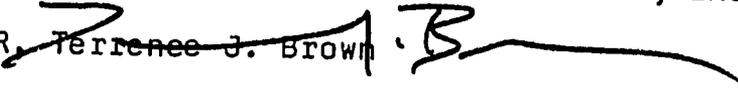


AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

AUG 25 1986

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Terrence J. Brown 

SUBJECT: Belize FY 86 ESF Program Amendment, 505-0012a

Proposed Action: That you approve: (1) a PAAD amendment increasing by \$1.5 million the LOP total for the Belize Counterpart II Loan Program, and (2) a PP Amendment increasing funding for the Counterpart II Grant program by \$414,000.

Discussion: The present Economic Support Program of \$14 million in ESF funds was authorized in February 1985. This included \$13 million in loans funds for balance of payments assistance. Conditionality centered on improving public sector finances through increased savings and reforms in the two parastatals causing the heaviest fiscal drain (Belize Electricity Board and Belize Marketing Board.)

The proposed Amendment for an additional \$1.914 million in ESF funds includes a \$1.5 million loan and \$414,000 in grant financing for TA, training and equipment. The principal focus of the amended ESF Program is support for the GOB in the implementation of selected structural adjustment measures. The additional \$1.5 million will also complete the current program of balance-of-payments support by helping to maintain net international reserves of the Central Bank at an adequate level.

Policy reforms sought under the Amendment will focus on carrying out improvements in: the foreign trade regime and domestic pricing policy; the GOB project development and monitoring process; and the GOB's capacity to effectively coordinate donor assistance. Conditions precedent to disbursement include: a) reduction in the number of items requiring import licenses by at least fifty percent; b) reduction in the number of items subject to price controls by at least fifty percent; c) conversion of the export licensing system to a simpler, more efficient export registration procedure; and d) an improved OED (Office of Economic Development) capability to plan, develop and implement the Public Sector Investment Program. Conditionality will also require that the GOB import within twelve months from disbursement an equivalent amount of raw materials, intermediate goods, spare parts, agricultural inputs, and capital goods from the U.S. for the private sector.

Grant funds will finance: (a) long-term technical assistance to the OED and short-term staff training in the United States to improve capabilities to plan and coordinate among GOB ministries and assistance donors the development of the Public Sector Investment Program; (b) short-term technical assistance to help OED in determining the nature and form of policy changes necessary to foster economic efficiency and private sector growth; (c) short-term technical assistance to the Ministry of Finance in administering the budget process related to public investment projects, and to the Central Statistical Office in improving data collection and processing for developing and measuring the impact of major investment projects; and (d) priority equipment items necessary in planning, developing, monitoring and evaluating public investment projects.

The DAEC reviewed the PAAD amendment on August 1 and recommended approval subject to the following changes, which have now been satisfied:

(1) Presentation by the Mission of a precise analysis showing the probable impact on Belize's import bill of the removal of quota restrictions.

- The data necessary to make precise projections either do not exist or are not readily available to the Mission. The import licenses involved, however, cover approximately \$15 million in imports, and it is reasonable to expect that removal of quota restrictions will increase this amount by at least 10% over the next several years. A section describing this projected import has been added to the PAAD amendment.

(2) Shifting more of the local currency counterpart under the cash transfer from public to private sector development activities.

- The PAAD amendment has been modified to show that local currency will be distributed 60% as counterpart for A.I.D. and other donor programs; 32% for private sector development activities and 8% for the Mission's OE Trust Fund.

Recommendation: That you sign: (1) the attached PAAD facesheet approving an increase of \$1.5 million in loan funds for the Belize Counterpart II Program; and (2) the attached Project Authorization increasing the companion Economic Support Grant by \$414,000.

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Grant funds will finance: (a) long-term technical assistance to the OED and short-term staff training in the United States to improve capabilities to plan and coordinate among GOB ministries and assistance donors the development of the Public Sector Investment Program; (b) short-term technical assistance to help OED in determining the nature and form of policy changes necessary to foster economic efficiency and private sector growth; (c) short-term technical assistance to the Ministry of Finance in administering the budget process related to public investment projects, and to the Central Statistical Office in improving data collection and processing for developing and measuring the impact of major investment projects; and (d) priority equipment items necessary in planning, developing, monitoring and evaluating public investment projects.

The DAEC reviewed the PAAD amendment on August 1 and recommended approval subject to the following changes, which have now been satisfied:

(1) Presentation by the Mission of a precise analysis showing the probable impact on Belize's import bill of the removal of quota restrictions.

- The data necessary to make precise projections either do not exist or are not readily available to the Mission. The import licenses involved, however, cover approximately \$15 million in imports, and it is reasonable to expect that removal of quota restrictions will increase this amount by at least 10% over the next several years. A section describing this projected import has been added to the PAAD amendment.

(2) Shifting more of the local currency counterpart under the cash transfer from public to private sector development activities.

- The PAAD amendment has been modified to show that local currency will be distributed 60% as counterpart for A.I.D. and other donor programs; 32% for private sector development activities and 8% for the Mission's OE Trust Fund.

Recommendation: That you sign: (1) the attached PAAD Facesheet approving an increase of \$1.5 million in loan funds for the Belize Counterpart II Program; and (2) the attached Project Authorization increasing the companion Economic Support Grant by \$414,000.

Clearances:

LAC/CAR:ECampbell	draft	Date	2/22
LAC/DP:JClary	<i>JAC</i>	Date	8/22
GC/LAC:PJohnson	draft	Date	_____
LAC/DR:EZallman	draft	Date	_____
DAA/LAC:MButler		Date	_____

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

PROJECT AUTHORIZATION
(Amendment No. 1)

Name of Country: Belize
Name of Project: Economic Support Program
Number of Project: 505-0012a

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Economic Support project for Belize was authorized on February 25, 1985 (the "Authorization"). The Authorization is hereby amended to add US \$414,000 in Grant funds, and to amend the Project Authorization description of the Project, as follows:

a. Section 1 is amended by substituting in lieu of the present amount a new Grant amount as follows:

"One Million Four Hundred Fourteen Thousand United States Dollars (US \$1,414,000)"

b. Section 2 is deleted in its entirety and the following substituted therefor:

"2. The project ("Project") will consist of long-term technical assistance to the Office of Economic Development ("OED") of the Government of Belize ("GOB") to assist in improving the GOB's capability to plan, formulate and manage the public sector investment program, develop a coherent long-term economic development plan, and promote economic policies fostering private sector growth; short-term technical assistance to the Ministry of Finance ("MOF") and Central Statistical Office ("CSO") for improving the administration of the budget process and data processing related to public investments, respectively; short-term training to OED staff; and procurement of priority equipment for OED, MOF and CSO which is necessary for planning, developing, monitoring and evaluating public investments."

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2. Except as expressly modified or amended hereby, the Authorization remains in full force and effect.

Dwight Ink
Dwight Ink
Assistant Administrator
Bureau for Latin America and
the Caribbean

Date: Aug 26, 1986

Clearances:

GC/LAC, GADavidson, JR. <u>mkig</u>	Date	<u>8/22/86</u>
LAC/DR, TBrown <u>TB</u>	Date	<u>8/25/86</u>
LAC/DR, ILevy <u>IL</u>	Date	<u>8/25</u>
LAC/DR, MJune <u>MJ</u>	Date	<u>8/22</u>
LAC/CAR, ECampbell <u>EC</u>	Date	<u>8-22-86</u>

GC/LAC, PGJohnson/tim:647-9182:8-21-86:0478B

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)

1. PAAD Number	505-0012(A)
2. Country	BELIZE
3. Category	Cash Transfer
4. Date	July 10, 1986
6. OYB Change Number	
8. OYB Increase	To be taken from: Economic Support Funds (ESF)
10. Appropriation Budget Plan Code	72-1161037 LESA-86-35505-KL-31
13. Estimated Delivery Period	
14. Transaction Eligibility Date	

5. To	AA/LAC, Dwight Ink
7. From	USAID/Belize, Nebovsha R. Brashich
9. Approval Requested for Commitment of	\$ 1,500,000 Loan
11. Type Funding	<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Grant
12. Local Currency Arrangement	<input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None
15. Commodities Financed	Not applicable

16. Permitted Source	17. Estimated Source
U.S. only	U.S. \$1,500,000
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$1,500,000	Other

18. Summary Description

The principal focus of this amendment to the current ESF Program is to support the Government of Belize (GOB) in the implementation of selected structural adjustment measures via a loan cash transfer of US\$1.5 million. Secondly, the disbursement will complete the current program of balance-of-payments support by helping to maintain net international reserves of the Central Bank of Belize (CBB) at an adequate level. The local currency equivalent to the cash transfer will be deposited in a special account at the CBB, disbursements from which will be at the authorization of the AID Representative for allocation to a Mission Trust Fund and for expenditures under the GOB Capital II budget and selected private sector development activities.

The GOB will agree to a number of covenants and conditions precedent to disbursement, including evidence of: (1) a reduction in the number of items requiring import licenses by at least 50 percent; (2) a reduction in the number of items subject to price controls by at least 50 percent; (3) change in the export licensing system into a simpler export registration procedure; (4) improved capability of the Office of Economic Development to plan, develop and implement the Public Sector Investment Program; and (5) importing and causing to be imported within 12 months from disbursement an equivalent amount of raw materials, intermediate and capital goods from the United States. A companion program of grant-funded technical assistance will be utilized to assist the GOB in upgrading the GOB's system of programming and monitoring public sector investments, coordinating foreign donor assistance and developing activities for private sector growth.

19. Clearances	Date	20. Action
LAC/DR EZallman	8/25/86	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
LAC/DR TJBrown	8/25/86	
LAC/DP JClary	8/22/86	
GC/LAC PJohnson	8/21	
LAC/CAR RHechtman	8/23	Authorized Signature: <i>Dwight Ink</i> Date: Aug 26, 1986
ARA/ECP RBeckham	8/25	Title: Assistant Administrator, IAC
M/EM CChristensen	8/25/86	