development of: (a) training courses that meet the skill needs of individual companies; (b) methodologies for increasing the accessibility to vocational training for additional population categories, and (c) technical assistance programs and commodities to upgrade the capabilities of training centers, including curricula, teaching methodology and instructional materials.

b. Entrepreneurial Training

Subprojects in this area will be designed to implement tailored training programs, seminars and workshops for indigenous individuals with high success potential who can be trained as entrepreneurs. The greatest need for such a program is in Portugal.

c. Management Training

Project funds can be used to finance subprojects which: (1) design management development programs, (2) encourage the development of and foster existing relationships between U.S. business school programs and those of the educational institutions in the host countries and between private U.S. and host country private training organizations, and (3) support U.S. and host country management seminars.

Activities similar to the AID supported joint University of Lisbon and Wharton Business School MBA program as well as Jordan's Management Institute Project will be encouraged.

d. Management Assistance and Training to Financial Institutions

(1) Management Assistance

This element will consist of advisory assistance from an individual or firm who will provide advice and guidance on policy, strategy, organization and procedures.

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(2) Training

This element will provide a source of funds to send selected financial institution employees to the U.S. for individualized formal training and/or on-the-job informal training. It will also finance short-term services to provide workshops and seminars in credit analyses and financial and procurement administration.

V. FINANCIAL PLAN

A. Source of Funds

- 5.01 The project will be financed from NE Bureau Regional funds. An allocation will be initially made against the Development Assistance Section 106 account. However, DA countries will use DA funds, and ESF countries will use ESF funds. It is assumed that some ESF funds will become available during the year to finance ESF country subprojects. Further, in view of the scarcity of DA Section 1.06 funds, subprojects may be charged to other DA section accounts if appropriate, say, for a subproject dealing with private sector health activities. \$500,000 will be earmarked or set-aside for the first year. Subsequent annual funding is expected to be \$400,000 - \$600,000 per year, depending upon availability of funds, during the next five fiscal years FY 1985 through FY 1989, for a total project cost of \$2.8 million.
- 5.02 Funds for a given fiscal year (FY) must be fully obligated in that FY. Otherwise funding for that FY will be lost to other Bureau uses. NE/PD will be responsible for monitoring obligations and will report on project obligation status at regular intervals to the Missions and the Development Planning Office of the NE Bureau (NE/DP). All authorized funds not obligated by July 15 of a given FY will be returned for reallocation to other NE Bureau activities ready for immediate implementation.

B. Application of Funds

- 5.03 All AID funds will be provided on a grant basis. AID funds will be used to finance the costs of U.S. source and origin services and goods and will be used to finance local currency costs only on an exceptional basis. The respective host governments and private sector entities will provide local currency and in-kind services for all local currency financing needs for subproject financing requests they submit. Allocation of certain cost items (e.g., per diem) will be determined by Missions according to customary practices. Also, sharing of foreign exchange costs will be required for certain activities undertaken for individual private investors, as described in Section 9.05 below.

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- 5.04 Project funds will be reserved by Project Implementation Order, whether for technical and managerial services, equipment/commodities or training. The use of a contract as the obligating document rather than a bilateral agreement provides the Mission with maximum flexibility in implementation. Using this method, the Missions will not be encumbered with developing a mechanism that provides for every subproject to be approved by the host government. It allows the Mission to work directly with the private sector, without having to obtain formal host government approval.
- 5.05 Each Mission, however, must develop its own procedures in regard to the necessity for obtaining host government approval of subprojects. It is fully recognized that this must be accomplished within the general context of the Mission's relationship with the host government.
- 5.06 Use of the PIO as the reserving document also provides the NE Bureau with maximum flexibility in programming project resources. Bilateral agreements require prior allocation of resources to individual governments. The PIO allows for channeling resources to those host countries and/or to specific sectors in host countries that are prepared to utilize the resources in the most efficient and effective manner without having to secure deobligation - reobligation authority.
- 5.07 Generally, subprojects will be limited to a maximum of \$75,000; however, larger subprojects may be approved. Support for feasibility studies is limited to 50% reimbursement of eligible U.S. dollar costs up to a maximum of the \$75,000 subproject limit.
- 5.08 The project budget has been developed based on host country and AID-Direct contract cost experience for similar activities in the NE region, primarily Egypt.

C. Budget

I.	<u>Studies (14)</u>		
a.	<u>Economic Policy</u> 5 @ \$75,000	\$	375,000
b.	<u>Sector Policy</u> 5 @ \$75,000		375,000
c.	<u>Business Environment</u> 4 @ \$75,000		300,000
II.	<u>Technical/Managerial Services</u>		
a.	<u>IESC</u> 4 Agreements @ \$75,000		300,000
b.	<u>Support to Business Associations</u>		40,000
III.	<u>Investment Promotion (13)</u>		
a.	<u>Sector Surveys</u> 4 @ \$75,000		300,000
b.	<u>Feasibility Studies</u> 5 @ \$75,000		375,000
c.	<u>Conferences, Seminars, Workshops</u> 4 @ \$50,000		200,000
IV.	<u>Training</u>		
a.	Vocational		100,000
b.	Entrepreneurial		50,000
c.	Management		100,000
d.	Financial Institutions		<u>210,000</u>
V.	<u>Evaluation</u>		
a.	<u>Consultants</u> (2 X 6 person weeks)	40,000	
b.	Air travel, per diem, etc. (5 X \$7,000)	35,000	<u>75,000</u>
			\$2,800,000

VI ECONOMIC ANALYSIS

- 6.01 The economic benefits to be derived from this project, at this point, are impossible to quantify. Demand and least-cost analysis are not appropriate in this instance either. This is a regional project that will provide funding to many and very different types of discrete activities. While these activities have been generally identified, many have not yet been designed. Therefore, it is not a useful exercise to conduct an economic analysis from a purely theoretical basis.
- 6.02 Where appropriate, whether performed under AID auspices or others, an economic analysis will be provided for AID supported activities that are designed to have marketable economic outputs.

VII. ENVIRONMENTAL ANALYSIS

- 7.01 This project will provide financial and technical assistance to a wide range of host country private and public sector entities. The major activities will be the conduct of policy and sector surveys and studies and the funding of technical/management assistance and training activities.
- 7.02 The project will have no adverse environmental impact. it will not directly finance industrial or infrastructure projects requiring engineering and construction services. For anticipated feasibility studies and IESC technical and managerial assistance activities, project eligibility guidelines will contain provisions for a statement concerning the proposed investment's environmental impact. Those judged to be potentially negative will not be funded. The project will utilize AID's "Impact Identification and Evaluation Form" for making an initial environmental examination. The Environmental Coordinator for the NE Bureau has reviewed the proposed project and has recommended that it be granted a "Categorical Exclusion" under the provisions of 22 CFR 216.2(c), "AID Environmental Procedures."

VIII. SOCIAL ANALYSIS

- 8.01 As stated in the Near East Bureau's Private Sector Strategy section of this paper, in the Agency's and NE Bureau's private sector initiative, the objectives are the same. That is to stimulate indigenous private sector development and assist it to become the major catalyst to broad based economic growth and development through increasing the employment, productivity and incomes of the poor. The private enterprise thrust is seen as a needed complement to existing programs aimed at improving the quality of life by meeting basic human needs of the poor majority of the developing world.
- 8.02 Initially the direct beneficiaries of this project will be the direct recipients of the AID funding - the public institutions and private companies and institutions. However, in the long run, the labor force will be the major beneficiary, as opportunities expand for growth in productivity, income, skill levels, and standards of living. However, the success of this project will to a large extent, depend on how these entities utilize AID and other funding within the context of an open economy. It is widely recognized that those countries classified as LDCs less than twenty years ago that consciously adopted an outward looking, free market approach have achieved rapid economic growth. Examples include the East Asian City-States of Hong Kong and Singapore and countries of Korea and Taiwan, all of which have registered impressive gains in employment creation, productivity, per capita income and overall standards-of-living for the general populace. Their economies have all experienced broad based self-sustaining economic growth, achieving diversity and stability and are all less vulnerable to external economic upheavals. Political stability in these areas can be directly attributable to the success of this strategy. While political dissent exists, social unrest relative to other areas of the world is virtually nonexistent.
- 8.03 The activities that this project proposes to finance can assist in providing to NE region AID recipients the basis for similar development. Below are examples of how the activities proposed by this project can have an impact on the development issues of employment and income generation.
- a. Assistance in Capital Market development will provide a conduit for an increased flow of savings or term investable funds to the indigenous private sector for

productive investment which will expand and modernize industry providing for a better utilization of the underemployed, creating jobs, increasing productivity and producing additional national and individual income.

- b. Vocational training will directly provide the labor pool with new and appropriate skills, increasing productivity and thereby the capacity to increase individual income earning capacity. Management training will provide current and future managers with techniques that will bolster their productivity and the productivity of subordinates. This will provide for a more efficient utilization of management, capital, and labor resources, which will ultimately translate into viable competitive enterprises. This can, in-turn, provide for greater growth opportunities for private companies and their employees.
- c. The promotion of U.S. investment can provide for the transfer of new and appropriate technologies raising the general skill levels of the labor pool.
- d. Direct technical and managerial assistance to small and medium scale private companies will directly benefit entrepreneurs, management and labor as they increase efficiency and productivity through the use of improved production methods and management techniques. As individuals and companies improve aspects such as operations and product quality the opportunity for expanded markets and growth improve, providing additional jobs and income for the enterprise or company and its employees.

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IX. PROJECT IMPLEMENTATION

A. Implementation Plan

- 9.01 Individual Missions, host governments, private sector entities and AID/W can all originate subproject proposals. The criteria for subprojects eligible for project funding are described in Annex A and information requirements for subproject financing requests are provided in Annex B.
- 9.02 Availability of project funding is to be publicized by word of mouth, and Missions are requested to seek out appropriate subprojects which support private sector development. Missions will want to draw upon appropriate organizations to help identify suitable subprojects, particularly Embassy economic/commercial offices, government ministries, development banks, business associations, leading businessmen, etc.
- 9.03 Implementation procedures for approval of subprojects are outlined below:
1. AID Mission/Representative Office - Originated Activities
 - a. The Mission/Representative Office recommends subprojects for financing. Each Mission is responsible for developing its own internal procedures for making the Mission recommendation. At a minimum, it must:
 - (1) Determine subproject eligibility in accordance with PP Annex A (Subproject Eligibility and Selection Criteria);
 - (2) Review the subproject financing request for adequacy of information as described in PP Annex B (Subproject Financing Request Information Requirements);
 - (3) Comment on non-availability of other Mission funds for this purpose; and
 - (4) In phase-down countries (presently, Portugal and Tunisia), explain in detail the specific benefits to the country and to the U.S. Also, the Mission/Representative

Office should explain how subproject monitoring will not delay planned phase-down by requiring substantial USDH or FSN input.

b. After the Mission recommends approval, it forwards one copy to NE/PD of the following documents:

- (1) Mission recommendation
- (2) Eligibility criteria description
- (3) Subproject financing request
- (4) Draft PIO/T-C-P

c. Upon receipt of documentation, NE/PD will review the request and prepare a one-page Action Memo recommending approval/disapproval of the subproject.

(1) The Action Memo will comment on:

- The subproject's consistency with the project purpose;
- Issues, if any;
- Compatibility with other projects/studies financed by AID, World Bank, etc.;
- Proposed method of contracting;
- Requirements for competitive procurement, if applicable;
- Proposed cost sharing arrangements (please see Section 9.05 below); and
- In countries where there is no AID Mission/Representative (presently, Turkey) the specific benefits to the country and to the U.S.

(2) The Action Memo will be approved by: the Office Director, NE/PD if the request for project funds is \$75,000 or less; or by AA/NE, if the request for project funds is greater than \$75,000. The memo will be cleared by: the appropriate NE country desk; NE/GC; NE/DP; NE/TECH and/or other

offices, as relevant to the technical area of the subproject; and other bureaus, such as PRE, S&T, or PPC, as appropriate.

2. Embassy - Originated Activities

For eligible countries where there are no AID Mission/Representative Offices, such as Turkey, AID/W will undertake a larger role in the subproject approval and implementation process. We propose that the Embassy Economic Office receive applications and give a preliminary recommendation regarding funding. The applicant will prepare a scope of work and preliminary budget to serve as a basis for a PIO/T-C-P to be prepared by NE/PD, in consultation with the applicant. NE/PD would review the Embassy's preliminary recommendation, the applicant's financing request, and scope of work with budget to approve the request. This procedure has been proposed to the State Department Turkey Desk officer, who expects the Embassy to agree; details will be worked out with the Embassy.

3. AID/W - Originated Activities

The review/approval procedures described in Section 1 above will be applied to country-specific and regional activities initiated in AID/W. Missions will be consulted at the earliest possible stage to determine their interest in the proposed activity.

9.04 After subproject approval, AID/W will advise the AID Mission/Representative Office or Embassy and will initiate the procurement process. The appropriate office will execute the Project Implementation Order (PIO) for technical services, commodities, or participant training which will be the reserving document for the subproject. After the PIO/T-C-P is executed, procurement will be finalized, as described in the section below on procurement methodology. Resulting contracts will be the obligating documents.

9.05 This project will assist both non-profit and for-profit entities by financing several broad categories of activities. AID has traditionally used funds to support activities for non-profit organizations (e.g., governments, trade associations) but has generally required cost sharing when supporting individual private enterprises with grant funds. (Cost sharing in this sense

refers to sharing of foreign exchange costs not local currency costs. Local currency costs are generally excluded from financing with project funds, as described in Section 5.03 above.) AID has not established rigid cost sharing principles, and each application will be examined on a case-by-case basis, based upon the following guidelines:

1. Broad-gauged studies (of economic policy, sector policy, business environment, market surveys, etc.) for which the applicant is a public sector entity or trade association - no cost sharing requirement.
2. Technical/managerial assistance, when undertaken for specific indigenous private investors, is to be provided by IESC. IESC generally requires some sharing of costs, and cost sharing will be based upon IESC's recommendation.
3. Investment promotion subprojects, undertaken for individual private investors will require sharing of costs. In the case of feasibility studies for private U.S. investors, cost sharing is based upon criteria used in the Egypt Private Sector Feasibility Studies Project (263-0112) with some modifications. Criteria will be:
 - a. U.S. company employee or contractor salaries: Actual cost of salary and fringe benefits including payroll taxes, insurance, retirement, vacations and holidays, etc., up to \$200 per person-day devoted to the study. To determine salary cost eligibility, each individual working on a feasibility study must complete a personal biodata form. No increases from present salary will be permitted;
 - b. Round trip economy air fare between the U.S. and relevant country on U.S. air carriers;
 - c. Allowance of \$100 for each day spent by a U.S. team member in the relevant country for conducting the study;
 - d. Actual cost of local consultants up to \$75 per person day;
 - e. Actual cost of pilot schemes, engineering tests, laboratory analyses, etc., if specifically approved in advance;

- f. All other costs of producing the study up to \$3,500; and
 - g. No other costs are eligible. Reimbursement will be made for 100 percent of eligible salary expenses claimed and 50 percent of the remaining total eligible costs claimed. In no case will the total reimbursement for any feasibility study exceed \$75,000 or be greater than 50 percent of total eligible costs.
4. Training undertaken for private sector institutions. AID would pay 100 percent of the cost of tuition, leaving to the parent organization responsibility for picking up all other costs, including travel, per diem, and training-related expenses. Training undertaken for public sector institutions would follow S&T/IT guidelines according to which AID covers tuition, per diem and all training-related costs, leaving to the host country responsibility for transportation.

B. Procurement Methodology

- 9.06 Notwithstanding the Agency's policy of a general preference for the procurement of AID-financed project goods and services required to implement projects be undertaken by host countries rather than AID, all contracting will be done on an AID-Direct contracting basis. (Use of Host Country Contracting requires a bilateral project agreement between the U.S. and host government.)
- 9.07 For services, contracting will be done in accordance with AID Handbooks 1, 12, and 14, whichever is applicable. The Indefinite Quantity Contract (IQC) and Section 8(a) Small Business Contract contracting modes will be used to the maximum extent possible. Other contracting modes will include the Participating Agency Service Agreement (PASA) and Personal Services Contract (PSC). PASAs will only be used in cases where U.S. private enterprise with the desired competence is not available or it is not feasible to use such sources.
- 9.08 For training, contracting and training coordination will be done in accordance with AID Handbook 10, Participant Training.
- 9.09 For commodities, contracting will be done in accordance with AID Regulation 1 and AID Handbooks 1 and 14.

- 9.10 There will be situations where AID-Direct contracting is not appropriate such as in those instances where funding is provided for IESC activities and feasibility studies conducted by potential U.S. investors. For IESC, agreements will be developed in accordance with existing USAID/IESC Agreements in Egypt, Portugal and Tunisia. For other PVOs, agreements will be developed in accordance with Handbook 3, Chapter 4. For feasibility studies conducted by potential U.S. investors, a sample agreement for execution between the involved Mission and the U.S. company is provided in Annex C. This agreement is modeled on the Feasibility Study Reimbursement Program in Egypt.
- 9.11 All subprojects will have a life of one year or shorter. The Project Assistance Completion Date is August 1986 and the Terminal Date for Disbursements (TDD) is May 1987. The Terminal Date for Disbursement Authorizations (TDDA) is August 1986.

C. Implementation Schedule

<u>Date</u>	<u>Action</u>	<u>Responsible Entity</u>
12/83	PP approved	AID/W - NE/PD
3/84	AA/NE authorization	AID/W - NE/PD
3/84	USAID notification	NE/PD
3/84	Announcement of Fund Availability, Eligibility Criteria and Financing Request Information Requirements to Host Country Public and Private Sectors	USAIDs
3/84 - 7/84 8/84 - 7/85 etc.	Development/Submittal to USAIDs of Subproject Financing Requests	USAIDs, HG and PS
3/84 - 7/84 8/84 - 7/85 etc.	Approval of Subproject Financing Requests	USAIDs and NE/PD
3/84 - 7/84 8/84 - 7/85 etc.	Procurement of Technical/ Managerial Services	USAIDs, NE/PD, and SER/CM

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3/84 - 7/84 8/84 - 7/85 etc.	Procurement of Training	USAIDs, NE/PD, and S&T/IT
3/84 - 7/84 8/84 - 7/85 etc.	Procurement of Commodities	USAIDs, NE/PD, and SER/COM
3/85	Evaluation (Short Term)	NE/PD and USAIDs
8/86	Evaluation (Long Term)	AID/W (NE/PD, PPC, PRE), USAIDs, and U.S. evaluation consultant
3/89	Evaluation (Final)	
9/90	PACD	
9/90	TDDA	
6/91	TDD	

Key

AID/W : AID Washington
NE/PD : Project Development Office, Near East Bureau
USAIDs : Near East Bureau Missions
HG : Host Governments
PS : Indigenous Private Sector
SER/CM : AID/Washington Contracts Management Office
SER/COM: AID/Washington, Commodity Management Office
S&T/IT : AID/Washington, Bureau for Science and
Technology, Office of International Training

D. Monitoring and Reporting

9.12 NE/PD will have overall responsibility for monitoring the progress of this project. Periodic reporting will be required from all Missions on the status of all on-going activities financed and the Missions will approve all payment documentation. NE/PD will keep all Missions and the NE Bureau (NE/DP) apprised, on a monthly basis, of the availability of funding for financing requests. This is particularly important in light of the fact that all project funds must be obligated in one fiscal year.

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- 9.13 For all (AID direct) contracts, normal reporting requirements (monthly/quarterly) will be included. These reports will be used by both the Missions and NE/PD as monitoring devices. The IESC and model feasibility study contracts include reporting requirements.
- 9.14 At the conclusion of each activity financed under this project, the originating Mission (or AID/W office) is to prepare a memo on what was accomplished and lessons learned. These activity completion memos will be used as one of the bases for the Step One and Step Two evaluations.

E. Evaluation

- 9.15 The evaluation of this project will be performed in two steps:
- a. Step One
- 9.16 As previously explained, with the project funding coming from regional funds, the obligation period is for one year only. Therefore, the most critical measure of success/failure, in the short run, is the utilization of the project by the host governments and the indigenous private sector for the purposes identified in this paper.
- 9.17 This evaluation, to be performed approximately one year after initial obligation, will be of a two week duration and involve NE/PD and the Missions, only. It will be a desk evaluation and will include appraisal of the activity completion memos described in Section 9.14 above. This evaluation is particularly important in determining if (a) the process for subproject approval is reasonable and adequate, (b) demand for project funds is adequate, and (c) project funding is being requested for its intended purpose.
- b. Step Two
- 9.18 The second step evaluation will be performed immediately preceding the end of the third obligating year (FY 1986). This evaluation will be used to determine the achievement of specific outputs, EOPs, and impact of the AID financed activities on private sector development in the respective host countries and provide recommendations on the continuation of the project.
- 9.19 An evaluation team composed of a U.S. consulting firm together with representatives from NE/PD, PRE, PPC and the respective USAIDs will be organized to perform this evaluation. This team will evaluate the project against

the targets set forth in the logical framework (Annex D) together with review of subproject financing requests and activity completion memos. The duration of this evaluation will be approximately six weeks.

ANNEX A

SUBPROJECT ELIGIBILITY AND SELECTION CRITERIA

Funds from this project can finance U.S. dollar costs of U.S. goods and services related to the:

1. Identification of constraints to local and foreign private sector investment. Activities might include studies and surveys of host government economic policies, for use as the basis of a policy dialogue between the host government and USAID.
2. Enhancement of host government institutional capability to develop and implement private sector investment policy and procedures. Activities might include studies, surveys and technical assistance (e.g., development of an agricultural export promotion policy to take advantage of comparative advantage in agriculture).
3. Identification, promotion and facilitation of both local and U.S. private investment. Activities might include the development of sector surveys, feasibility studies, and investment workshops, seminars and conferences;
4. Improvement of the business climate in which the private sector operates to foster and support its continued development. Activities might include studies, surveys and and the provision of technical assistance and training to:
 - a. further enhance the development of effective and efficient capital markets to mobilize and form capital through the encouragement of private savings (e.g., stock and bond market development and the establishment of leasing companies);
 - b. analyze effective alternatives to existing host government financial policies so they might be more responsive to private sector needs;
 - c. analyze effective alternatives to existing business legal and tax laws and procedures and financial systems to also be more responsive to private sector needs;

- d. increase the understanding of host government regulatory authorities: (1) of the impact of their activities on investment; and (2) of the policy and financial requirements of modern agricultural, commercial, industrial and service activities.
5. Transfer of U.S. technology, the provision of U.S. technical and managerial advisory services, and management and operations/maintenance training to new private sector ventures and expanding and modernizing existing private sector enterprises to increase productive capacity and employment. Exceptions may be considered for public sector market oriented enterprises introducing new U.S. based technology that will have a major direct impact on the private sector.
6. Provision of technical and managerial advisory services, primarily through the International Executive Service Corps, to assist market oriented enterprises, with primary emphasis on the private sector, in the solution of specific technical and/or managerial problems.
7. Establishment of links between U.S. and host country professional associations (e.g., engineering, construction, accounting associations) that can be a catalyst in the transfer of technology and technical and management techniques and systems. Activities might include seminars and/or workshops and training programs held in the host country or U.S. for private associations by the counterpart association in the U.S. Activities will be limited to those transferring U.S. technology.
8. Establishment of links between the U.S. and host country business communities through the provision of technical assistance in the formation of joint business councils, chambers of commerce, business development centers, etc. to enhance investment and trade opportunities between the two countries. The formation of these organizations can also provide a forum for the discussion of problems and needs of the host country private sector.
9. Provision of technical and managerial assistance and training to intermediate credit institutions to enhance their project appraisal and project management capabilities in servicing loans to the private sector, as well as upgrading the technical

assistance capabilities of those financial institutions that service small scale enterprises.

10. Technical assistance to improve management capabilities in the private sector. Activities might include participation in management and other seminars/conferences that relate to the development of business skills, specialized training, etc.
11. Identification of methods to improve the participation of women in private sector development, particularly by improving capabilities for earning income and development of women-owned enterprises. Activities might include participation in training programs, sector studies in areas where women are included in management and the workforce, and support for professional societies which admit women members.

For Feasibility Studies financed under this project the additional selection criteria outlined below will also be applicable.

In general, AID Legislation and Policy deals primarily with restrictions on the procurement of goods and services for project implementation, not surveys and studies to be utilized for project development. Nevertheless, established policy and law suggests that it would be inappropriate for AID to finance or implement reimbursable programs for studies:

- (a) For the purpose of inducing abortions;
- (b) To be used by law enforcement agencies for intelligence and/or surveillance activities and training;
- (c) For military purposes as follows:
 - (1) Military hardware;
 - (2) Commercial consumables delivered directly to any military establishment for military purposes;
 - (3) Other common use items (e.g. raw materials, components and capability equipment) delivered directly to any military establishment for military purposes; and
 - (4) Any articles regardless of recipient, where the primary purpose is to meet country military requirements;

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- (d) Specifically for gambling facilities;
- (e) Used in weather modification programs;
- (f) Of products that are unsafe or ineffective, such as certain pesticides, food products or pharmaceuticals (See AID Handbook 1 and Handbook 15 - Appendix B for details); and
- (g) Of products considered luxury goods, such as recreational supplies and equipment, jewelry, stamps, etc.

The project should restrict financing in those cases involving what are termed as "Run-Away Industries", or companies moving their entire operations out of the U.S. to take advantage of the financial incentives provided by foreign investment laws such as favorable tax treatment, cheap and non-unionized labor, etc., to maximize income, thereby detrimentally impacting the employment situation in the U.S.

The project should not finance feasibility studies which could result in the development of projects which establish or expand the production of any commodity for export if the commodity is likely to cause substantial injury to U.S. producers (e.g. textiles, palm oil, citrus, sugar, and related products, cotton, tobacco, etc.). However, if the application can demonstrate to AID's satisfaction that the above conditions do not exist, then consideration should be given to a favorable decision by AID on financing the development of the studies.

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ANNEX B

SUBPROJECT FINANCING REQUEST INFORMATION REQUIREMENTS

Outlined below are the general information requirements that must be submitted by the benefiting host country entity to the Mission for all project financing requests:

1. Project Objectives

The following information must be submitted for all sub-projects financing requests:

- a. Problem to be addressed
- b. Subproject purpose and expected specific accomplishments
- c. Subproject description
- d. Relationship to meeting one or more of the following objectives of increasing:
 - investment
 - productivity
 - employment
 - technological base
 - managerial capacity
- e. Relationship to private sector development and expansion objectives.
- f. Relationship with complementary or competing activities of AID, multilateral or bilateral donors, and other international or domestic organizations.
- g. Relationship to improving the opportunities for women to participate in private sector development.

2. Technical Assistance and Management Advisory Services

A Terms-of-Reference must be submitted for financing requests involving professional and technical services

to perform surveys and provide technical assistance and management advisory services directly to government institutions and private companies. The types of information must include, but are not necessarily limited to:

- Scope of Work
- Skill Requirements (Qualifications)
- Language Requirements
- Counterparts
- Responsibilities of the Parties
- Estimated Level of Effort
- Implementation Schedule
- Detailed Budget
- Sources of Financing
- Currency of Financing
- Reporting Requirements
- Environmental Considerations

3. Training, Workshops/Seminars/Conferences

For training activities and attendance at workshops, seminars and conferences the information requirements in paragraph (1) above are needed together with the following information:

- Beneficiary Institution(s)
- Course/Workshop/Seminar/Conference Description
- Location and Date
- Alternative Courses/Workshops/Seminars/Conferences Considered
- Selection Evaluation Criteria
- Individuals Nominated and Position (Attach Resumes)

- Evaluation criteria for Selecting Trainees and Attendees
- Detailed Budget
- Sources of Financing
- Currency of Financing

4. Feasibility Studies

For feasibility studies, the following application summary and evaluation record must be completed by the U.S. company and submitted together with the information requirements in paragraph (1) above:

UNITED STATES
AGENCY FOR INTERNATIONAL
DEVELOPMENT

PRIVATE SECTOR FEASIBILITY STUDIES PROJECT
REIMBURSEMENT PROGRAMS
APPLICATION SUMMARY AND EVALUATION RECORD

BEST AVAILABLE DOCUMENT

PROJECT DATA

PROJECT TITLE: _____
PROJECT LOCATION: _____
SECTOR AND PRODUCTS: _____
ESTIMATED CAPITAL COST: _____
ESTIMATED PROJECT EMPLOYMENT: _____

INDUSTRIAL AGRICULTURE/
CONSTRUCTION SERVICES

COMPANY DATA

COMPANY NAME: _____
HEADQUARTERS ADDRESS: _____ TELEPHONE: _____
TELEX: _____
PRINCIPAL CONTACT: _____
MAJOR PRODUCTS: _____
DATE COMPANY ESTABLISHED: _____
ANNUAL REPORT ATTACHED TOTAL ANNUAL COMPANY SALES: _____
CREDIT REPORT ATTACHED PREVIOUS FOREIGN INVESTMENT EXPERIENCE
TOTAL NUMBER OF EMPLOYEES: _____ PREVIOUS EXPERIENCE
TOTAL PERSON-DAYS DEVOTED TO PROPOSAL: _____

PROPOSAL EVALUATION

PROPOSAL QUALITY PERSONNEL QUALIFICATIONS PROPOSED BUDGET
HIGH LOW HIGH LOW TOTAL COST \$ _____
MED. UNSAT. MED. UNSAT. ALLOWABLE COST \$ _____
REIMBURSEMENT \$ _____

ORIGINAL EVALUATION
PREPARED BY:

PROJECT OFFICER: _____

CONCURRENCE RECORD:

						U.S.A.I.D.			
RECOMMENDED <input type="checkbox"/>	NOT RECOM <input type="checkbox"/>	RECOMMENDED <input type="checkbox"/>	NOT RECOM <input type="checkbox"/>	RECOMMENDED <input type="checkbox"/>	NOT RECOM <input type="checkbox"/>	RECOMMENDED <input type="checkbox"/>	NOT RECOM <input type="checkbox"/>	APPROVED <input type="checkbox"/>	DISAPPROVE <input type="checkbox"/>

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ANNEX C ,

SAMPLE FEASIBILITY STUDIES AGREEMENT

FEASIBILITY STUDIES REIMBURSEMENT PROGRAM
SCHEDULE AGREEMENT

The _____ (Contractor) agree as follows:
and _____

1. (Contractor) agrees to perform a detailed pre-investment feasibility study on a proposed (project title and location). The study will be conducted according to the outline, work plan, and schedule attached to and made a part of this agreement as Appendix A.
2. (Contractor) will submit to _____ the following reports:
 - (a) Progress Report in ___ copies, every three months covering activities, problems, and recommended solutions during the reporting period. The first progress report will be due three months after the effective date of this agreement.
 - (b) Final report, in ___ copies, consisting of the full feasibility study described in paragraph 1. The final report will be due within ___ months of the effective date of this contract. Within 30 days of submission of the Final Report, _____ will review it and notify (Contractor) either of its acceptance of the Report, or of its request for additional work to make it conform with the terms of this Agreement.

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BEST AVAILABLE DOCUMENT

3. (Contractor) will assign the following key personnel to perform essential elements of the study:

<u>Name</u>	<u>Project Role</u>	<u>Estimated Person-days</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Resumes of these key personnel are attached in Appendix B. (Contractor) shall notify _____ in writing of any substitution of key personnel at least 2 weeks in advance, submitting sufficient justification to permit evaluation of impact on the study. Any change in key personnel must be approved in writing by _____

- a. For fulfillment of the terms of this agreement, _____ will reimburse (Contractor) for _____ % of the agreed total allowable direct costs of the study, up to a maximum reimbursement of \$ _____. Total direct costs allowable for reimbursement under this agreement are estimated in the budget attached as Appendix C.
- b. Payment of the reimbursement will be made as a lump sum by means of USAID direct letter of commitment. _____ will authorize such payment upon acceptance of the Final Report and receipt from (Contractor) of its invoice documenting its expenditure on the study of allowable direct costs, provided, however, payment does not exceed the total estimated allowable cost in Appendix C.
5. (Contractor) further agrees to the general provisions attached to this agreement which form an integral part of it.
6. All notices and Report Submissions under this Agreement shall be made through the following individuals:

For _____ :

_____ Telephone No. _____
Name Title Telex No. _____

For (Contractor):

BEST AVAILABLE DOCUMENT

GENERAL CONTRACT PROVISIONS FEASIBILITY STUDIES REIMBURSEMENT PROGRAM

Index of Clauses

1. Definitions
2. Language
3. Law to Govern
4. Legal Effect of A.I.D. Approvals and Decisions
5. Audit and Records
6. Assignment
7. Nationality and Source
8. Travel
9. Use of U.S. Flag Air Carriers
10. Subcontracts
11. Amendments
12. Disputes and Appeals
13. Report of Delays
14. Equal Employment Opportunity
15. Workmen's Compensation Insurance
16. Host Country Taxes
17. Termination of Agreement
18. Non-exclusivity of Project
19. Rights to Information in Final Report
20. Notices

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Name

Title

Telephone No. _____
Telex No. _____

7. The effective date of this agreement is _____.
The estimated completion date of the study (including submission of
the final report) is ___ months after the effective date.

AGREED AND ACCEPTED:

Contractor

1. Definitions

- A. "A.R.E." means the Arab Republic of Egypt
- B. "A.I.D." means the Agency for International Development of the United States of America, including the A.I.D. Mission in Egypt.
- C. "Authority" means the General Authority for Investment and Free Zones of the Government of the A.R.E.
- D. "Geographic Codes" means the A.I.D. Geographic Codes listed in A.I.D. Handbook 11, Chapter 1, Attachment 1A, as revised from time to time.

2. Language

The English language version of this Contract shall govern. All notices pursuant to the provisions of this Contract shall be in English.

3. Law to Govern

This Contract shall be interpreted in accordance with the laws of the

4. Legal Effect of A.I.D. Approvals and Decisions

The parties hereto understand that the Contract has reserved to A.I.D. certain rights such as, but not limited to, the right to approve the terms of this Contract, the Contractor, and any or all plans, reports, specifications, subcontracts, bid documents, drawings or other documents, related to this Contract and the Project of which it is part. The parties hereto further understand and agree that A.I.D., in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by A.I.D. to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing this Project and shall not be constructed as making A.I.D. a party to the Contract. The parties hereto understand and agree that A.I.D. may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties jointly or separately, without thereby incurring any responsibility or liability to the parties jointly or to any of them. Any approvals (or failure to disapprove) by A.I.D. shall not bar the Authority or A.I.D. from asserting any right, or relieve the Authority of any liability which the Contractor might otherwise have to the Authority or A.I.D.

5. Audit and Records

A. The Contractor shall maintain books, records, documents and other evidence and shall apply consistent accounting procedures and practices sufficient to reflect properly all transactions under or in connection with the Contract. The foregoing constitute "records" for the purpose of this clause.

B. The Contractor shall maintain such records during the Contract term and for a period of three (3) years after final payment. However, records which relate to appeals under the "Dispute and Appeals" Clause below or litigation or settlement of claims arising out of the performance of this Contract shall be retained until such appeals, litigation, or claims have been finally settled.

C. All records shall be subject to inspection and audit by the Authority the U.S. Comptroller General and/or A.I.D. or their authorized agents at all reasonable times. The Contractor shall afford proper facilities for such inspection and audit.

D. The Contractor shall include in all its subcontracts hereunder a provision that the subcontractor agrees that the Authority the U.S. Comptroller General and/or A.I.D., or their authorized agents, shall, until the expiration of three (3) years after final payment under the subcontract, have access to and the right to examine any records of such subcontractor involving transactions related to the subcontract.

6. Assignment

The Contractor may not assign its obligation to perform under the Contract or its right to receive payments under the Contract, except with the prior written consent of both the Authority and A.I.D.

7. Nationality and Source

A. A.I.D.-financed U.S. Dollar Procurement

Unless otherwise approved in writing by the Authority and A.I.D. or specified in General Provision Clause 9 ("Use of U.S. Flag Air Carriers"), all goods and services provided by the Contractor and any subcontractors under this Contract and financed with U.S. dollars made available by A.I.D., shall have their nationality, source, and origin in those countries listed in A.I.D. Geographic Code 000 (the United States).

B. A.I.D.-financed Local Currency Procurement

Except as approved in writing by the _____ and A.I.D., all goods and services provided by the Contractor and any subcontractors under this Contract and financed with local currency made available by _____ shall have their nationality, source and origin in the _____

C. Other Procurement

Goods and services provided by the Contractor and any subcontractors under this Contract and not financed by A.I.D., shall have their nationality, source, and origin in A.I.D. Geographic Code 935 as in effect at the time orders are placed or contracts entered into for such goods or services.

D. Definitions

(1) Source- "Source" means the country from which a commodity is shipped to _____ . or _____ . itself if the commodity is located therein at the time of purchase. However, where a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" means the country from which the commodity was shipped to the free port or bonded warehouse.

(2) Origin - "Origin" means the country or area in which a commodity is mined, grown, or produced. A commodity is produced when through manufacturing, processing, or substantial and major assembling of components a commercially recognized new commodity results that is substantially different in basic characteristics or in purpose or utility from its components.

(3) Componentry - "Components" are the goods that go directly into the production of a produced commodity. A.I.D. componentry rules for commodities produced in eligible countries are as follows:

- (a) If the commodity contains no imported components, it is eligible for financing under the Contract.
- (b) Components from the United States and other countries included in A.I.D. Geographic Code 941 may always be utilized in unlimited amounts regardless of the geographic code authorized.

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(c) Unless procurement is authorized from countries included in A.I.D. Geographic Code 899, components from free world countries not included in A.I.D. Geographic Code 941 are limited according to the following rules:

(i) They are limited only if they are acquired by the producer in the form in which they were imported.

(ii) The total cost to the producer of such components (delivered at the point of production of the commodity) may not exceed 50 percent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export (whether or not financed by A.I.D.).

(iii) A.I.D. may prescribe percentages other than 50 percent for specific commodities.

(d) Any component from a non-free world country makes the commodity ineligible for financing under this contract.

4. Nationality -

(a) A Contractor or subcontractor providing services under this Contract must fit one of the following three categories to be eligible for A.I.D. financing.

(i) An individual who is a citizen of and whose principal place of business is in a country included in the authorized geographic code or a non-U.S. citizen lawfully admitted for permanent residence in the United States whose principal place of business is in the United States.

(ii) A corporation or partnership that is incorporated or legally organized under the laws of a country or area included in the authorized geographic code, has its principal place of business in a country or area included in the authorized geographic code, and meets the criteria set forth in either subparagraph (aa) or (bb) below:

(aa) The corporation or partnership is more than 50 percent beneficially owned by individuals who are citizens of a country or area included in the authorized geographic code. In the case of corporations, more than 50 percent beneficially owned means that more than 50 percent of each class of stock is owned by such individuals; in the case of partnerships, more than 50 percent beneficially owned means that more than 50 percent of each category of partnership interest (e.g., general, limited) is owned by such individuals. (With respect to stock or interest held by companies, funds or institutions, the ultimate beneficial ownership by individuals is controlling).

(bb) The Corporation or Partnership has been incorporated or legally organized in the United States for more than three years prior to the date of the proposal; has performed, within the United States, administrative and technical, professional or construction services under a contract or contracts for services and derived revenue therefrom in each of the three prior to the date described in the preceding paragraph; employs United States citizens in more than half its permanent full-time positions in the United States; and has the existing capabilities in the United States to perform the Contract.

- (iii) A joint venture or unincorporated association consisting entirely of individuals, corporations or partnerships which fit categories (i) and (ii) above. The eligibility of firms or joint ventures of firms wholly or partially owned by the Government shall be subject to A.I.D. approval.
- (b) A duly authorized officer of the firm shall certify that the participating firm meets either the requirements of subparagraphs (ii) (aa) and (ii) (bb) above. In the case of corporations, the certifying officer shall be the Corporate Secretary with respect to the requirements of subparagraph (ii) (aa). The certifying officer may presume citizenship on the basis of the stockholder's record address, provided that the certifying officer certifies, regarding any stockholder (including any corporate funds or institutional stockholder) whose holdings are material to the corporation's eligibility, that the certifying office knows of no fact which might rebut that presumption.
- (c) A supplier of commodities under this Contract must fit one of the following three (3) categories to be eligible for A.I.D. financing.
 - (i) An individual who is a citizen or legal resident of a country or area included in the authorized geographic code; or
 - (ii) A corporation or partnership organized under the law of a country or area included in the authorized geographic code; or
 - (iii) A controlled foreign corporation i.e., any foreign corporation of which than 50 percent total combined voting power of all classes of stock is owned by United States shareholders within the meaning of Section 957 et seq. of the Internal Revenue Code, 26 U.S.C. 957.

- (d) Citizens or firms of any country not included in A.I.D. Geographic Code 935 are ineligible as suppliers, contractors, sub-contractors, or agents in connection with A.I.D. - financed contracts for goods or services. However, non-U.S. citizens lawfully admitted for permanent residence in the United States are eligible.
- (e) The nationality policy of subparagraph (a) above does not apply to:
 - (i) The employees of contractors or subcontractors, but all contractor and subcontractor employees engaged in providing services under A.I.D.-financed contracts must be citizens of countries included in A.I.D. Geographic Code 935 or non-U.S. citizens lawfully admitted for permanent residence in the United States.
 - (ii) Supplies of incidental services related to the procurement of equipment. "Incidental services" are defined as the installation or erection of A.I.D.-financed equipment, for the training of personnel in the maintenance, operation or use of such equipment.

8. Travel

With respect to travel agreed upon by the parties, the Contractor shall be reimbursed up to the cost of economy class commercially scheduled air travel by the most expeditious route. The Contractor agrees to use its best efforts to obtain the lowest cost international air fares (including student or excursion rates, when available).

9. Use of U.S. Flag Air Carriers

A. The Contractor shall utilize U.S. flag carriers for international air transportation of personnel (and their personal effects) or property to the extent service by such carrier is available, in accordance with the following criteria:

1. Passenger or freight service by a U.S. flag air carrier is considered "available" even though:
 - (a) Comparable or a different kind of service by a non-U.S. flag air carrier costs less, or
 - (b) Service by a non-U.S. flag air carrier can be paid for in excess foreign currency, or
 - (c) Service by a non-U.S. flag air carrier is preferred by the Contractor or traveler needing air transportation, or
 - (d) Service by a non-U.S. flag air carrier is more convenient for the Contractor or traveler needing air transportation.
2. Passenger service by a U.S. flag air carrier will be considered to be "unavailable":
 - (a) When the traveler, while enroute, has to wait six (6) hours or more to transfer to a U.S. flag air carrier to proceed to the intended destination, or
 - (b) When any flight by a U.S. flag air carrier is interrupted by a stop anticipated to be six (6) hours or more for refueling, reloading, repairs, etc, and no other flight by U.S. flag carrier is available during the six (6)-hour period, or
 - (c) When by itself or in combination with other U.S. flag or non-U.S. flag air carriers (if U.S. flag air carriers are unavailable) it takes twelve (12) or more hours longer from the origin airport to the destination airport to accomplish the mission than would service by a non-U.S. flag air carrier or carriers.

- (d) When the elapsed travel time on a scheduled flight from origin to destination airports by non-U.S. flag air carrier(s) is three (3) hours or less, and service by U.S. flag air carrier(s) would involve twice such scheduled travel time.

B. In the event that the Contractor selects a carrier other than a U.S. flag air carrier for international air transportation, it will include a certification on vouchers involving such transportation which is essentially as follows:

"CERTIFICATION OF UNAVAILABILITY OF U.S. FLAG AIR CARRIERS

I hereby certify that transportation service for personnel (and their personal effects) or property by U.S. flag air carrier was unavailable for the following reasons:

(state reasons)"

C. The terms used in this clause have the following meanings:

- (1) "International air transportation" means transportation of persons (and their personal effects) or property by air between a place in the United States and a place outside thereof or between two places both of which are outside the United States.
- (2) "U.S. flag air carrier" means one of a class of air carriers holding a certificate of public convenience and necessity issued by the Civil Aeronautics Board, approved by the President of the United States, authorizing operations between the United States and/or its territories and one or more foreign countries.

D. The Contractor shall include the substance of this Clause, including this paragraph D, in each subcontract or purchase order hereunder, which may involve international air transportation.

E. The foregoing paragraphs A through C shall be deemed amended as necessary to comply with A.I.D. Handbook 11, Chapter 1, as revised from time to time.

F. The Contractor may use other than U.S. flag air carriers for authorized travel between Cairo and points in Europe without regard to the foregoing.

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10. Subcontracts

A. This Contract shall not be subcontracted either in whole or in part without the prior written consent of _____ and A.I.D., and such consent, if given, shall not relieve the Contractor of any liability or obligation under the terms of this Contract. Cost-plus-percentage-of-cost subcontracts shall not be utilized for performance of any work.

B. All subcontracts must be approved in advance, in writing, by the _____ and A.I.D. A.I.D. reserves the right not to finance any contract not approved by A.I.D.

C. The Contractor shall include at least the following provisions of this Contract in all subcontracts wholly or partly financed by A.I.D.:

Legal Effect of A.I.D. Approvals and Decisions (4); Audit and Records (5); Nationality and Source (7); Use of U.S. Flag Air Carriers (9); Equal Employment Opportunity (14); Workmen's Compensation Insurance (15); and Host Country Taxes (16).

11. Amendments

Modification of the terms of this Contract shall be made by amendment signed by the parties. Any amendments, including letter amendments, which increase the Contract amount or extend the completion date of the Contract must be approved by A.I.D.

12. Dispute and Appeals

A. In the event of a dispute relating to this Contract, which cannot be satisfactorily disposed of by mutual agreement, the Contractor shall, within a reasonable time, submit a written statement to the Authority briefly describing the nature of the problem, the position of the Contractor regarding the issue and a narrative of the facts in support of the Contractor's position.

B. Within thirty (30) days after receipt of the Contractor's statement, _____ shall decide the issue and furnish a copy of the written decision to the Contractor, including the reason supporting the decision, if adverse to the Contractor.

C. Such decision shall be final and conclusive unless within thirty (30) days from the date of receipt of such copy, the Contractor furnishes a written Notice of Appeal to _____ with a copy to USAID. This Notice shall include a detailed description of the facts of the dispute with relevant dates, names of persons involved, references to relevant documentation (with copies attached), the pertinent contract provision(s), the contractor's contentions and conclusions, and a statement of why the _____ decision is being questioned.

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D. If within thirty (30) days after delivery of a Notice of Appeal, the parties cannot mutually agree to a satisfactory settlement, the matter shall be presented for arbitration following the rules of the International Chamber of Commerce.

E. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of this Contract and in accordance with the decision.

13. Report of Delays

The Contractor shall report in writing to any event or condition which might delay progress or prevent completion of the work under this Contract as soon as the facts are known to the Contractor.

14. Equal Employment Opportunity

The Contractor will not discriminate in the recruitment or employment conditions of personnel hired in the United States or the because of race, religion, color, sex, or national origin. The and A.I.D. encourage and welcome in this Contract the participation, to the fullest extent possible, of minorities and women, both as Contractor employees and as members and employees of subcontracting firms. In this report, the Contractor shall make every reasonable effort to identify and make the maximum practicable use of such personnel and firms.

15. Workmen's Compensation Insurance

A. The Contractor shall provide and thereafter maintain Workmen's Compensation Insurance assuring payment of benefits comparable to those provided under the Defense Base Act (42 I.S.C. 165. et. seq.) with respect to and prior to the departure for overseas employment under this Contract of all employees who are hired in the United States or who are American citizens or bona fide residents of the United States.

B. The Contractor shall provide and thereafter maintain for all employees under the Contract who are nationals or permanent residents of the , security for compensation benefits meeting at least the minimum requirements of the applicable law of the . for injury or death in the course of such employment or in the absence of such law, employer's liability insurance.

C. For all other employees under the Contract, the Contractor shall provide and thereafter maintain security for compensation benefits meeting at least the minimum requirements of the applicable law of the country in which the employee was hired and of the . for injury or death in the course of such employment, or in the absence of such law, employer's liability insurance.

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16. Host Country Taxes

A. The Contractor, its subcontractors and those of their employees and their families who are not citizens or residents of shall be exempted from all taxes, fees, levies, duties or impositions imposed under the laws of , with respect to all work and services performed under this Contract.

B. The personal effects (including personal vehicles) of the Contractor, its subcontractors and those of their employees and their families who are not citizens or permanent residents of , shall be free of all taxes, duties, fees, levies or impositions imposed under the laws of .

C. All materials and equipment required by the Contractor or its subcontractors to perform work pursuant to the Contract shall be exempted from all taxes, fees, levies, duties or impositions imposed under the laws of _____ provided that such items are either consumed in performance, re-exported or transferred to _____ at the conclusion of the Contract.

D. To the extent any of the taxes, duties or customs are not exempted, they shall be paid by the Authority. The Contractor shall before paying any such amounts, obtain the approval of the Authority. Should the Contractor pay any such amounts, such payments shall be reimbursable under this Contract in full from _____.

17. Termination of Agreement

A. Either party shall have the right to terminate this agreement by means of 60 days advance written notification. Should the Contractor voluntarily terminate the agreement, no payment will be due to him from the Authority. Should the agreement be terminated by _____ or due to force majeure, _____ shall reimburse the Contractor for the percentage, stated in Para. 4a of the Schedule Agreement, of those direct allowable costs incurred by the Contractor up to the effective date of termination, and for the same percentage of the actual and reasonable cost of damages caused to the Contractor by such termination.

B. The term "Force Majeure" means any cause beyond the control of Contractor, which the Contractor could not foresee and/or reasonably provide against and which prevents the Contractor from wholly or partly performing any duties under the Contract. Force Majeure includes, but is not limited to, any of the following:

- War, revolution insurrection or hostilities (whether declared or not);
- Riot, civil commotion or civil uprising (other than among the Contractor's employees);
- Earthquake, flood, tempest, hurricane, lightning, or other natural disaster;

B. The Contractor shall make no claim that any information either contained in the final report or for which direct costs incurred were counted towards the calculation of the amount of the reimbursement is proprietary except to the extent provided in subparagraph A. The following language shall be included on the title page of the final report of the feasibility study:

"This report has been prepared at substantial cost to the executing company and is considered by that company to be privileged commercial information under the terms of the Freedom of Information Act (5 USCS Sec. 552 A (b)(4) and A.I.D. Regulations Section 212.41 (d)".

20. Notices

Any notice given by either party shall be sufficient only if in writing and delivered in person or sent by telegram or by registered or certified mail to the following address:

To Contractor

Use address on cover page of this Contract.

Use address on cover page of this Contract.

Copies of all notices are required to be delivered to:

USAID Director
American Embassy
5, Latin America Street
Garden City, Cairo

Mailing address for mail to USAID/Cairo from the United States:

USAID Director
American Embassy, Cairo
Box 10
F.P.O. New York 09527

A.I.D. regulations and any revision thereof, incorporated by reference in this contract may be obtained from the USAID Project Officer and/or the Publications Office, SER/MO, A.I.D./Washington.

Reimbursement Programs
Budget Format

1. Personnel Costs (Feasibility Studies Only)

A. Company Personnel

<u>Name</u>	<u>Function</u>	<u>Person Days</u>	<u>Base Salary Cost</u>	<u>Allowable Cost</u>
			\$ _____	\$ _____
			_____	_____
			_____	_____
			_____	_____
			_____	_____
Total			\$ _____	\$ _____

B. U.S. Contract Personnel

<u>Name</u>	<u>Function</u>	<u>Person Days</u>	<u>Total Cost</u>	<u>Allowable Cost</u>
			\$ _____	\$ _____
			_____	_____
			_____	_____
Total			\$ _____	\$ _____

C. Egyptian Consultants

<u>Name</u>	<u>Function</u>	<u>Person Days</u>	<u>Total Cost</u>	<u>Allowable Cost</u>
			\$ _____	\$ _____
			_____	_____
			_____	_____
Total			\$ _____	\$ _____

Total Personnel Costs \$ _____ \$ _____

2. Travel Expenses

A. International Airfare

<u>Origin/Destination</u>	<u>No. of Round Trips</u>	<u>@ Economy Airfare Cost</u>	<u>Total Cost</u>
_____	_____	\$ _____	\$ _____
_____	_____	_____	_____
Total International Airfares			_____

B. Travel in Egypt

Total Person-days in Egypt: _____	
@ \$ _____ per diem	\$ _____
Ground Transportation (estimated)	_____
Other _____	_____
Total Travel Expenses in Egypt	\$ _____

C. Travel in U.S.

No. of Domestic Airfares _____	
@ _____ Avg. economy fare	\$ _____
No. of overnights _____	
@ \$ _____ per diem	\$ _____
Ground Transportation (estimated)	\$ _____
Total U.S. Travel Expenses	\$ _____
Total Travel Expenses	\$ _____

3. Other Direct Costs (Feasibility Studies Only)

	<u>Total Cost</u>
A. Translation/Interpretation Services	\$ _____
B. Report Production	_____
C. Materials and Supplies	_____
D. Special tests, pilot schemes, etc, (provide details on separate schedule).	_____
E. Telephone, telex, postage, & shipping	_____
 Total Other Direct Costs	 \$ _____
Grand Total	\$ _____

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To assist in fostering the development and growth of private enterprise so that it can gradually assume the leading role in providing the long term economic growth needed in the AID recipient countries of the Near East region.</p>	<p>Measures of Goal Achievement:</p> <p>Increasing share by the private sector of:</p> <ol style="list-style-type: none"> (1) total investment (2) manufacturing capacity (3) financial services (4) trade 	<p>Analyses of data from host government national accounts.</p> <p>Analyses of macroeconomic survey data.</p>	<p>Assumptions for achieving goal targets:</p> <p>Host governments are committed to private sector development and growth and policy/strategy statements in this area are not merely rhetoric.</p>

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>To provide NE Bureau Missions with the flexibility to respond to host country priorities for private sector development. Also, to provide the NE Bureau with the flexibility to make timely responses to NE region countries that are willing and ready to implement private sector development activities.</p>	<p>Conditions that will indicate purpose has been achieved: End of Project Status:</p> <ol style="list-style-type: none">1. Policy dialogue between USAID and host governments based upon project funded policy studies.2. U.S. investment in selected NE region countries directly related to project inputs.3. Consideration of new and revised financial, tax, investment and trade legislation/regulations by host country legislative branch of government.4. On-going vocational, management, entrepreneurial and policy training programs.5. Agricultural brand development legislation/regulations.6. Uniform product and business standards.7. Increased productivity in selected private companies.8. Established relationships between U.S. and host country private professional associations.	<ol style="list-style-type: none">1. Memoranda of Conversation and Memoranda of Understanding between USAIDs and host government on economic policy.2. Host government foreign investment data.3. Publication of new and revised legislation/regulations in official host government journals.4. Training entity records.5. Host government regulations on agricultural products.6. Host government and business association regulations.7. Private sector company records.8. Formal agreements/understandings between U.S. and host country associations.	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none">1. Host governments and private sector will cooperate with USAIDs in the development of ideas and projects.2. Willingness of host government to participate in serious economic/investment policy dialogue with U.S. government.

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:	Program Records	Assumptions for achieving outputs:
1. Economic, Sector and Investment Policy Studies; 2. Sector Surveys; 3. Investment Project Feasibility Studies; 4. Investment Conferences, Seminars and Workshops; 5. Recommendations for Vocational, Management, Finance and Entrepreneurial Training Programs; 6. Policy Analysis/Formulation Training Program Recommendations; 7. Recommendations for Financial, Tax and Trade Legislation; 8. Recommendations for Agricultural Brand Development and Manufacturing and Business Standards; and 9. Technical/Management Advisory Services.	1. Studies (a) 5 Economic Policy studies (b) 5 Sector Policy studies (c) 4 Business environment studies 2. Technical/Managerial Services (a) 4 IESC agreements with local private sector. (b) Advisory support to business association on selected basis. 3. Investment Promotion (a) 4 Sector surveys (b) 5 Feasibility studies (c) 4 Conferences, Seminars, Workshops 4. Training (a) 2 Vocational Training Programs (b) 2 Entrepreneurial Training Programs (c) 2 Management Training Programs (d) 3 Financial Institution Training Programs	Program Records	1. Host governments and private sector provide accurate/reliable information to contractors. 2. USAIDs are properly staffed to monitor activities.

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number Regional Fund for Private Sector Development (298-0050)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p>Study services, technical/managerial assistance and technology will be provided through the U.S. private sector by: (1) management/technical consulting firms; (2) business schools; (3) financial institutions; and (4) associations, Chambers-of-Commerce, etc. U.S. government agencies will also be used, e.g., SEC and the Federal Reserve. Also, related commodities will be furnished. IQC, 8(a), PSC, PASA, IESC contracts will be used.</p>	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none">1. 18 AID/W Contracted Studies/Surveys/Training Program Design/Implementation.2. 4 IESC/USAID contracts3. 5 USAID/U.S. private sector contracts for feasibility studies.4. Contracts for financial support to associations.5. PSC for Conference, Seminars, Workshops.	<p>Program Records</p>	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none">1. Financing is sufficient.2. Implementation procedure is reasonable.3. SER/CM can service contracting requirements.4. Qualified contractors are available.5. Host government and private sector accept contractor selection and contracting process.

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ANNEX E

JORDAN

PRIVATE SECTOR TEAM REPORT

April 14, 1982

I. EXECUTIVE SUMMARY

A. INTRODUCTION

In conjunction with the Near East Bureau Private Sector initiatives, a private sector team visited Jordan March 12-18. The purpose of the visit was to assess the climate for private sector development with particular emphasis on identifying opportunities for A.I.D. assistance to the local private sector and secondly to identify opportunities for U.S. investment and technology transfer. David Milton, Near East Bureau business consultant formerly Vice-President, Ralston Purina and Senior Vice-President, Private Investment Company for Asia (PICA), and Keith E. Brown, NE/PD Private Enterprise Officer participated in the Jordan review. Selig A. Taubenblatt, Director, NE/PD, participated in the final meeting in Amman to review the findings and recommendations. The terms of reference for the Team is set forth in Annex I.

The team met with local private businessmen and banks, U.S. businessmen in country, host country officials, officials of the U.S. Embassy in Jordan and USAID/Amman. The schedule of meetings is set forth in Annex II and American companies in Jordan are listed in Annex III.

B. TEAM FINDINGS

- The private sector in Jordan is both healthy and thriving and government has been supportive of private sector development. Jordan's economy is based on a free-enterprise system. Except for large capital investments such as potash, oil, phosphates, and basic infrastructure, the government has generally left industry, agriculture and tourism for the private sector.

- In its Five Year Plans, the government has been most supportive to the private sector with basic infrastructure investments.

- The private sector is expected to contribute at least forty percent of investment in the current Five Year Plan.

- Jordan, with a population of 2.3 million, has a limited market for any significant private foreign investment. U.S. companies have shown little interest in investment in the Jordanian market. U.S. investment is estimated at approximately \$10.0 million and is not expected to grow appreciably.

- Jordan's financial position is sound and its debt service low; its economy is well managed. The government has clearly delineated between areas for private and public investment. Thus, despite some political uncertainty, the government has created a climate most conducive to private investment.

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- There is a dynamic stock market and a growing bond market. More than 180 private sector productive enterprises were organized in 1981. However, the Amman stock exchange is becoming speculative with price/earnings multiples of almost 15. Jordan must be sensitive to this problem, so as to avoid some of the problems experienced by Kuwait in the recent past.

- Rapid development in the Jordan Valley over the past few years was primarily due to cooperation between the government and the private sector with the government financing some of the basic infrastructure and the Jordanian private sector making investments in agriculture and the various ancillary facilities, for example, in transportation, retail trade, etc. The population in the Jordan Valley has grown from about 20,000 in the mid-1970s to about 75,000 today.

- Jordan is not taking sufficient advantage of its comparative advantage in agriculture production for export primarily because the government lacks a coherent policy for marketing agricultural produce.

- Jordan has a skilled labor force and many of these workers have found gainful employment in the Gulf. Workers' remittances have provided a significant source of foreign exchange for Jordan-- about \$750.0 million per annum; there is, thus, a need to continue to train technical and managerial expertise.

- Jordan has opportunities as a regional center for certain production lines, for example, electrical and mechanical production facilities to support requirements in markets such as Iraq. Jordan's vigorous private sector is more attuned to commerce such as banking, insurance, and as a financial market, etc. rather than industry. However, there are growing opportunities to investment in small and medium-scale industry.

- The consensus among Jordanian businessmen is that Jordan's private sector is performing remarkably well and should be left to its own devices with minimal government interference.

C. OPPORTUNITIES FOR USAID AND OTHER U.S. ASSISTANCE TO JORDAN

- Assistance with mid-level management training as a first priority and to advanced management training, depending on funds availability, as a second priority.

- Jordan can play a significant role as a regional center in providing mid-level and advanced management training.

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- Assistance to the Jordanian capital and financial markets, e.g., technical expertise to advise on development of financial alternatives to speculative investments, assistance with regulatory aspects of the Jordan Stock Exchange (perhaps the U.S. Securities and Exchange Commission could be helpful).

- The lack of an adequate agricultural marketing policy is reducing Jordan's comparative advantage in supplying the domestic and export market with winter vegetables and fruits and advisory assistance is needed to implement the Chemonics International Study recommendations.

- Exchange of technical information between U.S. engineering societies and Jordanian engineering societies to help better appreciate U.S. technology.

- Opportunity for poultry biproducts plant where U.S. technology would be most appropriate.

- Opportunity for increased IESC role in Jordan.

- Continued use of the Trade and Development Program (TDP) to support pre-investment study financing where major U.S. trade opportunities exist.

ANNEX F

AGENCY FOR INTERNATIONAL DEVELOPMENT

BUREAU FOR NEAR EAST

PORTUGAL

PRIVATE SECTOR TEAM REPORT

TEAM MEMBERS

Selig A. Taubenblatt, Director
Office of Project Development

Keith E. Brown, Private Enterprise Officer
Office of Project Development

David Milton, Business Consultant
Near East Bureau

(June 22, 1982)

I. EXECUTIVE SUMMARY

A. INTRODUCTION

In conjunction with the Near East Bureau Private Sector initiatives, a private sector team (TEAM) visited Portugal June 2 - 9, 1982. The purpose of this visit was to assess the climate for private sector development with particular emphasis on identifying opportunities for AID assistance to the local private sector and secondly to identify opportunities for U.S. investment and technology transfer. Selig A. Taubenblatt - Director, NE/PD (Team leader), Keith E. Brown, NE/PD, Private Enterprise Officer and David Milton, Near East Bureau, business consultant formerly Vice-President, Ralston Purina and Senior Vice-President, Private Investment Company for Asia (PICA), participated in the Portugal private sector review. The complete terms-of-reference for the Team is set forth in Annex I.

The Team met with local private business associations and banks, U.S. businessmen in country, U.S. bank representative offices, host country officials, officials of the U.S. Embassy in Lisbon and the Consulate in Oporto and the USAID Representative Office. The schedule of meetings is set forth in Annex II and U.S. companies having investments in Portugal are listed in Annex III.

B. TEAM FINDINGS

- Portugal is considered politically stable for the first time since the revolution and is, therefore, able to develop more than just short term reactive economic policy. This is evidenced by the constitutional debate now underway to reform the constitution and remove many of its more onerous provisions and the progression of negotiations on entry to the European Common Market.

- Portugal's current government has indicated that it is committed to the development and fostering of a private enterprise economic system. It is currently debating constitutional reform to remove socialist rhetoric and constitutional restrictions to private sector growth. However, the government continues to be extremely interventionist, particularly in agriculture, and maintains almost absolute control over economic activity through its monetary, fiscal and income policies.

- Government policies have fallen short in delineating between public and private sector operations and investment which has proven to be a disincentive to private sector growth and investment. In effect, the rules of the game are unknown, therefore much of the local private investment is going into short term, quick return service or retail oriented businesses and real

estate speculation. Productive projects have been primarily the province of majority or totally owned foreign interests, but these private investments have been limited.

- The government is pursuing a tight credit policy in its attempt to control inflationary pressures. This has resulted in a severe credit crunch for private sector working capital and longer term investment. Prevailing interest rates are in the 20 to 25% range and act as a severe impediment to private sector investment.

- The entrepreneurial class in Portugal is weak and very limited for a number of reasons. Entrepreneurship was discouraged for years before the revolution because of the almost absolute control of Portugal's economy and government bureaucracy by a handful of families with a strong dependence on trading with the colonies. After the revolution entrepreneurial instincts were and in many instances continue to be discouraged because of the nationalization that took place. Many entrepreneurs left Portugal for Brazil and Western Europe. Furthermore present government policies have discouraged risk taking.

- Middle management is virtually non existent in Portugal. Small and medium sized businesses in the private sector are basically family organizations with control highly centralized. Consequently, growth and diversification in many instances is purposely controlled and limited so as to maintain management control of the organization.

- Foreign companies currently operating in Portugal are doing very well. They know the Portuguese market very well and are able to work with it. From their accounts they perceive Portugal as an excellent investment opportunity because of the relatively cheap, hard working labor and excellent access to European and North African export markets.

- New long term private foreign investment has not been forthcoming because of perceived political and economic instability and overly restrictive labor legislation.

- Portugal is expected to be admitted to the European Common Market in 1984 or 1985. The Portuguese realize that they must make significant improvements in their basic infrastructure, level of technology and human resource management to be able to compete effectively with existing Common Market members.

- Agriculture, a sector which Portugal could have a comparative advantage in export markets relative to the Common Market countries, is not well developed, with no prospect for improvement due to the government's social policies.

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C. OPPORTUNITIES FOR USAID AND OTHER U.S. ASSISTANCE TO PORTUGAL

- Assistance in management training for existing managers particularly in the financial and marketing skills areas, possibly through the MBA program at the new University of Lisbon,

- An increased role for IESC in managerial support to the industrial sector and the services industry.

- More aggressive use of the Trade and Development Program (TDP).

- Assistance to the stock exchange to make it a viable entity and in the development of a fully functioning capital market.

- Continued assistance to the Ministry of Agriculture in the development of a rational and coherent agricultural policy.

- Technical Assistance to the Portuguese Investment Society and to other contemplated development bank/venture capital type firms now being organized in Portugal.

ANNEX G

TUNISIA

PRIVATE SECTOR TEAM REPORT

April 14, 1982

I. EXECUTIVE SUMMARY

A. INTRODUCTION

In conjunction with the Near East Bureau's private sector initiatives, a private sector team visited Tunisia on March 9-13. The purpose of the visit was to assess the climate for private sector development with particular emphasis on identifying opportunities for A.I.D. assistance to the local private sector and secondly to identify opportunities for U.S. trade and investment and technology transfer.

The Team, consisted of Selig A. Taubenblatt, Director, Office of Project Development, Near East Bureau, A.I.D.; Keith E. Brown, NE/PD Private Enterprise Officer and David Milton, Near East Bureau consultant, formerly Vice-President, Ralston Purina and Senior Vice-President, Private Investment Company for Asia (PICA). The terms of reference for the Team visit is spelled out in Annex I.

The Team met with local private businessmen and banks, U.S. businessmen in country, host country officials, and representatives of foreign embassies (economic and commercial officers). The schedule of meetings is set forth in Annex II and a list of U.S. companies doing business in Tunisia is provided in Annex III.

B. TEAM FINDINGS

- The private sector in Tunisia is prosperous and growing and the climate for private sector development is good.

- Tunisia is a mixed economy where public and private sector companies operate side by side. Heavy industry is in the public sector and light and medium industry generally in the private sector. While government still wants to keep a policy influence in aspects of agriculture, industry and tourism, it nevertheless has demonstrated an interest in expanding the role of the private sector. The investment budget in the Sixth Plan provides for an increase in the ratio of private to public investment as compared to the Fifth Plan, which also provided for an increase in the private/public ratio. The Tunisian Government encourages private sector investment in export industries and in industries which provide for employment generation.

- Tunisia's economic development has been remarkable and its success has been based on sound economic management, fortuitous rises in prices for its oil and phosphates, and opportunities derived from the tourist sector. Tunisia's recent economic growth has allowed Tunisia to make impressive social gains as well. Industrial production has been impressive but hampered by lack of domestic entrepreneurs and some difficulties in marketing Tunisian products abroad.

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- Although Tunisia is a small market (only 6 million people), opportunities for private sector investment exist particularly producing for both indigenous and export markets. Priority industries for investment include agri-business, poultry and electrical and mechanical products.

- Tunisia is a good financial risk with limited debt service requirements. The country is politically stable. Tunisia has skilled labor but will need about 65,000 jobs each year to meet growth in the labor force and employment generation is a major priority that motivates government investment decisions.

- Tunisia is still strongly French-influenced and France, Italy and West Germany are its major trading partners. The U.S. has only about six percent of the Tunisian export market.

- Except for the recent GM joint venture investment in Opel and Izuzu vehicles, U.S. investment in Tunisia remains small at approximately \$3-4 million and is limited to such investments as the Muaranchanian Export Company (used clothing), Singer Sewing Machines, Standard Brands, Sheraton-ITT. and the American Uniform Co.

- There is no shortage of long-term capital in Tunisia. The establishment of five Tunisian-Arab Development Banks with a total capitalization of about \$1 billion equivalent (\$200 million per bank) is an important source of financing for projects in the public and private sectors, including large projects which can be syndicated among these and other banks. Many of these banks are interested in co-financing with the U.S. and in the provision of appropriate U.S. technology, e.g., in poultry and dairy production.

C. OPPORTUNITIES FOR A.I.D. AND OTHER U.S. ASSISTANCE FOR TUNISIA

- An increased role for IESC in managerial support to agriculture, industry and services.

- Assisting Tunisia with developing a brand name approach for marketing of high quality oranges and olives.

- Assistance in training Tunisian engineers in the U.S. and in Tunisia.

- Management training in conjunction with the Tunisian Advanced Management Institute.

- Assistance in sponsoring an investment seminar in conjunction with the Tunisian-Arab Banks and with former Ambassador to the U.S. Ali Hedda's new organization called Tunisian-Arab-American Company for Technology, Investment and Commerce (TAACTIC).

- Use of housing investment guarantees for housing infrastructure to support indigenous or U.S. private investment.

- Expedite completion of the Double Taxation Treaty between the U.S. and Tunisia.

- Provide expertise to assist in the packaging of both the poultry and dairy projects to be supportive of potential U.S. investment in these activities and to assist with the feasibility requirements of the Tunisian-Arab Development Banks, as potential investors.

ANNEX H

AGENCY FOR INTERNATIONAL DEVELOPMENT
BUREAU FOR NEAR EAST

TURKEY

PRIVATE SECTOR TEAM REPORT

TEAM MEMBERS:

Selig A. Taubenblatt, Director
Office of Project Development

Keith E. Brown, Private Enterprise Officer
Office of Project Development

David Milton, Business Consultant
Near East Bureau

James Christopher,
Poultry Expert

I. EXECUTIVE SUMMARY

A. INTRODUCTION

In conjunction with the Near East Bureau Private Sector initiatives, a private sector team (TEAM) visited Turkey May 24 to June 1, 1982. The purpose of this visit was to assess the climate for private sector development with particular emphasis on identifying opportunities for A.I.D. assistance to the local private sector. A detailed assessment was made of the poultry industry in response to the high priority given to private sector development of this industry by both the Turkish government and the Turkish private sector. As a secondary priority, the Team sought to identify opportunities for U.S. investment and technology transfer and as appropriate where other U.S. agencies could be of assistance in fostering private sector growth and development.

Selig A. Taubenblatt, Director-NE/PD; Keith E. Brown, NE/PD Private Enterprise Officer; David Milton, Near East Bureau Business consultant, formerly Vice-President of the Ralston Purina Company and Senior Vice-President of the Private Investment Company for Asia (PICA); and James Christopher, former President and Chief Executive Officer of C&D Foods, Inc. a subsidiary of Schlitz participated in the Turkey review.

The Terms-of-Reference for the TEAM is set forth in Annex I. The Terms-of-Reference for the Poultry Assessment and the Poultry Assessment are attached as Annex II.

The TEAM met with a host of local private businessmen, including small companies and representatives of some of the largest holding companies in Turkey, U.S. businessmen in country, host country officials and officials of the U.S. Embassy in Turkey. The schedule of meetings held in Istanbul, Izmir, Adana and Ankara, Turkey is set forth in Annex III. U.S. companies operating in Turkey under Turkey's Investment Law 6224 are listed in Annex IV.

B. TEAM FINDINGS

- The Turkish government is currently in the process of making the difficult, but necessary structural changes in its economy that will provide opportunity for future economic growth and development. A major element of this restructuring is to base the economy on a more market oriented philosophy supporting private sector growth and providing the necessary incentives to the private sector to induce it to take an increasing share of the national investment burden.

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- The Turkish economy appears to be improving rapidly as the government institutes concrete policy actions to fight inflation, improve its balance-of-payments position and encourage capital formation and savings. The Turks are attempting to achieve their goals through a restrictive monetary policy, the introduction of export oriented investment incentive schemes for the private sector and the mobilization of resources for investment through the liberalization of the interest rate regime.

- Local private business confidence is generally high. Local businessmen generally feel that now is a most favorable time to invest as they perceive Turkey to be politically and economically stable.

- Although capital is freely available in Turkey, government monetary policy combined with its liberal bank interest rate policy has made the cost of funds extremely expensive, with short term non preferential borrowing commanding 60 to 70% per annum interest rates. Capital is available from internal sources and development/commercial banking sources. The capital markets are dormant at this time. However, the government has taken a series of steps to reactivate them.

- For local private sector investors there are two primary concerns that are instrumental to their continued confidence in the investment climate. The first is the continuation of current political and economic stability after the planned return to democracy and the second, eventual relief from the current extremely high cost of credit so that satisfactory returns will continue to be achievable.

- Foreign private investment is being actively pursued by the Turkish government through its Foreign Investment Department (FID). The TEAM was extremely impressed with the energetic leadership of the Director of FID. Turkish priorities include foreign exchange capital, preferably in the form of cash, technology transfer, management capability and access to the marketing expertise and distribution channels of foreign joint venture partners. The sectors of top priority to the Turks for foreign investment include agri-business, tourism, mining and petroleum related activities.

- Foreign investors are impressed by Turkey's rapid economic growth over the past two years and the government's genuine desire for foreign investment. Accordingly, foreign

investment has been increasing. Albeit foreign investors continue to be cautious as they assess the political and economic climate in Turkey's current transitional period.

- There has been a favorable evolution of thinking by the government in that primary emphasis is no longer on Turkey becoming a great industrial power. Rather, it is now realized that Turkey's greatest potential is in the agricultural and agri-business sector particularly for export for which they have a comparative advantage.

- The poultry industry is underdeveloped and its potential unrealized. The major problems include unsatisfactory poultry feed quality, feed protein shortage, lack of world-class formulation technology and inadequate genetic stock.

- Cattle feeding and slaughtering operations offer very attractive investment opportunities. However, there is a tremendous need for technical assistance in management and operations if the potential in these areas is to be realized.

- Poultry and cattle production are areas that have been overwhelmingly identified by Turkish businessmen as offering the greatest investment returns and export opportunities particularly in the Gulf region and Middle East because of religious homogeneity, Turkey's proximity to the Arab and Islamic States and the region's demand for the type of poultry and beef produced in Turkey.

- Turkey is not realizing its food crop agricultural potential because inter alia there is a short supply of quality seed, available technologies are not being utilized to increase yields and only 7% of the arable land is irrigated.

- Turkey is not realizing its agricultural export potential because of a lack of quality control and inadequate processing, packaging, cold storage capacity and marketing, including an unwillingness to develop a brand name for fresh fruits for export markets, particularly Europe.

- Additional impediments to private sector development include infrastructure deficiencies, lack of adequate electric power availability and high taxes on capital.

- Middle management capability and availability appear adequate, although we did get conflicting views on this topic.

C. OPPORTUNITIES FOR USAID AND OTHER U.S. ASSISTANCE TO TURKEY

- Assistance for a renewed Participant Training Program;
- Assistance to the newly formed Capital Markets Commission in the development of a comprehensive capital markets structure including capital markets regulation and disclosure aspects;
- Assistance in the transfer of technology and the provision of technical assistance in poultry and cattle production; integrated dairy operations; seed production and fruit, vegetable and cereal processing;
- Assistance in the development of a brand name approach for the marketing of high quality citrus production;
- An increased role for IESC in managerial and technical support to agriculture, industry and services;
- Continued utilization of A.I.D.'s Trade and Development Program (TDP) to support pre-investment study financing particularly in the cattle and vegetable production areas;
- Assistance to the Foreign Investment Department investment Mission to the U.S. in late September or October 1982;
- U.S. government support at the appropriate levels to the American Turkish Society Business Conference to be held in Istanbul, Turkey October 3-6, 1982;
- Assistance in the identification of opportunities of joint venture development and/or transfer of technology and technical assistance in the electronics sub-assembly, apparel, chemical and construction industries.

ANNEX I

Egypt: Report on Private Sector Visit

I. INTRODUCTION

On March 13-16, Mr. Richard Lindenmuth, Near East Bureau Consultant (Vice President Burroughs Corporation) and Selig A. Taubenblatt, Director, Office of Project Development, AID/NE/PD, visited Egypt. The purpose of the visit was to assess the overall climate for private sector development and private investment.

Meetings were held with local private businessmen and banks, U.S. businessmen in country, host country officials and officials of Embassy/USAID. A business roundtable with U.S. investors and U.S. banks in conjunction with the U.S. bilateral investment negotiating team that was then visiting Egypt, provided an interesting overview on Egypt's investment climate. Section II below sets forth the findings of the private sector visit and Section III, the Lindenmuth memorandum, provides further details. Annex I identifies the meetings and individuals who participated.

II. FINDINGS

1. The indigenous private sector in Egypt is a most enterprising group and has found ways to operate, despite many obstacles. The indigenous private sector has grown in recent years, but its share of the manufacturing and services sectors is still small compared to public sector companies.

2. Private investment in Egypt both local and private foreign investment primarily has emphasized short-term investment in trade and service (i.e., Tourism) activities as opposed to long-term in production enterprise. This has been due primarily to the investors perception of risk and uncertainty in investing in projects with longer gestation periods and longer-term payouts, as opposed to trade activities with early payouts.

3. The indigenous private sector is having just as difficult a time in finding an unobstructed path for investment into productive enterprises as is the foreign private investor.

4. There are indications that the problems relating to private sector development/investment are well known and the solutions to these problems are equally well known. But the solution needs to be implemented with vigor from the top.

5. There is a need for the Egyptian Government to clarify those areas where the private sector (local and foreign) can operate and to provide the necessary policy framework to permit private sector investments in such productive enterprise. Without such a clarification, longer term investment will not be forthcoming in any significant amount.

6. The relationship between the public and private sectors continues to be vague and it is desirable that the Egyptian Government decide what role it wishes the private sector to play in Egypt's development.

7. The Egyptian Government perceives private sector investment as additional, not as a substitute for, public sector investment. The Government wants the public sector companies to continue to play a major role in industry and manufacturing.

8. There are three main entities influencing the growth of the private sector, i.e., government, the private sector and public companies. Public sector companies particularly in the industrial and minerals areas play a major role in influencing private investment in those areas which are fully within its jurisdiction. The tendency has been to limit the role of the private sector, particularly where they compete with public companies. Protecting public sector companies has slowed down private enterprise investment. A better understanding of the relationship of public companies to private investment is necessary, so as to better understand how a particular investment will be received.

9. There is a need to institutionalize government policies on trade and investment, for example, exchange rate policy, energy pricing for Law 43 firms vs. public sector companies, etc. There is also a need for consistency in policy affecting the private sector.

10. There is still uncertainty by U.S. companies as to the role that Egypt could play in producing for export to the Arab market; if the Arab market opens up for Egyptian exports, it may generate increased U.S. investor interest.

11. Some local and private foreign investors are sitting on the fence with respect to investment decisions until the return of the Sinai to Egypt, and thereafter plan to assess the climate.

12. A major impediment to private foreign investment is the uncertainty of the foreign exchange market for the future and whether investors will be able to obtain foreign exchange as needed at reasonable exchange rates.

13. There is a significant amount of foreign exchange liquidity available in the number of joint venture banks for example Chase; however, investors are not coming forward with projects for long-term investment because of some of the uncertainties and risks described above.

14. The customs service continues to be a major problem to investors both those exporting and importing. Although experienced Egyptian and private foreign investors can deal with this problem other less-experienced companies are most discouraged.

15. A number of U.S. companies are having difficulty with existing investments, for example, Union Carbide and Squibb because of pricing, exchange rates or subsidy issues. This is not a good testimonial for encouraging new U.S. investment.

16. With the need for some 400,000 jobs per annum in Egypt, it is desirable to consider how the private sector can actively participate in export industries particularly those involving employment generation.

17. The development of new export markets for Egypt as a means of employment generation is most important given the growth of the Egyptians' labor force; however, the government will have to get its act together in the area of export development if such industries are to be successfully launched.

July 20, 1983

MEMORANDUM

TO: NE/PD, Keith E. Brown

FROM: NE/PD/ENV, Stephen F. Lintner *SFL*

SUBJECT: REGIONAL - Regional Fund for Private Sector
Development (298-0050) -- Environmental Clearance

I have reviewed the subject proposed project and recommend that it be granted a "Categorical Exclusion" under the provisions of 22 CFR 216.2(c), "AID Environmental Procedures."

cc: GC/NE, G. Davidson

APPENDIX K

Near East Bureau Private Sector Projects

	<u>Amount</u> <u>(\$mil)</u>	<u>FY</u>	<u>Project</u> <u>Number</u>
A. <u>EGYPT</u>			
1. Development Industrial Bank	32.0	76	263-0018
2. Development Industrial Bank II (Training)	2.0	78	263-0045
3. Small Farmer Production	25.0	79	263-0079
4. Industrial Productivity Improvement	39.0	80/81	263-0090
5. Small Scale Agricultural Activities	4.0	79	263-0096
6. Private Investment Encouragement Fund	10.8	79	263-0097
7. Private Sector Feasibility Study	5.0	79	263-0112
8. Production Credit	98.0	82/85	263-0147
9. Commodity Import Program (Private Sector Allocation)	137.5	TQ-81	263-K-036
10. Population/Family Planning II	13.5	83	263-0144
11. Business Support and Investment	<u>9.1</u>	83	263-0159
Subtotal for Egypt	375.9		
B. <u>JORDAN</u>			
1. Jordan Valley Agricultural Services	5.6	81	278-0241
2. Water Systems and Services Management	21.0	83	278-0259

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3. Technical Services and Feasibility Studies IV - Amman Financial Market	0.3	83	278-0260
4. Management Institute	<u>5.0</u>	84	278-0261
Subtotal for Jordan	31.9		
C. <u>LEBANON</u>			
1. Credit Cooperatives	10.1	81/83	268-0317
2. Vocational Training in Building Skill Trades	2.3	81	268-0318
3. Small Scale Enterprise	10.0	84	268-0333
4. Capital Equipment Fund	<u>49.0</u>	84/85	268-0336
Subtotal for Lebanon	71.4		
D. <u>TUNISIA</u>			
1. Small Farmer Supervised Credit	18.2	78	664-0302
2. Private Sector Developmental and Technology Transfer	<u>3.0</u>	82/83	664-0328
Subtotal for Tunisia	21.2		
E. <u>REGIONAL</u>			
1. Private Sector Initiatives in Industrial Pollution Control	0.3	83	298-0174
2. Regional Population Project	0.5	83	298-0048
3. Regional Fund for Private Sector Development	1.4	84/85	298-0050
4. Regional Environmental Activities	0.4	84/85	298-0178
5. Children's Television Workshop	<u>3.5</u>	84/85	
Subtotal for Regional	6.1		
GRAND TOTAL	506.5		

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ANNEX L

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 Funds, B.2. applies to projects funded with 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?

Country checklists will be updated before sub-projects are financed.

Yes

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) Normal Congressional Notification procedures will be followed.

(b) Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,00, will there be

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- (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 further 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?
- No further legislative action is required.
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)
- N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all 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

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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.

Project will be executed on a regional basis to the extent practical.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and 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.

- (a) The flow of goods from the U.S. will be stimulated.
- (b) The project aims to foster private initiative.
- (c) Subproject activities may encourage development of cooperatives, etc., if a country priority.
- (d) The project aims to stimulate competition.
- (e) Transfer of technology is an important project objective.
- (f) No effect.

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).

U.S. private enterprises will provide a major portion of services and goods. U.S. firms will have contracting opportunities and U.S. suppliers will bid to furnish goods.

9. FAA Sec. 612(b), 636(h);
FY 1982 Appropriation
Act Sec. 507. 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.
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?
11. FAA Sec. 601(e). Will
the project utilize
competitive selection
procedures for the
awarding of contracts,
except where applicabl
procurement rules allow
otherwise?
12. FY 1982 Appropriation Act
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?
13. FAA 118(c) and (d).
Does the project comply
with the environmental
procedures set forth in
AID Regulation 16? Does
- Subproject sponsors will
contribute local currency
costs of contractual and
other services. Partici-
pating countries are not
excess currency countries.
- None of the eligible coun-
tries is an excess currency
country.
- Yes
- None of the assistance is
for the production of
commodities likely to be
in surplus on world
markets.
- Yes
- N/A

the project or program take into consideration the problem of the destruction of tropical forests?

14. 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 (dollars or local currency generated therefrom)?

N/A.

B.. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

For DA country subprojects

a. FAA Sec. 102(b), 111, 113, 281(a). 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, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the 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

(a) Subprojects will result in additional employment opportunities for the poor and will encourage the use of appropriate technology.

(b) Subprojects may involve development of cooperatives.

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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?

Yes

Yes

Yes

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes. Section 1.06

c. FAA Sec. 107. Is emphasis 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)?

Yes.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% 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)?

Yes. Subproject sponsors will pay local currency costs and AID-financed activities will complement sponsors' other activities.

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e. FAA Sec. 110(b).
Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

N/A

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

g. 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

Subproject activities will be tailored to the particular needs of countries' private sector development and will strengthen local institutions.

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institutional development;
and supports civil
education and training in
skills required for
effective participation in
governmental processes
essential to self-government.

2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b). N/A
Information and conclusion
on capacity of the country
to repay the loan, at a
reasonable rate of interest.
- b. FAA Sec. 620(d). If N/A
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% of the enterprise's
annual production during
the life of the loan?
- c. ISDCA of 1981, Sec. 724 N/A
(c) and (d). If for
Nicaragua, does the loan
agreement require that the
funds be used to the
maximum extent possible for
the private sector? Does
the project provide for
monitoring under FAA Sec.
624(g)?

3. Economic Support Fund
Project Criteria

- a. FAA Sec. 531(a). Will
this assistance promote
economic or political

- stability? To the extent possible, does it reflect the policy directions of FAA, Section 102? Yes
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? No
- c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? No
- 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? N/A

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. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes
2. FAA Sec. 604(a). ~~Will all~~ Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes
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? Yes
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be N/A

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.)

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas? N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum 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 that such vessels are available at fair and reasonable rates? No
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Yes

(11)

Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes, if used.

8. International Air Transport. 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?

Yes

9. FY 1982 Appropriation Act 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?

Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used?

N/A

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?

N/A

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)? N/A

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% 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 ~~the~~ 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
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family (1) Yes

- 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; (4) to lobby for abortion? (2) Yes
- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? (3) Yes
- c. FAA Sec. 660. ~~To~~ : provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? (4) Yes
- d. FAA Sec. 662. For CIA activities? Yes
- e. 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? Yes
- f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or Yes

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adjusted service
compensation for military
personnel?

g. FY 1982 Appropriation
Act, Sec. 505. To pay .
U.N. assessments,
arrearages or dues? Yes

h. FY 1982 Appropriation
Act, Sec. 506. To carry
out provisions of FAA
section 209(d) (Transfer
of FAA funds to
multilateral
organizations for
lending)? Yes

i. FY 1982 Appropriation
Act, Sec. 510. To
finance the export of
nuclear equipment, fuel,
or technology or to train
foreign nationals in
nuclear fields? Yes

j. FY 1982 Appropriation
Act, Sec. 511. Will
assistance be provided
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? No

k. FY 1982 Appropriation
Act, Sec. 515. To be
used for publicity or
propaganda purposes
within U.S. not
authorized by Congress? Yes