

Agency for International Development
Washington, D.C. 20523

PDWAZ 361

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR RESEARCH AND DEVELOPMENT

THRU: R&D/EIN, James B. Sullivan

FROM: R&D/EIN, Alberto Sabadell

SUBJECT: Increase Life of Project Costs for the Renewable Energy Applications and Training Project (REAT)

Problem: Your authorization is needed to increase the life-of-project costs for the Renewable Energy Applications and Training project from \$8,200,000 to \$20,000,000.

Discussion: The REAT project helps identify renewable energy applications that are economically supportable and that meet express needs for energy in rural areas or for connection to centralized grids. It focuses on solar, wind, small hydro, and geothermal technologies, as well as developments in household fuels and process heat, and is implemented through support for commercialization, institutional development, information dissemination and training, and other related activities that Missions request.

The REAT project originally was authorized in FY 1985 as a five-year project. In FY 1990 it was extended to ten years, but the funding level was not increased at that time, pending an evaluation of the Office of Energy and Infrastructure portfolio, which has recently been completed.

During the past two years, Congress has been urging A.I.D. to increase the amount of money expended on activities related to renewable energy. This subject has been raised by Congress in the Appropriations Acts themselves and in the accompanying Appropriations Committee Reports, and both within the context of a "Global Warming Initiative" and in sections pertaining specifically to energy.

With regard to the latter, both the Senate Appropriations Committee Report and the House Appropriations Committee Report that accompanied the FY 1991 Foreign Assistance Appropriations Act stated their expectation that the Office of Energy and Infrastructure would devote \$5 million to a "pilot preinvestment preparation facility" that would promote energy efficiency and renewable energy. A significant portion of the Office response to this directive necessarily has come through REAT. In addition, the House Report strongly urged the Office of Energy to devote \$1.5 million to "training and assistance" for potential users of renewable energy, and to devote \$500,000

of that to the PACSAT/VITASAT low-orbit satellite program, again to assist renewable energy. This language partially overlapped with the \$5 million expectation mentioned earlier, and again a significant portion of the response has been made through REAT, including \$300,000 in support for PACSAT/VITASAT.

As mentioned above, Congress has also been expressing increasing expectations from A.I.D. with respect to a Global Warming Initiative, and renewable energy has been featured in the relevant language. The Office of Energy has attempted to help the Agency respond, and this has included work in "new" countries such as Mexico and Brazil. The Office has been working closely with the LAC Bureau and the A.I.D. offices in those countries to design renewable energy activities.

In meeting these Congressional expectations, the REAT project already is expending money at a faster rate than originally anticipated.

Recently, the House passed its version of the FY 1992 Appropriations Act, and that bill included the following language:

Sec. 532(e)(2): "Not less than \$20,000,000 ... shall be made available to support replicable renewable energy projects, and at least five new renewable energy projects are to be initiated during fiscal year 1992."

Sec. 532(f): "...[A.I.D.] should, to the extent feasible and inclusive of funds earmarked under subsection (e) of this section, target assistance to the following activities: ... (2) a total of \$10,000,000 for CORECT, the Environmental Technology Export Council, and the International Fund for Renewable Energy and Efficiency..."

In addition, the House Appropriations Committee Report accompanying that bill states the following (page 20):

"The Committee strongly urges A.I.D.'s Office of Energy to devote \$1,000,000 to continue support for the transfer of technical information and assistance for renewable energy projects in developing countries: \$500,000 to support the use of VITASAT as a cost-effective means for rapid and accurate electronic information flow to and from remote areas, and \$500,000 to continue and expand support for an established technical information service currently funded by A.I.D. which will use VITASAT."

And finally, in Section 532(f)(3), the House is again raising the ante with respect to spending on the Global Warming Initiative, asking that A.I.D. spend \$55 million more in FY 1992 than in 1991. Any money spent on renewable energy can be counted against this total, so this is not an additional burden, but the cumulative message from the House cannot be ignored.

The Senate bill has not been marked up yet, but we understand that similar language is being considered.

With regard to the first of the quoted paragraphs, the \$20 million figure implies an approximately \$15 million increase over what the Agency is spending on renewable energy in FY 1991. Almost all of this year's \$5 million is coming from the Office of Energy and Infrastructure. There are few Missions with staff trained in energy, and we are not aware of any renewable energy projects, per se, in the Missions currently. For this reason, the Office of Energy and Infrastructure anticipates being called upon by the Missions and Bureaus for assistance in helping to design new activities aimed at trying to quadruple the level of spending.

With regard to the second quoted paragraph, the Office of Energy and Infrastructure is the only office in A.I.D. that is working directly with any of the three entities cited. The reference to CORECT is awkward, because CORECT is an inter-agency committee that aims to foster collaboration, and to which A.I.D. does not actually give any money, but at least the intent of Congress is clearly that a significant amount of additional money go to activities in renewable energy and efficiency. Again, the Office anticipates that REAT is one of the very few mechanisms available to the Agency for responding to the Congressional language.

The third of the quoted paragraphs, which is aimed explicitly at the Office of Energy and Infrastructure, doubles the amount urged last year with regard to VITASAT-related activities. Three-fifths of last year's "urging" was satisfied; the Office will have to make some similar good-faith effort in 1992.

Although the Office of Energy and Infrastructure hypothetically has the projects and the overall budget to provide an important share of the Agency's response to Congress, the REAT project is seriously constrained by the existing life-of-project costs.

For these reasons we are requesting an increase in the ceiling. For FYs 1992-94, the project will need to expand its activities in order to provide support for VITASAT, CORECT, the International Fund for Renewable Energy and Efficiency, and various additional or related preinvestment studies, trade missions and reverse trade missions, resource assessments, and workshops, as well as various forms of technical assistance needed by Missions in order to plan appropriate programs.

Based on FY 1991 expenditures by REAT and the immediate projections for FY 1992, we estimate that these activities will require an increase of \$11.8 million for the project ceiling, bringing its total life-of-project costs to \$20 million.

Recommendation: That you approve the attached PAF Amendment No. 3, increasing the life-of-project costs of the REAT project to \$20,000,000.

Attachment:

PAF Amendment

Clearances:

R&D/PO: DSheldon _____ Date _____

GC/R&D: GWinter (phone) _____ Date 10/28/91

RP
R&D/EIN: RPumfrey: 8/8/91: 33590

FINANCIAL PLAN

An additional \$11.8 million will be required for funding activities from August 1, 1991 through September 30, 1994. Annual R&D/EIN obligations are planned as follows:

FY 91	\$3.212 million (authorized)
	.482 million (additional authorization requested)
FY 92	\$4.0 million
FY 93	\$4.0 million
FY 94	\$3.318 million

PROJECT AUTHORIZATION AMENDMENT #3

Entity: Worldwide
Project Number: 936-5730
Project Name: Renewable Energy Applications and Training

1. Pursuant to Section 103, Agriculture, Rural Development and Nutrition, of the Foreign Assistance Act of 1961, as amended, the Renewable Energy Applications and Training Project, which is centrally funded, was authorized on June 2, 1985 and amended on December 21, 1989 and May 29, 1990. That authorization is hereby further amended as follows:

To increase life of project grant costs from \$8,200,000 to \$20,000,000.

2. Except as amended herein, all other terms and conditions remain unchanged.

Approved: _____

Richard E. Bissell
Assistant Administrator
Bureau for Research and Development

Date: _____

Clearances:

R&D/EIN:JSullivan J Sullivan Date 10/25/91
R&D/EIN:ASabadell SS &c Date 10/25/91
R&D/PO:DSheldon _____ Date _____
GC/R&D:GWinter (phone) SS Date 10/28/91

R&D/EIN:CKiser:cak:7/18/91:33590:875-4091

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input checked="" type="checkbox"/> C A = Add C = Change D = Delete	Amendment Number <u>3</u>	DOCUMENT CODE <u>3</u>
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2. COUNTRY/ENTITY <u>Worldwide</u>	3. PROJECT NUMBER <u>936-5730</u>
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4. BUREAU/OFFICE R&D/EIN <input type="checkbox"/> <input type="checkbox"/>	5. PROJECT TITLE (maximum 40 characters) <u>Renewable Energy Applications and Training</u>
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>09 30 94</u>	7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY <u>85</u> B. Quarter <input checked="" type="checkbox"/> 4 C. Final FY <u>94</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY <u>85</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(400)	()	(400)	(20,000)	()	(20,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Mission Buy-ins				2,000		2,000
2						
Host Country						
Other Donor(s)						
TOTALS				22,000		22,000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO. PRIORITATION	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)	ARDN	103		8,682		11,318		20,000	
(2)									
(3)									
(4)									
TOTALS				8,682		11,318		20,000	

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

13. PROJECT PURPOSE (maximum 480 characters)

To bring about investments in renewable energy systems which contribute significantly to the solution of development problems.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY MM YY Final MM YY <u>09 94</u>	<input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

Amendment to increase the LOP cost from \$8.2 million to \$20 million.

17. APPROVED BY	Signature <u>S. Schwertner for</u>	Title Director, Office of Energy and	Date Signed MM DD YY	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DMENTS, DATE OF DISTRIBU
				MM DD YY <u>7</u>