

PN-AAA-200

122-52095

"BARNACLES"

Introduction

Among development authorities, it is widely believed that AID is now so encrusted with statutory, policy and operational "barnacles" that the prosecution of an intelligent, effective assistance program is virtually impossible. Opposing objectives, the plethora of "priorities," and the muddled mixture of motivations which afflict AID's basic charter - the Foreign Assistance Act -- add up to a bureaucratic challenge of unmanageable dimensions.

Whatever the validity of these depressing views, there is no doubt but that AID operations are hampered by a number of impediments ("barnacles") which have little or no relevance to AID's development assistance task. These may be statutory in origin, may reflect an expression of Congressional intent, or may have been introduced simply to avoid creating domestic "image" problems.

Illustrative of a statutory impediment of this nature is the "50/50" U.S. flag vessel requirement which is in effect a subsidization of the U.S. merchant marine, unrelated to (if not actually detrimental to) U.S. economic assistance objectives. The Hickenlooper amendment (Section 620(e) of the FAA), requiring the suspension of assistance in the event of expropriation by recipient countries, is another example.

On the other hand, many of the legislative requirements (or expressions of Congressional intent) imposed on AID simply reflect principles which any prudent manager would follow, left to his own initiatives. Section 611(a) requiring adequate project planning, for instance, is a classic example. No one quarrels with the language or intent of this statutory provision. Nor does any one in AID consider this legislative requirement to be a barnacle or impediment to AID operations.

What then are the major impediments adversely affecting AID operations? And leaving aside judgments as to their political and substantive costs in terms of AID program objectives, what does it cost AID in manpower to administer them? These are the difficult questions which this paper attempts to address.

The initial attempt of our Working Group was to itemize each impediment, identify the major AID offices concerned and estimate the man-years required in its administration. This approach proved infeasible. Short of a costly, time-consuming questionnaire/interview process, we

could devise no credible method of determining all of the AID staffs affected, directly and indirectly, by these so-called barnacles. Nor could we develop any way of assessing the manpower "ripple" effects on AID staffs down the line resulting from many of these constraints.

The alternative approach adopted was to group the impediments identified on the basis of their similarity of purpose or function. This led to our categorization, admittedly imprecise, of seven major clusters or groups of legislative and other constraints. Based on discussions with representatives of A/PROC, GC, A/CONT, PPC, and our Small Business and Contract staff, the Working Group then developed "ballpark" estimates of the aggregate man-years invested by AID, worldwide, in administering each major category of impediments. Needless to say, these "visceral" estimates would be difficult to defend. Nonetheless, it is our view that they are probably understated, rather than the reverse.

These impediments and their statutory basis are discussed in the "Analysis" section of this paper.

We did not find it possible to estimate the manpower savings or increased efficiency likely to result through the elimination or modification of various of these impediments. Elimination of Section 608 relating to the advance acquisition of excess property, worldwide introduction of the so-called "Colombia" system to meet the Small Business requirement (Section 602), modification of the marking requirement (Section 641), or converting statutory requirements, such as the Hickenlooper amendment, to expressions of "Congressional intent" -- these and other equally attractive proposals were discussed and discarded. It was the conclusion of the Working Group that the resultant man-year "savings" would be relatively insignificant -- probably less than 50. Expending AID's limited political currency to fight for Congressional approval of such changes would not be worth the cost, even if the prospects of success were high.

The Working Group believes that the most troublesome and costly barnacles afflicting AID are those encrusting our "non-project" assistance programs. These programs involve hundreds of thousands of commercial transactions moving through exporter-importer channels, are subject to the complex requirements of AID Regulation 1, and are only most indirectly controlled by AID. Their administration costs AID an incalculable toll in manpower, client-country irritations, problems with the Congress and U.S. industry, and serious damage to the management image of AID itself.

It is worth noting that even U.S. suppliers are complaining about the rigidities and costs of AID's regulations. The National Foreign Trade Council, representing a cross-section of U.S. companies doing business under AID financing, believes that: "Over the years, the restrictions and documentation requirements of AID Regulation 1 have

steadily increased. U.S. companies participating in the (AID) Commodity Import Program desire to reduce these complicated and costly burdens." Also, "The Council emphasizes that the all-pervasive surveillance currently employed by AID is counter-productive and should be substantially reduced." Among the recommendations advanced by the Council were: major simplification of AID rules for non-project loans; elimination of the marking requirement by substituting local publicity in the recipient country; and elimination of the Small Business requirement.

For these and other reasons, the Working Group has concluded that the continued administration of non-project (commodity import) programs under current AID concepts and methods will simply compound the problems already identified. These problems stem from a simple but not necessarily immutable assumption -- namely, that the expenditure of AID dollars in non-project programs must be identified with specific purchases or contracts. Notwithstanding its historic acceptance, if this challengeable assumption could be abandoned -- in the context and climate of a new agency with a "new look" -- the advantages would be overwhelming for both the U.S. and the aid-recipient countries.

Non-project assistance programs are normally justified on a balance-of-payments or budget support basis. In both cases, the principal purpose of the assistance is to provide foreign exchange -- unrelated to specific projects or commodity transactions -- in order to achieve U.S. objectives transcending the ultimate use of each dollar made available. This suggests the possibility of a new concept of assistance -- a "foreign exchange" loan or grant -- with only minimal stipulations as to the use of the dollars. Clearly, such dollars would have to be expended in the U.S. but why attempt to restrict their use to specific commodities or services? ~~is it not illegal for the U.S. to provide such commodities and services?~~

Tentatively, it seems to the Working Group that limiting the use of non-project dollars to prospective expenditures (of any kind) in the U.S. and assuring the availability of a commensurate amount of local currencies for development purposes may be all that is necessary to rationalize "foreign exchange" assistance by the new aid agency. The essential feature of this proposal (or any modification) is that it would be impossible to associate the AID dollar with any specific transaction or expenditure in the United States.

Short of such a radically different approach to non-project programs, the Working Group sees little prospect of significant simplification in AID's methods of providing assistance. The promise of flexibility and efficiency implicit in a "gross" transfer of resources from the U.S. to recipient countries, without attempting to identify each dollar-financed transaction, clearly warrants further study in our view. A special task force should be established for this purpose.

ANALYSIS

In accordance with the instructions received by the Work Group, we have prepared an analysis of impediments which hinder the efficient management of the AID program, which deflect manpower energies from the promotion of foreign assistance objectives towards unrelated purposes, and which complicate or exacerbate the relations of AID with foreign governments, the Congress or with the potential U.S. constituency for the foreign-aid program.

We have identified seven major "clusters" of impediments. It seems to the Work Group that many of the procurement limitations, aid "suspension" requirements, and prudent management restrictions of a legislative or regulatory nature do, in fact, relate to each other in a manner which permits identification by family groups. We propose in the following discussion to identify each of these clusters, to indicate the specific statutory origin or covering umbrella for such, and to assign a crude manpower estimate to each of the families of impediments.

At the most fundamental level of analysis, the Work Group would like to formulate for consideration a few tentative propositions concerning the nature and scope of these "barnacles." At the beginning of the aid program in 1948 in its original 22-page authorizing act, the foreign-aid agency was burdened with a number of procurement-type barnacles. The number and nature of such legislative impediments has grown through the years to a very significant proportion. The 1969 Act consumes 84 pages. It is probably not an overstatement to suggest that perhaps as much manpower talent and energy are spent in insuring compliance with specifically-imposed restrictions as is spent in the execution of programs and projects.

The tenacity with which barnacles attach themselves to the aid program appears to reflect the general tendency which appears as a by-product of program administration by any federal agency. Specific interest groups (as well as individual or small numbers of legislators imbued with independent notions concerning prudent procurement) bargain and generate support for the aid program in return for special-interest provisions or particular limitations in the legislation. Once these limitations are enshrined in legislation, a massive and disproportionate effort is required to eliminate them. A new aid agency beginning afresh might, with an expenditure of great energy and broad public and Executive Branch support, succeed in modifying, not eliminating, many of these impediments. But the very nature of the administrative process, associated as it is with constant Congressional review and the ability of specialized

interest groups to impose their will in a manner disproportionate to their numbers, suggests that within a brief period the new aid agency would be burdened by the accretion of many of the same barnacles that have attached themselves over the years to the aid program.

Unless and until the Executive Branch devises, and can sell to the Congress, radically different methods of providing economic assistance, it is likely that most of the impediments which we identify below will eventually, if not initially, afflict the new agency.

I. Impediments Related to Tied Procurement

AID has been burdened by numerous limitations which restrict AID financing to commodity categories procured in the U.S. or restrict AID financing of services to U.S. firms and U.S. nationals. These impediments may realistically be described as hidden subsidies to domestic American interests and, as such, deflect aid from its major purpose of helping recipient countries. In addition, these tied procurement limitations complicate and worsen USG relations with foreign governments and make aid funds less attractive to commercial importers in aid-recipient countries. Prices for goods purchased with aid funds are increased by virtue of these limitations; procurement lead times are extended; and notwithstanding the urgency with which certain countries need balance-of-payments support, the utilization rate for aid funds is slowed down significantly. In this family of impediments we include the following limitations:

1) The Cargo Preference Law (50/50 requirement) - 46 USC, Section 1241(b), Section 901(b) of the Merchant Marine Act of 1936. This restriction vastly increases the price for U.S. commodities. The restriction generates many first cousins: the freight payment rule in Regulation 1; the special freight payment rule concerning movements to bonded warehouses; country refund claims in significant amounts for U.S.-freight shortfalls; quarrels with the American shipping industry and specialized merchant marine committees in the Congress.

2) Restrictions against procurement of goods outside the U.S.: Section 604(a), the general limitation against offshore procurement (which must be read with the Presidential Determination of 1961); the price rules in Sections 604(a) and (b) which diminish the competitiveness of offshore suppliers; Sections 604(c) and (e) which restrict aid financing of agricultural commodities or products thereof; and Section 606(c) concerning offshore purchases of pharmaceuticals.

(3) Section 604(d) which creates special protection for the U.S. marine insurance industry.

4) Limitations on aid financing of services by non-U.S. firms; Section 601(d) which imposes a requirement that aid utilize U.S. engineering and professional services rather than firms in the country receiving assistance; Section 115 of the Appropriations Act (AA) which limits aid utilization of third-country nationals on construction projects; Regulation 1 which requires that any freight forwarder participating in an aid transaction be a U.S. national; Section 201.65(b)(2) of Regulation 1 which restricts commission and service payments to U.S. citizens and U.S. nationals (this requirement grows out of a Moss Committee report demanding the establishment of commission limitations).

5) Section 636(i) which favors U.S. automobiles above all others.

6) Section 118 of the AA which limits iron and steel purchases for Vietnam to U.S. sources.

7) Section 620(d) which prohibits development loans for construction of a productive enterprise competing with U.S. enterprise unless the country has agreed to prevent export to the U.S. of more than 20 percent of the facility's annual production during the life of the loan.

Tied procurement limitations account at the Washington and Mission levels for an estimated 200-250 aggregate man-years of effort.

II. Rigid Procurement Practices Externally Imposed Which Limit AID's Flexibility

There are many certification requirements and specialized rules which have as their objective the promotion of management effectiveness and prudent procurement. However, because of their specificity, these rules must be satisfied whether or not the rules make sense for a particular transaction and whether they promote or actually hinder prudent procurement in connection with aid activities. In this family we include the following:

1) Section 607(b) - numerous certification requirements which must be executed by AID officials before excess property can be made available.

2) Provisions in the Federal Procurement Regulations and in the AID Procurement Regulations (derived primarily from sections of the Federal Property Act) concerning negotiation of contracts, sole source procurement, cost certificates, etc.

3) Prudent procurement rules - price limitations originating through Section 604(b); port charges limitations originating through Section 216(b); commodity approval applications (Form 11 procedures) originating through Section 604(f).

4) Suspension and debarment of suppliers covered by the umbrella of Section 621(b) and subpart 1-1.7 of the FPR.

5) Small business provisions generated by Section 602.

6) Cost/profit studies on water and land projects, originating through Sections 101 and 611(a) and (b).

7) Competitive bidding requirement for construction contracts - Section 611(c).

8) Prior approval for capital projects contracts - Section 112 of the AA.

9) General Accounting Office audit of trust funds - Section 301(d).

10) Modern management practices and reporting - Section 621(a).

11) Self-help criteria - Section 208.

12) Reports on food and population programs - Section 295.

13) Maintenance certification on projects over \$1 million - Section 611(e).

14) Projects that must be justified to Congress - various line items in the AA.

15) Limited obligational authority during the last month of fiscal year availability - Section 103.

16) Surveillance activities by the Inspector General of Foreign Assistance (with a resident staff) - Section 624(d).

We estimate that the administration of this cluster of rules take up 250-300 man-years of AID personnel.

III. Specialized Foreign Policy or Public Relations Impediments not Directly Related to the Realization of Foreign Aid Economic Objectives

The Congress has imposed a large number of restrictions on AID as to who may receive aid in certain circumstances and what type of deductions from foreign assistance AID must make in certain circumstances. For domestic public relations purposes, Congress has also indicated which commodities should not move at all under the aid program and how U.S. financed commodities should be identified in foreign countries. Thus:

1) No aid to countries which have severed diplomatic relations with U.S. - Section 620(t).

2) No aid to aggressors - Section 620(i).

3) No aid to countries which trade with Communist nations - The Battle Act and Trading with the Enemy Act (the Foreign Assistance Control Regulations and the Cuba Assets Control Regulations, issued by the Treasury).

- 4) Limitation on number of countries receiving various types of aid assistance - Section 211.
- 5) No aid to countries trading with Cuba - Section 620(a)(3) and Section 107 of the AA.
- 6) No aid to delinquent debtors - Section 620(c).
- 7) No aid to countries which trade with North Vietnam - Section 620(n) and Section 107(b) and 116 of the AA.
- 8) No aid to Communist countries - Section 620(b)(f).
- 9) No aid to UAR - Section 620(p) and Section 117 of the AA.
- 10) Relevance of default by aid recipient countries of debt to UN - Section 620(u).
- 11) Conte-Long Act requiring the deduction of the cost of sophisticated military equipment from AID levels - Section 620(v) and Section 119 of the AA.
- 12) No commingling between U.S. assistance and Communist country assistance - Section 620(h).
- 13) No aid for UN dues - Section 114 of the AA.
- 14) No aid for military pensions - Section 104 of the AA.
- 15) No P.L. 480 to expropriators - Section 410 of P.L. 480.
- 16) No aid to Cuba - Section 620(a).
- 17) Restrictions on aid to UNRA - Section 301(c).
- 18) No aid to compensate for expropriation - Section 620(g).
- 19) Sales only to friendly governments - Section 103 of P.L. 480.
- 20) No aid to international or foreign volunteer programs - Section 302(c).
- 21) No aid for failure to prevent mob damage - Section 620(j).
- 22) No aid upon failure to participate in guaranty program - Section 620(l).
- 23) No Presidential discretion to add countries eligible to receive aid - Sections 201(b), 211(a) and 401.

In this family of related impediments, we estimate the expenditure of 150-200 man-years devoted by AID personnel in Washington and overseas.

V. Money Management Impediments: Restrictions on Negotiation Flexibility Concerning Interest Rates, Management of Counterpart, Etc.

The Congress has decreed with great specificity how AID shall manage its money portfolio within the broad categories of assistance. Thus:

1) Section 251(b) establishes interest rate minimums on development loans.

2) Section 609 requires the establishment of counterpart generation arrangements with the reservation of 10 percent for U.S. uses; Section 612 conditions the uses of such local currency; Section 613 decrees the accounting procedure, the valuation, reporting, and administration of such currencies in detail; Section 402 relates to counterpart approvals by the Vietnam Mission; Section 636(h) exhorts the Agency to maximize the use of foreign currencies owned by the U.S. to meet the costs of certain services.

3) Aid legislation contains very limited relief from the miscellaneous receipts provision in Chapter 31 of the USC which requires miscellaneous revenues to be covered over into the miscellaneous receipts account in the U.S. Treasury. Thus, Section 605 very narrowly permits the re-use of income from the distressed sale of AID-financed commodities; Section 607(a) establishes a revolving trust account, but only for limited excess property purposes.

4) Section 620(r) forbids the forgiveness of interest and has impeded the renegotiation of loans.

5) Section 103(b) and Section 106 of P.L. 480 - limitations on dollar credit sales.

These impediments account for about 60-80 man-years of AID personnel time.

Vi. Earmarking Impediments: Restrictions Within Broad Program Categories on the Amount of Funds to be Used for Special Purposes

Earmarking funds for a particular purpose, regardless whether the results of country programming would call for more or less for that purpose, almost inevitably hampers effective management. For example, Section 292 earmarks \$50 million of otherwise available funds for use only in programs relating to population growth. Section 216(a) permits AID to defray transportation costs for voluntary agency activities but

only out of Section 211 funds (which raised difficulties in the Nigerian/Biafran relief effort). Section 113 of the AA earmarks \$8 million for research and although Sections 205 and 251(h) of the Foreign Assistance Act permit channelling by AID of funds through selected international financial institutions, the AA limits this alternative.

These impediments are responsible for 25-30 man-years of time.

VII. Personnel and Administrative Impediments: Limitations on Effective Management of Personnel.

The Congress has specifically provided for certain ceiling limitations on upper echelon personnel in addition to the imposition of the general civil service classification and salary limits. Thus, Section 625(b) limits AID to only 51 supergrades, and Section 625(d) limits AID to 50 Washington FSR training appointments. Section 636 limits AID procurement of aircraft for Mission use; imposes limits on the procurement of passenger motor vehicles for administrative purposes outside the U.S.; limits the rental or leasing outside the U.S. of real property under long-term arrangements; limits per diem rates; etc.

About 20-30 man-years are consumed by these impediments.

1/23/70

10

INTRODUCTION TO ATTACHMENTS

- Attachment A - Lists selected legislative constraints on AID grouped by major clusters.
- Attachment B - Lists illustrative commodity requirements, together with a general indication of the source of the requirements.
- Attachment C - Is a letter from the National Foreign Trade Council which comments on several of the AID procurement impediments which are particularly troublesome for U.S. businessmen.

SELECTED STATUTORY CONSTRAINTS

TITLE/DESCRIPTION	* STATUTE	M A J O R A. I. D. OFFICES							
		BUREAUS	MISSIONS	PPC	GC	PROC	CONT	AG	Other
1. Tied Procurement									
50/50 Shipping	M.M. Act	X	X	X	-	X	X	X	-
Tied Procurement	Sec. 604(a) & (b)	X	X	X	X	X	X	X	-
Buy America (Agriculture)	" 604(c) & (e)	X	X	-	X	-	-	X	FFP
Buy America (Autos, Airplanes)	" 636(i)	X	X	-	X	X	-	X	AAS
Buy America (Insurance)	" 604(d)	X	X	X	-	X	X	X	-
Iron & Steel for Vietnam	" 118 AA	X	X	-	-	X	-	X	-
No Productive Project in Excess of \$100 million	" 620(k)	X	-	X	X	-	-	-	-
No Aid to U.S. Competitors w/o Export Limits	" 620(d)	X	X	X	X	X	-	-	-
Anti-third Country Contractor Regulations	" 115 AA	X	X	-	X	-	-	-	-
Shipping Regulations	Shipping Act	-	X	-	-	X	-	-	-
2. Rigid Procurement Practices									
Small Business	Sec. 602	-	X	-	X	X	X	X	-
Price Provision	" 604	-	X	-	X	X	X	X	-
Capital Contract Prior Approval	" 112 AA	X	X	X	X	X	X	X	-
No Projects not Justified to Congress	AA	X	X	X	X	-	-	X	-
Cost Benefit Studies (Water and Land Projects)	Sec. 611(a) & (b) & 101 AA	X	X	X	-	-	-	X	-
Special Certs. on \$1 Million Projects	" 611(e)	X	X	X	-	-	-	X	-
GAO Audit of Trust Funds	" 301(d)	-	-	-	-	-	X	X	-
MTE 20; June Buying	" 103 AA	X	X	X	-	X	X	X	-
Usual Marketing Requirement	" 103(c) PL 480 A	X	X	X	X	-	-	-	FFP

* Refers to the Foreign Assistance Act unless otherwise indicated. "AA" refers to the Appropriation Act.

TITLE/DESCRIPTION	STATUTE	M A J O R A. I. D. OFFICES						AG	Other
		BUREAUS	MISSIONS	PPC	GC	PROC	CONT		
<u>Rigid Procurement Practices Cont.</u>									
Protect Domestic Supply, PL 480 Advance Determination of Commodity Eligibility	Sec. 401 PL 480 A	X	-	X	X	-	-	-	FFP
Modern Management Practices and Reporting	" 604(f)	X	X	-	X	X	X	-	-
Self-help Criteria	" 621(a)	-	-	-	-	-	X	X	AAA
Reports on Food & Population Programs	" 208	X	X	X	X	-	-	-	-
Procurement Requirements	" 295	X	X	X	-	-	-	-	FFP, TA
	Federal Property A.	X	X	-	X	X	X	-	-
<u>3. Foreign Policy Impediments</u>									
No Aid to Communist Countries	" 620(b) & (f)	X	-	X	X	-	-	-	-
No Aid Where Diplomatic Relations Severed	" 620(t)	X	-	X	X	-	-	-	-
No Aid to Aggressors	" 620(i)	X	-	X	X	-	-	-	-
No Aid to UAR	" 620(p) & 117 AA	X	-	X	X	-	-	-	-
No Aid to Countries Who Trade with Reds	Battle Act	X	X	X	X	X	-	-	-
No Aid to Countries Who Trade with Cuba	Sec. 620(a)(3) & 107	X	X	X	-	X	-	-	-
No Aid to Countries Who Trade with North Vietnam	" 620(n) & 107(b) & 116 AA	X	X	X	X	X	-	-	-
No Aid to Delinquent Debtors	" 620(c)	X	X	X	X	-	-	-	-
No Aid to Unfair Expropriators	" 620(e)(1)	X	X	X	X	-	-	-	-
Deducting Fishing Fines from Aid	Fishermen Protection A & Sec. 620(o)	X	X	X	X	-	-	-	-
No Aid to High Military Spenders	" 620(s)	X	X	X	-	-	-	-	-
Reduce Aid by Cost of Sophisticated Weapons	" 620(v) & 119 AA	X	X	X	-	-	-	-	-
No Aid to 6 Mo. Loan Defaulters	" 620(q)	X	-	X	-	-	-	-	-
Consider UI Debts in Aid Decisions	" 620(u)	X	X	X	-	-	-	-	-
Only 20 DP, 40 TC, 12 SA Countries	" 211	X	-	X	-	-	-	-	-

TITLE/DESCRIPTION	STATUTE	M A J O R A. I. D. OFFICES							Other
		BUREAUS	MISSIONS	PPC	GC	PROC	CONT	AG	
<u>Foreign Policy Impediments Cont.</u>									
No Aid to International or Foreign Volunteer Programs	Sec. 302(c)	X	X	-	-	-	-	-	-
No Commingling of Aid with Bloc Aid	" 620(h)	X	X	X	-	-	-	-	-
No Aid to UNDP in excess of 40%	" 301(b)	-	-	X	-	-	-	-	-
No Aid for UN Dues	" 114 AA	X	X	X	X	-	-	-	-
Aid not to be Used to Compensate for Expropriation	" 620(g)	X	X	X	X	-	-	-	-
Aid Not to be Used for Military Pensions	" 104 AA	X	X	-	X	-	-	-	-
No PL 480 to Expropriators	" 410 PL 480 A	X	X	X	X	-	-	-	-
Sales Only to Friendly Govts.	" 103(d) PL 480	X	X	X	X	-	-	-	FFP
Restrictions on Aid on UNRWA	" 301(c)	-	-	X	X	-	-	-	FFP
Failure to Prevent Mob Damage	" 620(j)	X	X	X	X	-	-	-	-
Failure to Enter into Guaranty Agreements	" 620(1)	X	X	X	X	-	-	-	-
No Presidential Discretion to Add Countries	" 201(b), 211(a)	-	-	-	-	-	-	-	PRR
Marking Requirements	" & 401	X	-	X	X	-	-	-	-
	" 641	X	X	-	X	X	X	-	-
<u>4. Special Interest Programs</u>									
Excess Property	Sec. 607(b) & 608	X	X	-	X	X	X	X	GPR
Private Enterprise in Loans	" 201(b)	X	X	X	-	-	-	-	-
Limitations on \$ Credit Sales	" 103(b) & 106	X	X	X	X	-	-	-	-
Voluntary Agency Regulations	" of PL 480 A. 216(a) (b)	X	X	X	X	X	X	-	FFP
<u>5. Money Management Impediments</u>									
Loan (Excess of \$100,000) Requirements	" 201(e) & 251(e)	X	X	X	X	-	-	X	-
Counterpart Approvals by Vietnam Mission	" 402	X	X	-	-	-	X	X	-

17

TITLE/DESCRIPTION	STATUTE	M A J O R A. I. D. O F F I C E S							
		BUREAUS	MISSIONS	FPC	GC	PROC	CONT	AG	Other
<u>Money Management Impediments Cont.</u>									
Guarantees Restriction	Sec. 221(e)	X	-	X	X	-	-	-	-
Prohibition on Loan Forgiveness	" 620(r)	X	X	X	X	-	-	-	-
Interest Rate Minimums on Loans	" 251(b)	X	X	X	X	-	X	X	-
Local Currency Utilization Requirement	" 612 & 609	X	X	X	X	-	-	-	-
<u>6. Earmarking Impediments</u>									
No more than \$8 Million for Research	" 113 AA	-	-	X	-	-	-	-	-
<u>7. Personnel Impediments</u>									
Only 51 Supergrades	" 625(b)	-	-	-	-	-	-	-	AFM
Only 50 Washington FSR Training Appointments	" 625(d)	-	-	-	-	-	-	-	AFM

15

ILLUSTRATIVE COMMODITY RESTRICTIONS

5

<u>COMMODITY RESTRICTIONS</u>	<u>SOURCE OF REQUIREMENT *</u>	<u>REQUIREMENT</u>
Live sheep, chicks	HA	USDA
Eggs - hatching	HA	Certificate of Health by USDA
Cereal seeds	SA	Fed. Specs. certificate - US only
Wheat seeds	SA	Certificate required - US only
Rice	SA	New jute bags required or other approved
Barley	SA	Must be # 3 or better - US only
Oats	SA	Must be #2 or better - US only
Grain sorghums	SA	Must be #2 or better - US only
Infants dietary supplements	HA	Certificate required
Soybeans	S	US
Vegetable fibers and waste	CA	Nothing from Hong Kong
Seeds for planting	CA	Meets Fed. Seed Act Specs.
Coal, Coke & Briquets	A	Price AID/W Spec. Approval & Independent lab analysis
Lubricating Oils & Grease	CA	US Fed. Spec. #
Chemical Elements & Compounds	CHA	12 ineligible items
Synthetic organic compounds	CHA	20 ineligible items
Pigments	A	Must be US color index - An International Std.
Silver Nitrate	A	Prior AID/W approval
Medicinal chemicals	CHA	19 ineligible items
Drug Products	CHA	Meet all US standards, Certificates, etc.
Biologics - Human	HA	Firm must be licensed by PHS, Released by NIH, Certificates
Veterinary Biologies	A	US Standards, USDA approval
Oral Contraceptives	CHA	Elaborate labeling & Packaging specs. F & DA approval
MFG. Fertilizers	A	Polyethylene packaging & Jute
Ammonium Nitrate	GA	Prior AID/W approval; AOAC
Ammonium Sulfate & other fertilizers	A	AOAC quality
DDT	CHA	Prior AID/W approval
Textiles	CA	Special Certificate
Iron & Steel & Metal mfg., Transp. Equipment	CA	Elaborate Certifications US specs.
Used machine tools, motor vehicles	CA	AID Certificate
Motor vehicles	S	US only
Prophylactics	HA	US specs.
Textile Machinery	AC	Prior AID/W approval

- * S - Statutory
 A - A.I.D. requirement
 H - Health
 C - Congressional intent

AID requirement imposed for any of following reasons:

1. To assure A.I.D. financing a quality product and to not finance junk. A.I.D. has been repeatedly criticized in Congressional hearings and GAO reports for some commodities - pharmaceuticals, sea water, battery additives, used equipment, etc.
2. To assure that products financed by A.I.D. are not harmful or hazardous. Examples are (1) pharmaceuticals which have been declared harmful by Food and Drug Administration, (2) Ammonium Nitrate is a high explosive subject to Coast Guard Shipping Regulations.
3. To assure that A.I.D. does not finance luxury items inconsistent with economic development and which result in adverse Congressional and public reaction.
4. To assure that procurement problems which arose in the past are not repeated. Corroded galvanized steel sheets supplied to Vietnam by Korea as an example.

M. Norris # 3

National Foreign Trade Council, Inc.,
New York, New York, April 18, 1969.

DR. JOHN A. HANNAH,
Administrator, Agency for International Development,
Washington, D. C.

DEAR DR. HANNAH: The membership of the National Foreign Trade Council consists of a broad cross-section of U. S. companies engaged in all major fields of international trade and investment, including manufacturers, exporters and importers, commercial carriers, bankers and insurance underwriters. A large number of Council members participate in the Commodity Import Program administered by the Agency for International Development under the Foreign Assistance Act of 1961, as amended. The Council, therefore, has been and continues to be vitally interested in all matters relating to the Commodity Import Program.

The Council desires to bring to your attention certain problems affecting U.S. companies which have arisen under AID Regulation 1 and the need to simplify materially the existing documentary and procedural requirements of the Regulation. We believe that a new, broader look should be taken at the relevance of AID's complicated controls over the Commodity Import Program to what has become largely a loan regime as contrasted with the grants which characterize the earlier years of the Program. The problems arising under AID Regulation 1 have been fully documented by the Council and are summarized, together with the Council's recommendations, in the attached memorandum.

Accordingly, we urge that you schedule a meeting at the earliest possible date, at which representatives of the Council's AID Committee can meet with you to discuss the problems referred to above and the Council's recommendations. We believe such a meeting is especially important since the new Administration is presently receiving suggestions from a number of advisory and study groups with regard to significant changes in the overall Foreign Assistance Program.

Sincerely,

ROBERT M. NORRIS,
President

PROBLEMS AFFECTING U. S. COMPANIES UNDER AID REGULATION 1

Introduction

Commodity transactions financed by the Agency for International Development are subject to AID Regulation 1, promulgated by AID to administer the Commodity Import Program. Over the years, the restrictions and documentary requirements of AID Regulation 1 have steadily increased. U.S. companies participating in the Commodity Import Program desire to reduce these complicated and costly burdens. This memorandum describes, in general, the problems affecting U.S. companies under AID Regulation 1 and the recommendations of the National Foreign Trade Council with regard thereto.

Before describing specific problems, however, the Council notes that AID has often imposed new or revised regulations without consulting industry as to the existence of problems necessitating such action or as to the effect of such action on industry. The Council, therefore, urges AID to adopt a firm policy that, before amending AID Regulation 1 or revised AID procedures, AID will notify industry of problems requiring such action and consult with industry with regard to their solution.

The Council emphasizes that the all-pervasive surveillance currently employed by AID is counter-productive and should be substantially reduced. The Council, however, cautions against expedient, simple solutions. Foreign Assistance legislation has always underscored the need for AID-financed transactions to be conducted through normal trade channels. Without this safeguard, AID could become a government procurement agency and, because of the scope of its activity in underdeveloped countries seeking a place in international trade, could become a disruptive force. Such action would only discourage private investment and serve to encourage governments, already so inclined, toward public sector solutions.

In brief, the Council recommends two basic changes in the Commodity Import Program. The first would treat commodity transactions financed under loan agreements differently from those financed by grants. The second would eliminate or modify certain procedural and documentary requirements of AID Regulation 1.

I TREATMENT OF LOAN-FINANCED TRANSACTIONS

The provisions of AID Regulation 1 were formulated at an early point in the history of our Foreign Assistance Program when the majority of commodity imports were financed on a grant, rather than loan basis. These provisions were intended to protect taxpayer dollars under grant financing, where there was no monetary return to the U. S. Government. Now, however, the Commodity Import Program is primarily financed on a loan, rather than grant basis, resulting in the eventual return of principal plus a moderate rate of interest.

While the precise cost to the U.S. Government of an AID loan can be said to vary with the fundamental priorities assigned the loan, it is nevertheless clear that loans are considerably less costly than grants and, as the interest rates for such loans have been trending upwards, we feel there is less reason for the U.S. Government to treat loan financed transactions as restrictively as those financed by grants.

The Council recommends, therefore, that transactions financed by loans be (a) subjected only to statutory requirements, i.e., price (Section 604(a) and (b) of the Foreign Assistance Act of 1961, as amended) and 50 percent U.S. flag requirements, and a simple source test, and (b) financed under Direct Reimbursement. This should be accomplished by appropriate revision of AID Regulation 1 to conform the Regulations to the change in emphasis from grants to loans.

With respect to grants, there are also opportunities to lessen materially the burden on business without impairing AID's vigilance over taxpayer's dollars.

II ELIMINATION OF CERTAIN AID REGULATION 1 REQUIREMENTS

Commodity prevalidation

AID Regulation 1 was recently amended to require the determination of commodity eligibility for AID financing in advance of payment to the supplier. The new procedure requires the submission by the supplier of Form AID-11, AID approval of the Form, and the submission of the approved Form to the bank as a condition for payment. Form AID-11, which requires extensive information concerning the transaction not readily at hand prior to shipment, adds to the already overcomplicated paperwork affecting AID financed commodity sales. Use of the Form imposes a heavy burden upon the supplier because of the increased difficult and cost of obtaining the detailed information required thereon, and because of the resulting delay in commodity transactions.

While a prevalidation requirement has since been incorporated in the Foreign Assistance Act of 1961, as amended, the Council suggests that Form AID-11 can be eliminated by operating the Commodity Import Program on the basis of Direct Reimbursement financing. Such financing would be administered by providing in AID loan agreements for the prefinancing of commodity imports by the assisted country, with AID reimbursement upon completion and review of the transaction.

Commission payments

In certain countries, AID has restricted commission payments so as virtually to exclude the eligibility of third country nationals or organizations for dollar payments with respect to AID-financed commodity

transactions, even where such individuals or organizations are affiliated with U.S. companies. In such countries, AID will not finance with dollars commissions to local sales agents or commission employees. However, AID allows the U.S. supplier to make commission payments in the local currency of the assisted country using an AID-imposed payment procedure which involves participation in the transaction by the banking authorities of the assisted country. AID's objectives in refusing to finance dollar payments and in imposing its own procedure for effecting local currency commissions are to conserve AID funds, assist the U.S. balance of payments, and enable assisted countries to monitor compliance with their exchange regulations.

Requiring the payment of commissions in local, restricted currencies discourages the use of third country commission employees or sales agents, including those which are U.S. owned or controlled, who rely upon payment in free currencies, particularly when such persons operate multi-nationally. While the Council is not opposed to the purposes for which the local currency requirement was promulgated, we recommend that the regulation be amended to enable AID-financed dollar payments to legitimate, U.S. owned or controlled third country commission employees and sales agents.

Service agents

U.S. suppliers are required under AID Regulation 1, to report to AID all service payments, whether or not eligible for AID financing, made by the supplier in connection with AID-financed commodity sales. Many U.S. suppliers, however, maintain service organizations either in assisted countries, or in third countries under regional organizations, which perform services for the parent company or its affiliate. Such services are often unrelated to current sales or to specific sales, and may be performed without regard to whether or not any AID-financed sales by the U.S. supplier occur. Such services companies, as indicated above, often operate in more than one country. Since their services are often compensated on a cost-plus basis, an annual fee, or other form of standard compensation, it is impossible to allocate service payments between services rendered with respect to AID-financed transactions and non AID-financed transactions, and between services rendered in the assisted country and other countries. Although the Council has sought the assistance of AID in clarifying industry's obligations in this area and has offered AID assistance in establishing guidelines if AID desires allocations, the problem remains unresolved.

Marketing requirements

Under AID Regulation 1, commodities financed by AID and the containers in which they are shipped, must bear the AID emblem affixed by metal plate, decal or label. Additionally, AID-financed commodities shipped to Latin America must display the Alliance for Progress emblem. While this requirement may seem innocuous, it is time consuming and adds to the cost of compliance with AID Regulation 1. In some instances

commodities may be shipped without prior knowledge that the transaction is to be AID-financed, resulting in the added expense and delay of labeling at dock or destination.

The Council is aware that the marketing requirement stems from the statutory requirement that "programs under this Act shall be identified appropriately overseas as American AID." The Council believes, however, that the statute can be interpreted so as to eliminate the marking requirements by substituting therefor more effective local publicity programs concerning the nature and extent of the commodities financed by AID in a given country.

Small business advertising

Under AID Regulation 1, an importer is normally required, whether or not he utilizes formal competitive procurement, to solicit quotations through AID's Small Business advertising procedure. AID, however, grants waivers from the requirement where special contractual relationships exist between supplier and importer.

The small business advertising requirement results in delays in commodity transactions and requires time consuming and therefore costly, negotiations with AID for waivers thereof. Accordingly, the Council recommends that the requirement be eliminated or made optional with the importer. To encourage the interest of small businessmen in AID-financed exports, the Council suggests that, in lieu of the requirement, AID circulate a classified list of importers (as it does for Colombia and Chile) from which small businessmen could select export prospects.

If the requirement is retained, however, the Council recommends that an automatic waiver be granted without prior application whenever a special contractual relationship between supplier and importer exists which would currently justify such a waiver.

Minimum value

AID limits the minimum value of shipments of AID-financed commodities in order to avoid processing of small value orders. Unless, however, provision is made for automatic financing of such orders, a supplier may be unable to collect on the shipment without extensive negotiation with AID or with the government of the assisted country. AID should secure the agreement of the assisted country to pay automatically for an undervalued shipment from its own exchange. In lieu of such an agreement AID should liberalize its requirements for waiver of the minimum value restriction.

Local currency refunds

Under AID Regulation 1, AID may require refunds from suppliers with respect to AID-financed commodity transactions whenever AID determines that a supplier has failed to comply with AID Regulation 1. When a supplier is

required to make such a refund to AID, the importer involved in the transaction is entitled to a refund from the assisted government of the local currency deposited with that government for purposes of the transaction. Certain U.S. companies who have made refunds to AID find that subsidiaries in the assisted country acting as importers of AID-financed commodities, have experienced difficulties in securing refunds of their local currency. Refund difficulties have occurred even where AID has sought the cooperation of the assisted country in facilitating the return of the local currency to the importer. Accordingly, the Council recommends that loans or grant agreements negotiated by AID require the immediate cooperation of the government of an assisted country in assuring prompt refunds of local currency to importers.

Charter review - Foreign flag

AID Regulation 1 requires, as a condition for eligibility of the commodity transaction for AID financing, that AID give its prior approval for any foreign flag ocean charter upon which AID-financed commodities are to be shipped, whether or not AID finances freight costs. Since the prior approval requirement is not designed to monitor the trading history of the vessel and since AID rarely finances foreign flag freight, the Council recommends that this time consuming and therefore costly requirement be eliminated whenever AID does not finance freight costs.

Barter financing

AID apparently lacks authority, with respect to cash barter, to make timely payment to suppliers when the barter contractor's scheduled deposits into AID's account are insufficient to meet the cost of shipments under the Commodity Import Program. AID should seek authority in such situations to establish revolving funds from which to provide prompt payment. Such funds would be replenished from the eventually proceeds of the cash barter.

LIMIT DISTRIBUTION

See Distribution

January 22, 19

AA/A, James M. Kearns

DCA Program-Planning-Budgeting System

Here is Bill Muldoon's proposal for modifications in the DCA programming system. It's open to change and we'd appreciate your quick reaction.

Bill is developing separately an estimate of the effect on staff.

Enclosure:

Draft Paper:

DCA Program-Planning-Budgeting System

DISTRIBUTION:

A/AID, Mr. R. M. Poats
A/AID, Mr. C. W. Kontos
AA/NESA, Mr. C. Farrar
AG, Mr. E. Tennant
A/MP, Mr. M. F. DeAngelis
EA/DP, Mr. C. Breecher
LA/OPS, Mr. W. Parks
AG, Mr. J. Benz
PPC/PPBSS, Mr. W. Muldoon
A/MP, Mr. C. D. McMakin

DROHAT/kristensen

LIMIT DISTRIBUTION

LIMIT DISTRIBUTION

PROGRAM PLANNING AND BUDGETING SYSTEM

A. General

The form and content of the program planning and budgeting system for a new aid agency would depend heavily on the nature and extent of its legislative authority. However, on the basis of the assumptions below (which are essentially "givens") the broad outline of a revised programming structure has been developed. It would need to be further tailored according to the design of the Development Cooperation Administration. This chapter sets forth the principal features which would be built into a new system and generally describes how this system would work.

B. Major Assumptions and Elements

Essentially, the following assumptions are derived from background papers concerning responsibilities and framework of a Development Cooperation Agency. However, some additional extensions of earlier assumptions have been added. These are as follows:

1. Recipients will be divided into two major types--"Major" and "Minor" countries. Although different program-budgeting systems will be used for each type, both systems will share major features.

2. Direct-hire Mission staff will be reduced to a hard core of program management and administrative personnel. Minor countries would have skeletal staffing; Major country staffing would more closely approximate present staffing in large AID Missions. Program implementation

LIMIT DISTRIBUTION

24

responsibility will be shifted from direct hire staff to borrower-grantee contractors, direct AID contractors, and PASA personnel. Direct hire technicians will be the least desirable alternative and used only as a last resort.

3. The program cycle and program documentation requirements for planning, presentation and implementation will be streamlined and simplified, particularly in Minor countries.

4. Funds will be authorized on a multi-year basis and appropriated on an annual basis. Detailed project justification will be presented to Congress only for new grant-funded projects or for those continuing projects in which a major change in substance, timing or funding is proposed.

5. More use will be made of sector-loans; less use of capital assistance projects.

6. Analytical and field backstopping capabilities of DCA/W will be more comprehensive than are those of AID/W. The regional bureaus (with PPC assistance as required) will provide staff on a TDY basis to formulate programs in Minor countries. A better job will be done in DCA/W in reviewing and monitoring assistance activities for all countries.

C. Proposed Program Planning and Budgeting System

The AID program planning and budgeting system has evolved and been refined over a period of years and essentially is a sound system. It meets the general criteria of the Budget Bureau for a PPBS system. However, this system can be improved as well as simplified. Some

improvements can be introduced relatively quickly--beginning with the FY 1972 program cycle. Far reaching changes will be more time consuming to design and implement.

1. Country Analysis

The present system requires a Country Field Submission (CFS) from each AID Mission. In theory, it is an analysis of the country's economic situation including its development program, external assistance requirements, US objectives, and leads up to an analysis and justification of US assistance programs. The tendency has been, however, to introduce a bias in country analysis to justify a particular program level or mix.

The proposed system would change in these significant ways:

- a full country analysis would be done only in Major countries and only once every two to three years.
- the economic analysis would be done by Washington-based experts with the assistance of Mission economists and other staff.
- the country analyses would be done separately and independently without regard to possible US or other donor assistance.

In effect, the country analysis would be Section I of the CFS. Section II would be the proposed Mission program. The country analyses would be done off cycle and the process would continue throughout the year in different Major countries. With 16 major countries, each of which

26

LIMIT DISTRIBUTION

4

would be comprehensively analyzed every two or three years, DCA/W would need to be prepared to mount from 5 to 8 teams each year with 3 to 5 members each. Teams would be drawn from staffs in Regional Bureaus, Technical Assistance Bureau, Office of Engineering, and the Office of Plans and Policy Coordination. These offices are not now geared to handle such a workload. However, in order to improve the quality of country analysis it is felt important to staff to provide needed economic expertise in major sectors such as agriculture, human resource planning, population and education, plus macro development economists. These staffs would also be utilized to generally upgrade DCA/W program and sector reviews.

Between years in which major country analyses are undertaken, Mission staff would revise and update the "basic" analysis as necessary to reflect changing situations. This would be a less comprehensive and time consuming job than is presently required from Missions. In the annual Mission updates, as well as in the less frequent comprehensive analyses, studies which have been by the World Bank, Inter American Development Bank or an NSM team, would be heavily drawn upon and as appropriate incorporated by reference to the CFS document.

Minor countries would not submit a CFS per se. By definition, minor countries, as described in the "Minor Country Model," would be given limited assistance and on the recommendations of the DCA Representatives, DCA/W would field teams to undertake sector analyses or project analyses, as appropriate. In larger Minor Countries such as Afghanistan,

LIMIT DISTRIBUTION

27

it would also be desirable to undertake a more limited form of Country Analysis every 2-3 years relying solely on Washington-based staff.

This overall "mini-analysis" would help provide ~~the~~ analytical framework to assure that US assistance programs, even though limited in scope and objective, were meaningfully directed towards the achievement of important economic development goals (see "Minor Country Model" for discussion of Program composition).

The CFS Section I Country Analysis would be prepared and submitted to Washington to allow sufficient time for review and analysis. On the basis of this analysis and the annual updating, Missions in Major countries would submit proposed programs, as is now done, including sector analyses.

Program analysis, plans and proposals would be prepared by Major Missions and submitted to Washington as Section II of the CFS. These would be based on the country analysis, including US objectives, and would justify and explain proposed assistance levels and program mix. This represents no real change from the AID program planning process in major countries. Mission program proposals would, however, be required earlier in the year on a phased basis between approximately June 1 and July 1. This would allow additional time for Washington review and preparation of Program Memoranda to the Budget Bureau--a process in the past which has not afforded sufficient time for discussion and resolution of issues.

By definition, Minor country programs would be limited and usually focused on one or two sectors. Since staffing in these countries will be skeletal, detailed program proposals will not be required or expected from field staff. Programs will be formulated and based on requests from the country to assist in a particular area. The judgments of Mission staff and DCA/W Regional Bureaus would also generate program ideas which would be discussed with country representatives and help decide on areas of program concentration, limited though they would be. This program planning process ^{would take place} against an existing backdrop of previous AID experience in each country supplemented by available studies by organizations such as the UN, IBRD, IADB, IMF, NSM, plus country studies conducted by DCA/W on an as needed basis to determine where country development stood, where it was headed, and periodic reassessment of DCA funded bilateral programs. As indicated in the Minor Country Model Chapter, programs would be designed to require minimal staffing. When a project is judged feasible, an agreement will be negotiated and the project funded and implemented usually on a contract basis.

2. Washington Program Review Process

Essentially, Washington conducts two kinds of program reviews: a country review to decide program levels and composition; individual loan and grant reviews to reach a decision on whether to deny, approve, or modify field proposals. In the past, the Administrator has conducted overall reviews of a selected number of countries. The process has tended to be "briefing sessions" which in themselves are useful but

they do not filter out those issues and problems which the Administrator needs to consider. The process will be improved by delegating to the Regional Assistant Administrators the responsibility for individual country reviews. Participating in these reviews will be representatives of central staff offices. Out of this process will be filtered those issues which need to be considered by the Administrator, and issue oriented reviews will be held by him. These will need to be well staffed to be focused and decisive. In addition, the Administrator must decide program levels and allocation. Separate sessions would be held ^{by him} with the Regional Bureaus on budget levels to decide program level and composition for proposals to the President and the Budget Bureau. This modified process would result in an improved overall review process and make better use of scarce time of the Administrator, Assistant Administrators and senior staff.

3. Budget Process

The budget process will be tied to a two year program authorization with annual appropriations. Under the present system Missions submit an annual Project Budget Submission (PBS) with a detailed cost component breakdown for new and continuing technical assistance projects plus summary data on existing loan funded projects by September. Narrative project plans and justifications are submitted in individual non-capital project papers (PROPs) for grant funded activities which, once approved, do not require rejustification.

The budgeting process can be simplified as well as improved by changing the content and timing of data submitted to Washington to

meet DCA/W's legitimate needs for budget information on which to base decisions on the proposed Executive Branch budget submission to the Budget Bureau and Operating Year allocation of resources.

In the proposed system, Major Missions will submit to DCA/W summary budget information in the form of tables with brief narrative justifying the level requested for continuing and new projects. These would be by sector category since the new appropriation structure will be arranged by sector (Agriculture, Education, Health and Population, etc.). It would be a much abbreviated submission. At this stage it would not contain "E-1" data for each project since this level of detail is neither used nor digestible in arriving at initial proposed budget levels to the President. This summary information would be submitted as Section III of the CFS and cover all forms of assistance. It would be the basis for discussion with the Budget Bureau and for preparation of the DCA Program Memoranda to the BOB.

In effect, Washington has the ability to only use (and indeed only needs) summary budget information at this stage to make overall decisions on allocations and present the Agency budget to the BOB. On the basis of this information, the Budget Bureau will give a budget level or "mark" to DCA (usually about December 15-January 15) with which it must adjust the program.

Later in the FY, about January 15 to February 15, depending on the timing of the BOB "mark," Major Missions would be required to submit detailed tabular and narrative information as required to prepare the annual Congressional Presentation. This information in terms of content

and format would be designed to minimize DCA/W workload-in-converting it into a Congressional Presentation document. This would conserve DCA/W time in what has previously been a very time consuming operation.

The budget data submitted both in summary with the CFS around June 1, and in detail for the Congressional Presentation around February 1, will in the aggregate require less detail and work than formerly. Data will be concentrated on the budget year (for a two year authorization). CFS data will be sufficient for DCA/W to decide on tentative allocations of program resources among regions and countries. It will allow Washington to send more definitive guidance to the field for preparation and later submission of the Congressional Presentation and avoid redoing a highly detailed fall submission from the field tied only to a proposed program level which is quickly invalidated by reduced BOB program allowances.

The Congressional Presentation will be developed from an annual project budget submission, which all field missions will submit. Minor Missions would submit a simpler version based on its smaller program. The PBS will conform to the amount that DCA/W has authorized. Less change would be required on proposed budgets than at present. Individual activities would be funded for more than one year: short projects (up to three years) for their life, and longer projects for two years. This assumes adequate funds are available to forward fund.

The proposed budget request process means that planning would need to be done more carefully for two to three years ahead. A certain portion of Agency funds, however, would need to be reserved for unanticipated development activities within the framework of the country

program. This is particularly true in the non-major countries whose requests would originate with the LDC, and where the approach is oriented towards quicker impact.

The phase-over to the new budget process would be accomplished gradually and would not disrupt the basic program. Given an annual 15% increase in across-the-board fund levels, the increase would be applied toward (a) funding as many projects as possible for two to three years, or for the life of the project for three year activities, and (b) building up an increased analytical capability on DCA/W. Some savings would be realized from reduction in overseas DH staff and those could also be applied to longer forward funding. A complete phase-over will take approximately four years, by which time all activities would be funded for an extended period giving the Agency more flexibility in planning and implementation.

4. Congressional Presentation

The Congressional Presentation will be restructured to fit new sectoral appropriations. Country programs will be presented in terms of overall aid objectives as at present, but also ^{by} sector with corresponding tabular data. Technical assistance project data will be simplified to bring it in line with the concept of ^{the} PRÖP system in which projects are justified to Washington only when they are new or substantially modified. This would mean that instead of individual annual narratives, and data sheets for each new and continuing project, narrative justifications would be presented only for new projects. For continuing projects only summary budget information would be provided

to the Congress. This approach will be discussed with Appropriation Committee staff. If agreement is reached, this would mean that Agency witnesses would need considerably less backup material on individual technical assistance projects. If detailed questions arose, the information would be provided later for the record. This approach makes sense for both the Congress and DCA: Congress will have the opportunity to focus more on overall goals, strategy, program mix and proposed new project activities; DCA will similarly concentrate its efforts on these important areas rather than spending disproportionate effort on the smallest component of foreign assistance. This approach also imposes a responsibility on DCA to candidly tell the Congress when substantial change is contemplated in a project either in substance, funding or planned completion date. Unless Congressional trust can be developed by demonstration that DCA is straightforward in its presentation, this system will fail.

An alternative approach to the Congressional Presentation may also be required if agreement cannot be reached on the above approach with the Appropriations Committee. Alternatively, technical assistance projects might be presented and justified only in the year in which new obligational authority is required. If projects are forward funded two years rather than one year as at present, there would still be some marginal simplification in the system.

5. Program Review, Approval and Implementation Process

While major and non-major missions would have different levels of capability for reviewing proposed activities, it is fair to say that

in both cases DCA/W would be more involved than it is at present. Analytical staffs in Washington would be broadened to provide for functional specialists in all areas that the Agency would work on, as well as people who could perform economic studies of sectors and whole economies (though it is recognized that such people are hard to get). Activities would be reviewed both in DCA/W and in the field, primarily on the basis of what they were to do and how they were to do it, rather than whether they were loans or grants. In present AID practice the form of funding for an activity rather than what the project is designed to accomplish governs the kind of review process followed. Appropriate technical review in both Major Missions and DCA/W should be given to every project proposed whether loan or grant funded.

Proposals from Minor countries would be examined first by the DCA representative and his staff. Promising ones would be forwarded to DCA/W. If Washington review indicated that the proposal appeared worthwhile, a team would be sent to the country to perform a feasibility study. The procedure would be the same for both capital and technical assistance projects and sector loans. Program assistance, per se, would normally not be extended to Minor countries. However, if it was, a similar procedure would be followed.

Proposals from Major countries would be reviewed thoroughly in the field prior to submission to Washington for approval.

The Washington review process would begin in the Regional Bureaus. Regional AA's will have authority to approve new activities up to

\$2 million. Activities over this amount would be approved by the Administrator or his Deputy. A key to effective operation in the small countries where the emphasis will be on country requests for assistance, will be fast DCA reaction. However, this assumes that new activities such as small self-help projects will be permitted by the Congress. Authority should be given to small Missions to spend up to \$25 thousand and Major Missions to \$50 thousand for self-help, or quick impact type projects.

DCA/W authorized loan and grant projects would be agreed to with the recipient country using a revised bilateral instrument called the "Development Assistance Agreement." Agreements would cover the life of the project and spell out in sufficient detail goals, inputs and outputs, contributions by the LDC and USG, and timing. Appropriate conditions precedent would be included. Loan funded activities would be funded for project life with disbursements geared to expenditure requirements. Grant funded activities would be funded on a two or three year basis as earlier indicated and obligated unilaterally by the Mission based on the Development Assistance Agreement. For grant funded activities this procedure will avoid annual processing of project agreements and multi-amendments between the Mission and recipient government. It will result in better understanding of project goals, objectives and requirements. It will encourage the LDC to do a better job of considering its overall foreign assistance needs and managing its projects.

The basis for planning and seeking Washington approval for projects would continue to be existing documentation. However, for projects with split loan/grant funding requirements, only one documentation process would be used depending on the nature of the project. This will avoid the tendency towards separate consideration of the loan and grant pieces of a single project.

In most cases, the Development Assistance Agreement would call for a contract, either a B-6 type or a DCA contract. In negotiating, one of the first tasks assigned would be the development of a Project Implementation Plan (PIP). Such a schedule, to be developed jointly by the Agency (or the Borrower/Grantee) and the contractor, would lay out in detail the tasks to be accomplished and the amounts of time needed for each. Modern scheduling and control techniques, such as milestone reporting (for technical assistance) and PERT/CPM (for capital projects) would also be used to provide the means for effective control. The use of such techniques is needed to maximize the effectiveness of a small number of project monitors in the Minor field submissions.

Evaluation of project progress would be the prime responsibility of the direct hire monitor. Projects would be reviewed once each year, or at least each time new funding is requested. Evaluation teams would be made available from DCA/W if requested. These teams would recommend whether a project should be continued, changed in scope, or terminated. They would also conduct final evaluations of completed projects.

The Major Missions would retain larger DII staffs and would, therefore, have the ability to conduct certain types of analyses in their countries. Although proposals for new activities would originate in many cases with the country government, in other cases the Mission would propose activities that would support DCA objectives and country development needs. The Mission would ordinarily have the capacity to determine whether a proposal was feasible and it could recommend approval or disapproval to DCA/W. In cases where a Mission did not have the particular technical skills needed to evaluate a proposal, it could be sent to Washington or a team from DCA/W could be dispatched to the field to analyze the situation. Implementation, as in the case of Minor countries, would ordinarily be by a contractor with monitoring by the Missions' project manager.

D. Other Program Considerations

A number of other elements bear consideration within the context of the programming system. While these are not the basic elements of the system, they are important foreign assistance components and merit some discussion.

1. PL 480 Program

It is assumed that the sales program (Title I) would be administered much as it is today. However, more emphasis should be placed on program analysis, planning and review. Title II needs to be reconsidered. With the reduction and concentration of program emphasis areas in the non-major countries, Title II projects in child feeding, community

50

and economic development (Food for Work) and nutrition could take on added importance because of the dollar volume of the commodities involved. DCA should have a stronger role in programming Title II food projects than AID has done. DCA field representatives should monitor the Volags and Cooperating Governments who are carrying out the Title II Projects. This can be done through a somewhat simplified PROP-PIP-PAR system, tailored to the needs of Title II projects.

2. Local Currency

There will continue to be significant US owned, US Use and Country Owned, Country use local currency for DCA programming. The programming of US controlled foreign currency may be even more important than before in many LDC's. DCA program officers should work closely with the LDC government in effectively programming such available funds, and the borrower-grantee contracts which result should be followed closely, if not monitored directly, by DCA personnel.

3. Coordination with Other Donors

DCA will need to seek closer working relationships with multi-lateral institutions such as IBRD, regional banks, the UNDP and its family of specialized agencies. This will be most true in the non-major countries where DCA will confine itself to only a few areas, and it will be very important to avoid overlaps with other donors. The World Bank is already a strong force for development, and if the Jackson Report recommendations are implemented, the UNDP will also become a more potent force.

4. Sector Loans

Sector loans are a relatively new and increasingly important type of bilateral assistance, and it is anticipated that DCA will utilize the approach more than AID has done to date. It will be necessary, however, for the new Agency to develop policy guidelines concerning sector loans, and also to analyze their staffing implications, for while they are very effective in combining several forms of assistance, experience has shown that they require extensive staff resources. The reason is that sector loans essentially involve three types of activity: (a) sector analysis to determine the overall need for generalized assistance and to relate the target sector to the overall economy; (b) program loans, with all the details of resource transfer and its administration; and (c) technical assistance to insure that the local currency generated from the sale of program commodities is used effectively in the target sector. The three types of activities require different skills to administer, and might be impractical to administer in a smaller mission.

5. Documentation

With a shift to contractor implementation the PIP will become more important, and it would be the prime management tool of the project monitor in the mission. Contracts should require preparation of a PIP type document and periodic progress reports against it. If each project were carried out by a contractor, the need for PIO/C's and PIO/P's would be virtually eliminated for all would fall within the scope of the contract. The PAR document would be important and it (or a similar document) would be broadened to cover capital assistance projects.

Administrative documentation and management reports which would be produced indirectly from the programming system have not been considered for the purpose of this report, but it is assumed that various types of management information would flow from the system and that up-to-date data processing techniques and equipment would be used to the fullest extent.

WMO:doon:lal
1/21/70

LIMIT DISTRIBUTION

PROGRAM PLANNING AND BUDGETING SYSTEM

A. General

The form and content of the program planning and budgeting system for a new aid agency would depend heavily on the nature and extent of its legislative authority. However, on the basis of the assumptions below (which are essentially "givens") the broad outline of a revised programming structure has been developed. It would need to be further tailored according to the design of the Development Cooperation Administration. This chapter sets forth the principal features which would be built into a new system and generally describes how this system would work.

B. Major Assumptions and Elements

Essentially, the following assumptions are derived from background papers concerning responsibilities and framework of a Development Cooperation Agency. However, some additional extensions of earlier assumptions have been added. These are as follows:

1. Recipients will be divided into two major types--"Major" and "Minor" countries. Although different program-budgeting systems will be used for each type, both systems will share major features.

2. Direct-hire Mission staff will be reduced to a hard core of program management and administrative personnel. Minor countries would have skeletal staffing; Major country staffing would more closely approximate present staffing in large AID Missions. Program implementation

LIMIT DISTRIBUTION

responsibility will be shifted from direct hire staff to borrower-grantee contractors, direct AID contractors, and PASA personnel. Direct hire technicians will be the least desirable alternative and used only as a last resort.

3. The program cycle and program documentation requirements for planning, presentation and implementation will be streamlined and simplified, particularly in Minor countries.

4. Funds will be authorized on a multi-year basis and appropriated on an annual basis. Detailed project justification will be presented to Congress only for new grant-funded projects or for those continuing projects in which a major change in substance, timing or funding is proposed.

5. More use will be made of sector-loans; less use of capital assistance projects.

6. Analytical and field backstopping capabilities of DCA/W will be more comprehensive than are those of AID/W. The regional bureaus (with PPC assistance as required) will provide staff on a TDY basis to formulate programs in Minor countries. A better job will be done in DCA/W in reviewing and monitoring assistance activities for all countries.

C. Proposed Program Planning and Budgeting System

The AID program planning and budgeting system has evolved and been refined over a period of years and essentially is a sound system. It meets the general criteria of the Budget Bureau for a PPBS system. However, this system can be improved as well as simplified. Some

improvements can be introduced relatively quickly--beginning with the FY 1972 program cycle. Far reaching changes will be more time consuming to design and implement.

1. Country Analysis

The present system requires a Country Field Submission (CFS) from each AID Mission. In theory, it is an analysis of the country's economic situation including its development program, external assistance requirements, US objectives, and leads up to an analysis and justification of US assistance programs. The tendency has been, however, to introduce a bias in country analysis to justify a particular program level or mix.

The proposed system would change in these significant ways:

- a full country analysis would be done only in Major countries and only once every two to three years.
- the economic analysis would be done by Washington-based experts with the assistance of Mission economists and other staff.
- the country analyses would be done separately and independently without regard to possible US or other donor assistance.

In effect, the country analysis would be Section I of the CFS. Section II would be the proposed Mission program. The country analyses would be done off cycle and the process would continue throughout the year in different Major countries. With 16 major countries, each of which

44

LIMIT DISTRIBUTION

would be comprehensively analyzed every two or three years, DCA/W would need to be prepared to mount from 5 to 8 teams each year with 3 to 5 members each. Teams would be drawn from staffs in Regional Bureaus, Technical Assistance Bureau, Office of Engineering, and the Office of Plans and Policy Coordination. These offices are not now geared to handle such a workload. However, in order to improve the quality of country analysis it is felt important to staff to provide needed economic expertise in major sectors such as agriculture, human resource planning, population and education, plus macro development economists. These staffs would also be utilized to generally upgrade DCA/W program and sector reviews.

Between years in which major country analyses are undertaken, Mission staff would revise and update the "basic" analysis as necessary to reflect changing situations. This would be a less comprehensive and time consuming job than is presently required from Missions. In the annual Mission updates, as well as in the less frequent comprehensive analyses, studies which have been by the World Bank, Inter American Development Bank or an NSM team, would be heavily drawn upon and as appropriate incorporated by reference to the CFS document.

Minor countries would not submit a CFS per se. By definition, minor countries, as described in the "Minor Country Model," would be given limited assistance and on the recommendations of the DCA Representatives, DCA/W would field teams to undertake sector analyses or project analyses, as appropriate. In larger Minor Countries such as Afghanistan,

LIMIT DISTRIBUTION

it would also be desirable to undertake a more limited form of Country Analysis every 2-3 years relying solely on Washington-based staff.

This overall "mini-analysis" would help provide the analytical framework to assure that US assistance programs, even though limited in scope and objective, were meaningfully directed towards the achievement of important economic development goals (see "Minor Country Model" for discussion of Program composition).

The CFS Section I Country Analysis would be prepared and submitted to Washington to allow sufficient time for review and analysis. On the basis of this analysis and the annual updating, Missions in Major countries would submit proposed programs, as is now done, including sector analyses.

Program analysis, plans and proposals would be prepared by Major Missions and submitted to Washington as Section II of the CFS. These would be based on the country analysis, including US objectives, and would justify and explain proposed assistance levels and program mix. This represents no real change from the AID program planning process in major countries. Mission program proposals would, however, be required earlier in the year on a phased basis between approximately June 1 and July 1. This would allow additional time for Washington review and preparation of Program Memoranda to the Budget Bureau--a process in the past which has not afforded sufficient time for discussion and resolution of issues.

By definition, Minor country programs would be limited and usually focused on one or two sectors. Since staffing in these countries will be skeletal, detailed program proposals will not be required or expected from field staff. Programs will be formulated and based on requests from the country to assist in a particular area. The judgments of Mission staff and DCA/W Regional Bureaus would also generate program ideas which would be discussed with country representatives and help decide on areas of program concentration, limited though they would be. This program planning process ^{would take place} against an existing backdrop of previous AID experience in each country supplemented by available studies by organizations such as the UN, IBRD, IADB, IMF, NSM, plus country studies conducted by DCA/W on an as needed basis to determine where country development stood, where it was headed, and periodic reassessment of DCA funded bilateral programs. As indicated in the Minor Country Model Chapter, programs would be designed to require minimal staffing. When a project is judged feasible, an agreement will be negotiated and the project funded and implemented usually on a contract basis.

2. Washington Program Review Process

Essentially, Washington conducts two kinds of program reviews: a country review to decide program levels and composition; individual loan and grant reviews to reach a decision on whether to deny, approve, or modify field proposals. In the past, the Administrator has conducted overall reviews of a selected number of countries. The process has tended to be "briefing sessions" which in themselves are useful but

they do not filter out those issues and problems which the Administrator needs to consider. The process will be improved by delegating to the Regional Assistant Administrators the responsibility for individual country reviews. Participating in these reviews will be representatives of central staff offices. Out of this process will be filtered those issues which need to be considered by the Administrator, and issue oriented reviews will be held by him. These will need to be well staffed to be focused and decisive. In addition, the Administrator ~~must~~ decide by him program levels and allocation. Separate sessions ~~would~~ be held with the Regional Bureaus on budget levels to decide program level and composition for proposals to the President and the Budget Bureau. This modified process would result in an improved overall review process and make better use of scarce time of the Administrator, Assistant Administrators and senior staff.

3. Budget Process

The budget process will be tied to a two year program authorization with annual appropriations. Under the present system Missions submit an annual Project Budget Submission (PBS) with a detailed cost component breakdown for new and continuing technical assistance projects plus summary data on existing loan funded projects by September. Narrative project plans and justifications are submitted in individual non-capital project papers (PROPs) for grant funded activities which, once approved, do not require rejustification.

The budgeting process can be simplified as well as improved by changing the content and timing of data submitted to Washington to

48

meet DCA/W's legitimate needs for budget information on which to base decisions on the proposed Executive Branch budget submission to the Budget Bureau and Operating Year allocation of resources.

In the proposed system, Major Missions will submit to DCA/W summary budget information in the form of tables with brief narrative justifying the level requested for continuing and new projects. These would be by sector category since the new appropriation structure will be arranged by sector (Agriculture, Education, Health and Population, etc.). It would be a much abbreviated submission. At this stage it would not contain "E-1" data for each project since this level of detail is neither used nor digestible in arriving at initial proposed budget levels to the President. This summary information would be submitted as Section III of the CFS and cover all forms of assistance. It would be the basis for discussion with the Budget Bureau and for preparation of the DCA Program Memoranda to the BOB.

In effect, Washington has the ability to only use (and indeed only needs) summary budget information at this stage to make overall decisions on allocations and present the Agency budget to the BOB. On the basis of this information, the Budget Bureau will give a budget level or "mark" to DCA (usually about December 15-January 15) with which it must adjust the program.

Later in the FY, about January 15 to February 15, depending on the timing of the BOB "mark," Major Missions would be required to submit detailed tabular and narrative information as required to prepare the annual Congressional Presentation. This information in terms of content

and format would be designed to minimize DCA/W workload in converting it into a Congressional Presentation document. This would conserve DCA/W time in what has previously been a very time consuming operation.

The budget data submitted both in summary with the CFS around June 1, and in detail for the Congressional Presentation around February 1, will in the aggregate require less detail and work than formerly. Data will be concentrated on the budget year (for a two year authorization). CFS data will be sufficient for DCA/W to decide on tentative allocations of program resources among regions and countries. It will allow Washington to send more definitive guidance to the field for preparation and later submission of the Congressional Presentation and avoid redoing a highly detailed fall submission from the field tied only to a proposed program level which is quickly invalidated by reduced BOB program allowances.

The Congressional Presentation will be developed from an annual project budget submission, which all field missions will submit. Minor Missions would submit a simpler version based on its smaller program. The PBS will conform to the amount that DCA/W has authorized. Less change would be required on proposed budgets than at present. Individual activities would be funded for more than one year: short projects (up to three years) for their life, and longer projects for two years. This assumes adequate funds are available to forward fund.

The proposed budget request process means that planning would need to be done more carefully for two to three years ahead. A certain portion of Agency funds, however, would need to be reserved for unanticipated development activities within the framework of the country

program. This is particularly true in the non-major countries whose requests would originate with the LDC, and where the approach is oriented towards quicker impact.

The phase-over to the new budget process would be accomplished gradually and would not disrupt the basic program. Given an annual 15% increase in across-the-board fund levels, the increase would be applied toward (a) funding as many projects as possible for two to three years or for the life of the project for three year activities, and (b) building up an increased analytical capability on DCA/W. Some savings would be realized from reduction in overseas DA staff and those could also be applied to longer forward funding. A complete phase-over will take approximately four years, by which time all activities would be funded for an extended period giving the Agency more flexibility in planning and implementation.

4. Congressional Presentation

The Congressional Presentation will be restructured to fit new sectoral appropriations. Country programs will be presented in terms of overall aid objectives as at present, but also ^{by}/sector with corresponding tabular data. Technical assistance project data will be simplified to bring it in line with the concept of ^{the}/PROP system in which projects are justified to Washington only when they are new or substantially modified. This would mean that instead of individual annual narratives, and data sheets for each new and continuing project, narrative justifications would be presented only for new projects. For continuing projects only summary budget information would be provided

to the Congress. This approach will be discussed with Appropriation Committee staff. If agreement is reached, this would mean that Agency witnesses would need considerably less backup material on individual technical assistance projects. If detailed questions arose, the information would be provided later for the record. This approach makes sense for both the Congress and DCA: Congress will have the opportunity to focus more on overall goals, strategy, program mix and proposed new project activities; DCA will similarly concentrate its efforts on these important areas rather than spending disproportionate effort on the smallest component of foreign assistance. This approach also imposes a responsibility on DCA to candidly tell the Congress when substantial change is contemplated in a project either in substance, funding or planned completion date. Unless Congressional trust can be developed by demonstration that DCA is straightforward in its presentation, this system will fail.

An alternative approach to the Congressional Presentation may also be required if agreement cannot be reached on the above approach with the Appropriations Committee. Alternatively, technical assistance projects might be presented and justified only in the year in which new obligational authority is required. If projects are forward funded two years rather than one year as at present, there would still be some marginal simplification in the system.

5. Program Review, Approval and Implementation Process

While major and non-major missions would have different levels of capability for reviewing proposed activities, it is fair to say that

in both cases DCA/W would be more involved than it is at present. Analytical staffs in Washington would be broadened to provide for functional specialists in all areas that the Agency would work on, as well as people who could perform economic studies of sectors and whole economies (though it is recognized that such people are hard to get). Activities would be reviewed both in DCA/W and in the field, primarily on the basis of what they were to do and how they were to do it, rather than whether they were loans or grants. In present AID practice the form of funding for an activity rather than what the project is designed to accomplish governs the kind of review process followed. Appropriate technical review in both Major Missions and DCA/W should be given to every project proposed whether loan or grant funded.

Proposals from Minor countries would be examined first by the DCA representative and his staff. Promising ones would be forwarded to DCA/W. If Washington review indicated that the proposal appeared worthwhile, a team would be sent to the country to perform a feasibility study. The procedure would be the same for both capital and technical assistance projects and sector loans. Program assistance, per se, would normally not be extended to Minor countries. However, if it was, a similar procedure would be followed.

Proposals from Major countries would be reviewed thoroughly in the field prior to submission to Washington for approval.

The Washington review process would begin in the Regional Bureaus. Regional AA's will have authority to approve new activities up to

\$2 million. Activities over this amount would be approved by the Administrator or his Deputy. A key to effective operation in the small countries where the emphasis will be on country requests for assistance, will be fast DCA reaction. However, this assumes that new activities such as small self-help projects will be permitted by the Congress. Authority should be given to small Missions to spend up to \$25 thousand and Major Missions to \$50 thousand for self-help, or quick impact type projects.

DCA/W authorized loan and grant projects would be agreed to with the recipient country using a revised bilateral instrument called the "Development Assistance Agreement." Agreements would cover the life of the project and spell out in sufficient detail goals, inputs and outputs, contributions by the LDC and USG, and timing. Appropriate conditions precedent would be included. Loan funded activities would be funded for project life with disbursements geared to expenditure requirements. Grant funded activities would be funded on a two or three year basis as earlier indicated and obligated unilaterally by the Mission based on the Development Assistance Agreement. For grant funded activities this procedure will avoid annual processing of project agreements and multi-amendments between the Mission and recipient government. It will result in better understanding of project goals, objectives and requirements. It will encourage the LDC to do a better job of considering its overall foreign assistance needs and managing its projects.

The basis for planning and seeking Washington approval for projects would continue to be existing documentation. However, for projects with split loan/grant funding requirements, only one documentation process would be used depending on the nature of the project. This will avoid the tendency towards separate consideration of the loan and grant pieces of a single project.

In most cases, the Development Assistance Agreement would call for a contract, either a B-6 type or a DCA contract. In negotiating, one of the first tasks assigned would be the development of a Project Implementation Plan (PIP). Such a schedule, to be developed jointly by the Agency (or the Borrower/Grantee) and the contractor, would lay out in detail the tasks to be accomplished and the amounts of time needed for each. Modern scheduling and control techniques, such as milestone reporting (for technical assistance) and PERT/CPM (for capital projects) would also be used to provide the means for effective control. The use of such techniques is needed to maximize the effectiveness of a small number of project monitors in the Minor field submissions.

Evaluation of project progress would be the prime responsibility of the direct hire monitor. Projects would be reviewed once each year, or at least each time new funding is requested. Evaluation teams would be made available from DCA/W if requested. These teams would recommend whether a project should be continued, changed in scope, or terminated. They would also conduct final evaluations of completed projects.

5

The Major Missions would retain larger DH staffs and would, therefore, have the ability to conduct certain types of analyses in their countries. Although proposals for new activities would originate in many cases with the country government, in other cases the Mission would propose activities that would support DCA objectives and country development needs. The Mission would ordinarily have the capacity to determine whether a proposal was feasible and it could recommend approval or disapproval to DCA/W. In cases where a Mission did not have the particular technical skills needed to evaluate a proposal, it could be sent to Washington or a team from DCA/W could be dispatched to the field to analyze the situation. Implementation, as in the case of Minor countries, would ordinarily be by a contractor with monitoring by the Missions' project manager.

D. Other Program Considerations

A number of other elements bear consideration within the context of the programming system. While these are not the basic elements of the system, they are important foreign assistance components and merit some discussion.

1. PL H80 Program

It is assumed that the sales program (Title I) would be administered much as it is today. However, more emphasis should be placed on program analysis, planning and review. Title II needs to be reconsidered. With the reduction and concentration of program emphasis areas in the non-major countries, Title II projects in child feeding, community

and economic development (Food for Work) and nutrition could take on added importance because of the dollar volume of the commodities involved. DCA should have a stronger role in programming Title II food projects than AID has done. DCA field representatives should monitor the Volags and Cooperating Governments who are carrying out the Title II Projects. This can be done through a somewhat simplified PROP-PIP-PAR system, tailored to the needs of Title II projects.

2. Local Currency

There will continue to be significant US owned, US Use and Country Owned, Country use local currency for DCA programming. The programming of US controlled foreign currency may be even more important than before in many LDC's. DCA program officers should work closely with the LDC government in effectively programming such available funds and the borrower-grantee contracts which result should be followed closely, if not monitored directly, by DCA personnel.

3. Coordination with Other Donors

DCA will need to seek closer working relationships with multi-lateral institutions such as IBRD, regional banks, the UNDP and its family of specialized agencies. This will be most true in the non-major countries where DCA will confine itself to only a few areas, and it will be very important to avoid overlaps with other donors. The World Bank is already a strong force for development, and if the Jackson Report recommendations are implemented, the UNDP will also become a more potent force.

4. Sector Loans

Sector loans are a relatively new and increasingly important type of bilateral assistance, and it is anticipated that DCA will utilize the approach more than AID has done to date. It will be necessary, however, for the new Agency to develop policy guidelines concerning sector loans, and also to analyze their staffing implications, for while they are very effective in combining several forms of assistance, experience has shown that they require extensive staff resources. The reason is that sector loans essentially involve three types of activity: (a) sector analysis to determine the overall need for generalized assistance and to relate the target sector to the overall economy; (b) program loans, with all the details of resource transfer and its administration; and (c) technical assistance to insure that the local currency generated from the sale of program commodities is used effectively in the target sector. The three types of activities require different skills to administer, and might be impractical to administer in a smaller mission.

5. Documentation

With a shift to contractor implementation the PIP will become more important, and it would be the prime management tool of the project monitor in the mission. Contracts should require preparation of a PIP type document and periodic progress reports against it. If each project were carried out by a contractor, the need for PIO/C's and PIO/P's would be virtually eliminated for all would fall within the scope of the contract. The PAR document would be important and it (or a similar document) would be broadened to cover capital assistance projects.

Administrative documentation and management reports which would be produced indirectly from the programming system have not been considered for the purpose of this report, but it is assumed that various types of management information would flow from the system and that up-to-date data processing techniques and equipment would be used to the fullest extent.

WFO:don:lal
1/21/70

UNITED STATES GOVERNMENT

Memorandum

LIMIT DISTRIBUTION

TO : Sec Distribution

DATE: January 23, 1970

FROM : AA/A, James M. Keato *JMC*

SUBJECT: Papers on DCA

Attached are two papers which relate to the DCA proposal which we will be considering Monday afternoon. I'd appreciate any comments you may have on either one.

Attachment 1 is an analysis which I did on AID Staffing and Workload, 1962-1969.

Attachment 2 is an analysis of staff requirements in Washington which was developed by Dave McMakin.

Enclosures:
as stated

DISTRIBUTION:

A/AID, Mr. R. M. Poats
A/AID, Mr. C. W. Kontos
AA/NESA, Mr. C. Farrar
AG, Mr. E. Tennant
A/MP, Mr. M. F. DeAngelis
EA/DP, Mr. C. Breecher
LA/OPS, Mr. W. Perks
AG, Mr. J. Benz
PPC/PPBS, Mr. W. Muldoon
A/MP, Mr. C. D. McMakin

AID STAFFING AND WORKLOAD HISTORY

1962-1969

STAFFING :

SEA staff in the field and Washington shot up by 250%. AID/W, other than SEA, increased by 25%, after peaking to plus 42% in 1967. Overseas, other than SEA, has been cut back sharply by 36%. The SEA increase is due entirely to the war.

Because of the numerous organization changes in AID/W, we have not been able to trace the increase in Washington in the time available.

Some of the considerations related to the increase are: emphasis on Public Safety; the Johnsonian initiatives which created the War on Hunger Office which has carried over to the new Technical Assistance Bureau; increased attention to evaluation, audit, compliance and surveillance; the creation and growth of PRR; growth in the Controller's Office and procurement activities related to new barnacles and the great balance of payments push; the overall effect of the massive increases in capital assistance loans which replaced the simpler grant arrangement and cash transfers and the growing complexity of lending procedures; and overall bureaucratization of operations.

Overseas (other than SEA) was cut back primarily by closing out programs or eliminating full-fledged missions in small countries. These actions accounted for 80% of the total cut and can be attributed as follows:

- Graduates: e.g., Iran (-811), Greece (72), China (482)
- Happenstance: e.g., Cambodia (490), Libya (261), Sudan (169)
- Legislation: e.g., about 150 from the African states eliminated by the Fulbright country limitations.

Otherwise, overseas activities exhibited considerable stability in the use of staff. The major countries were cut back by 9% in total with some going up -- e.g., Brazil, Colombia, D. R., India, Nigeria -- and others, e.g., Indonesia, Chile, Korea, Pakistan, Turkey -- going down. Most of the cut was taken in AID direct-hire (down 18%), and AID direct-hire locals (down 7%) with PASA and contract remaining even. However, there are strong indications that the "hard-core" management staff was protected from sharp cuts (down only 3%) with the cuts being taken in D.H. US Technicians. This was done in several ways: switching projects from D.H. implementation to PASA and contract; eliminating some projects; slimming down projects to fewer technicians. The minor countries behaved very similar to the major group except that the locals were cut 26% primarily by buying services from the local market rather than hiring locals on the staff.

WORKLOAD STATISTICS :

In overall terms, the general trends of our available workload statistics relate to the staffing changes. But the workload statistics may be subject to some gross errors in fact and judgement for a number of reasons.

Gross obligations for Capital and Project Assistance have been cut sharply -- 18%. The sharpest cut has been in capital project assistance -- 80% -- followed by technical assistance -- 46%, and program assistance -- 4%. The trend lines are fairly smooth, except that all of the TA cutback was accomplished by 1965 and has remained fairly constant since then. The major countries have had capital project assistance cut back by 80%, but only modest cuts in program (26%) and technical (23%). The minor countries have had program assistance virtually eliminated and have had capital projects cut back 53% and technical 32%. Obligations have almost been eliminated in the phase-out countries.

Interestingly, other indicators vary from the obligation patterns. Overall the number of active TA projects (W-253 definition) declined only 25% overall; 7% in the major; 19% in the minor, and 41% in the phase-out. The differences might be explained by definitional changes in W-253 reporting over the years. But AID's technical services contracts (after eliminating interpreters and worldwide contracts) are way up. Fifty percent overall: 88% in the major; 70% in the minor, and down 12% in the phase-out. These figures include contracts for services other than strict technical assistance (e.g., Section 214 support) but the trends are interesting and probably valid.

Active project loans show a remarkable increase. Although up only 12% overall, major countries have had a 257% increase and minor countries 653%, and down 92% in the phase-out. Loans instead of

grants have become the almost exclusive means of providing capital projects assistance and loans over the years have grown exceedingly difficult and time-consuming.

Active Program Loans have also shot up: 2140% overall; 2175% in the majors; from none in 1962 to six in 1969 in the minors; and by 1300% in the phase-out, although a new loan hasn't been made since 1967 in this category. Once again the complex program loan device with all of its balance-of-payments machinations have replaced the earlier cash transfer or commodity grant.

As might be expected, the loan portfolio has also grown sharply by 286% overall; 443% in the majors; 364% in the minors; and 190% in the phase-outs.

Participant Arrivals have remained fairly constant -- down ~~18~~⁷% but up ²5% in the majors and up ³% in the minors.

Barnacles are still being worked on. We estimate somewhere in the neighborhood of 1000 manyears devoted to barnacle management.

Barnacles have increased in number and complexity over the years and focus directly on the ever-growing loan area.

Some conclusions seem obvious:

- We've cut back our non-SEA staffing by getting out of countries entirely or eliminating formal missions;
- We've attempted to protect our "hard core" management staff in the field, but clipped away at the edges, probably too much in the face of an increasingly large and complicated method of operations.

- We've let Washington grow disproportionately, but probably in response to important, irresistible "new initiatives" and "new barnacles".

- We've tended to protect the number of activities we have underway in the face of shrinking money by cutting our length of project funding and our total effort in the project itself.

Attachments A, B, C provide some backup to the above.

JMKEARNS/kristensen
1/23/70

D
R
A
F
T

65

AID 1962 - 1969

PERCENTAGE CHANGE IN SELECTED FACTORS

OVERSEAS ONLY - SEA EXCLUDED

	<u>O/S</u> <u>Total</u>	<u>Major</u> <u>Ctys</u>	<u>Minor</u> <u>Ctys</u>	<u>P.O.</u> <u>Ctys</u>
Americans o/s	-28%	-12%	-9%	-87%
US DH o/s	-42%	-13%	-14%	-95%
CA Proj Obs	-80%	-80%	-53%	-99%
CA Proj Pipe	-22%	-14%	-5%	-80%
Active Proj Loans	+12%	+257%	+653%	-92%
Prog Asst Obs	-45%	-26%	-99%	-99%
Prog Asst Pipe	+25%	+60%	-64%	-99%
Active Prog Loans	+2140%	+2175%	+ *	+1300%
Loan Portfolio	+286%	+443%	+364%	+190%
TA Obs	-46%	-23%	-32%	-99%
TA Pipe	+14%	+60%	+20%	-75%
TA Active Proj	-25%	-7%	-19%	-41%
TA Conts**	+50%	+88%	+70%	-12%
Participants	5%	+35%	-15%	-9%
	-1870	+2570	+370	-8770

*base was 0 which increased to 6
 **1962 through 1968

Attachment A

Overseas Staff except SEA - includes DH, PASA & TA Cont. & D.U. Locals

^{5W}
Total: US DH, PASA & CONT: FH, DH:

reduced from 12,694 in 1962 to 8,257 in 1969. This is 35.7%.

The trend line of reductions is steady after an increase of 13,147 in 1963 with the sharpest decline from '68 to '69.

U.S. DH, PASA & CONT

reduced from 5,285 in 1962 to 3,804 in 1969. This is 28%.

Americans reduced account for 1/3 of the total reduction but were 41% of the total staff in 1962. The trend line went down slightly from 1962 to 1963, peaked at 5346 in 1965 and then declined steadily to 1969.

U.S. DH

reduced from 3466 in 1962 to 2011 in 1969. This is 42%. U.S. direct-hire reduced account for 1/3 of the total reduction and all of the American reduction. U.S. direct-hire were less than 1/4 of the total staff in 1962. U.S. direct-hire went down in a straight line except for a peak in 1967. (why?)

U.S. PASA and contract started and ended the period with virtually no change: contract 1355 at start and finish. PASA from 464 to 438.
Contract peaked at 2533 in '66; PASA at ⁶⁹⁰ ~~438~~ in 1967.

Attachment B

Local Staff

reduced from 7409 in 1962 to 4453 in 1969. This is 40%. Locals reduced account for 2/3 of the total reduction but were only 59% of the total staff in 1962. Locals went up in '63 to 8068 then went down steadily and evenly to 1969.

16 Major Ctys

Total Staff: US DH, PASA & CONT & FH DH.

reduced from 5603 in 1962 to 5097 in 1969. This is 9%. Major ctys total staff reduction was 11% of the total reduction but accounted for 44% of the total staff in 1962. The total staff in the 16 major ctys went up to 6172 in 1963 and then began a slight but steady decline to 1968 then dipped sharply in 1969. Within the aggregate, individual countries varied considerably: Brazil + 152; CA + 96; Columbia + 145; DR + 176 after peaking to + 300 in '68; India + 220; Nigeria + 238 after peaking to + 500; Chile - 83; Ethiopia - 83; Indonesia - 531; Korea - 516; Pakistan - 219; Turkey - 105. Congo, Ghana Morroco & Tunisia had small ^{dozen} dozen.

U.S. Total - DH, PASA, Contract

reduced from 2509 in 1962 to 2209 in 1969. This is 12%. Americans accounted for 59% of all reductions in the major countries but were only 45% of the major city base in 1962. Americans in the major countries accounted for but 7% of the total reductions but were about 20% of the total base in 1962. The trend line is quite uneven,

many ups and downs. However, only six countries had changes of more than 50 during this period: Columbia + 113, DR + 111, India + 142, Indo - 254, Korea - 94, Turkey - 88. However, nine countries in total went up and seven down.

U.S. Direct Hire

reduced from 1565 - '62 to 1278 - '69. This is 18%. Direct Hire Americans accounted for 57% of all reductions in the major countries but were only 30% of the base in 1962. Direct Hire Americans accounted for but 6% of the total reductions but were over 12% of the base in 1962. The reduction trend line was fairly constant with bounces up in '63 & '67 but coming down again in the following year. All of the major ctys took reductions in DH Americans except Congo + 13, DR + 46, and Nigeria + 5 (after going up by 80% from the base). An analysis of four of these countries: India, Korea, Brazil and Columbia indicate, very clearly that the reductions taken in direct-hire Americans were predominantly in the direct-hire project technician category (a cut of about 45%) with the hard-core manpower being cut by only 3%. These sample figures are consistent with other data we have i.e., contract and PASA although remaining constant in absolute terms represent a much higher proportion of the total; our policy to use contract & PASA first; and the pressure on direct-hire ceilings.

PASA and Contract Americans changed little in absolute terms from start to finish; both growing significantly in '66-'67 then backing off to about the starting point.

Local Staff

reduced from 3094 in 1962 to 2883 in 1969. This is 7%. Locals accounted for 41% of the major city reductions but were 55% of the base in 1962. Locals in the major countries accounted for but 5% of the total reduction but were about 1/4 of the base in 1962. The reduction trend line was steady after a peak in 1963. Variations within individual countries are highly significant. Seven countries had increases: India 78, Columbia 32, DR 65, Nigeria 199, Brazil 126, CA 61, Tunis 20. Nine countries had decreases: Congo 7, Morocco 26, Ghana 8, Chile 65, Pakistan 74, Ethiopia 33, Turkey 21, Korea 322 and Indonesia 277. In general, local movement followed the total American movement in a reasonable manner. When DH Americans reduced, locals still went up if all Americans went up. This suggests that locals supported PACA and contract Americans and may also have taken over hard-core work formerly done by D.H. Americans.

There are notable exceptions:

- Nigerian locals increased by 199 while total Americans went up only 49, and DH US + 5.
- Brazil locals increased by 126 while all Americans went up 36 and DH Americans went down 17.
- Central America locals went up 61 while all Americans went up 35 and DH went down 22. (It looks like Brazil is way out of line with a former local build up with Americans not adjusting itself or Americans coming down. Nigeria also built up and didn't come down. CA may have replaced some DH with locals.)

Handwritten notes:
1/10/69
1/10/69
1/10/69

The Minor Countries

Total Staff

reduced from 3283 in 1962 to 2883 in 1969. This is 13%. Minor
ctys total staff reduction was 9% of the total reduction but was
26% of the 1962 base. The trend line in the minor ctys increased
to 4175 in 1965 and then began a fairly even decline. Eight of
the minor countries increased in total size but only Tanzania 74
and Uganda 56 by sizeable amounts. Eight decreased with sizeable
cuts in Afghanistan 281, Nepal 320, Paraguay 103 & Liberia 233.
There are nine non-country units in this figure of which two went
down a little and 7 increased with EA ^{Africa} Reg 157, Non-Reg 93, Africa
Reg 63, all moving up by a sizeable amount.

US DH, PASA & Contract

increased from 1275 in 1962 to 1403 in 1969. This is 9%. Americans
in this category offset other cuts taken by 1% and accounted for
10% of the total base in 1962. The trend line fluctuates up and
down through 1967 and then comes down to the final figure.
Decreases in Americans took place in six of the 16 countries, and
2 of the regional groups with large decreases in Afghanistan - 185,
Liberia - 69, and Jordan -43. Increases occurred in 10 of the
countries and 7 of the non-~~regional~~ ^{Country} groups with large increases in
Tanzania- 52, East Afr Reg.- 141, Non-Reg - 53 and Afr Regional - 58.

U.S. Direct Hire:

reduced from 792 in 1962 to 680 in 1969. This is 14%. Direct Hire
reductions in the small countries accounted for 3% of the total
reductions while representing 7% of the 1962 base. The trend line
increase to 64 then comes down evenly. Twelve of the 16 countries

U.S. DH

reduced from 1109 in 1962 to 53 in 1969. This is 95%. Phase out US DH accounted for 30% of the total reductions but were only 12% of the base.

FN

reduced from 2307 to 1962 to 85 in 1969. This is 96%. Phase out US DH accounted for 50% of the total reduction but were only 18% of the base in 1962.

WORKLOAD STATISTICS

I. GROSS OBLIGATIONS - CAPITAL, TECHNICAL, PROGRAM ASSISTANCE

Reduced from \$2.108 billion in 1962 to .889 bil in 1969. This is 53%. Project assistance was reduced by about 70% while program assistance was cut back only 45%. Within project assistance, capital assistance cut back about 80%, and technical assistance only 46%. The trend lines for project and program assistance reduction are fairly smooth. But technical assistance dropped sharply (about 47%) to 1965 and then remained fairly even through 1969.

The Major Countries suffered a sharp cutback in capital project obligations (80%) and more modest cuts in program (26%) and technical (23%) assistance obligations.

The Minor Countries had program assistance virtually eliminated and suffered a 53% cut in capital project assistance and 32% in technical assistance.

The Phase-Out Countries drop was close to 100% in all assistance categories.

II. PIPELINE

The total end-year pipeline has been reduced slightly -- about 7%. Both program (25%) and technical (14%) end-year pipeline are up. The total pipeline grew steadily until 1966 and then began to decline.

The Major Countries increased their program and technical assistance pipeline by 60% each, but had a 14% reduction in capital project pipeline.

The Minor Countries increased only in their technical assistance project pipeline 20% dropping off 64% in program and 5% in capital projects.

The Phase-Out Countries have only a small pipeline left -- mainly in capital projects.

III. TECHNICAL ASSISTANCE PROJECTS

Using the W-253 report (most consistent set of data but probably relatively understated in years 1962 through 1965 compared to 1966 through 1969) as a source, AID's inventory of active technical assistance projects (units of management, field basket basis) declined by about 25% from 1962 to 1969.

The Major Countries suffered a reduction of only 7%; the Minor Countries 19% and the Phase-Out Countries 41%.

IV. CONTRACTS FOR TECHNICAL SERVICES

The number of AID direct contracts for technical services went up by 50% from 1962 to 1968. In the Major Countries, contracts increased 88% in the Minor Countries +70%, but went down 12% in the Phase-Out Countries. Actually, the minor country figures are probably overstated and phase-out understated because some phase-out country contracts now handled by regional offices in Africa show up in the phase-out category.

75

V. LOANS

The number of active project loans has grown modestly by 12% from 1962 to 1969. The number of program loans has grown dramatically by 2140% -- from 5 in 1962 to 112 in 1969 but are still relatively few in absolute terms. The inactive loan portfolio has grown almost three-fold, up 286% since 1962.

In the Major Countries, loans are up sharply; 257% in project; 2175% in program; and 443% in the portfolio.

In the Minor Countries, loans are also up: 653% in project; from 0 to 6 in program and 364% in the portfolio.

In the Phase-Out Countries, only project (92%) loans are down. Program is up 1300% and the portfolio is up 190%, but there has been no new program assistance loans since 1967.

VI. PARTICIPANT ARRIVALS

Participants are off ^{18%} from 1962 to 1967. ~~Arrivals had~~
~~remained fairly constant from 1962 (8121) to 1969 (7694) with~~
~~a high of 9162 in 1967.~~ The major countries went up ^{25%}; the
 minor up 6, and the phase-outs down ^{87%} ~~30%~~.

At the time this is being written, the barnacles paper is incomplete. But it is clear that a large number of barnacles (about 30) and a large proportion of the barnacle workload should be correlated with the increase in loan activity -- both project and program. This would affect staff needs in the field but especially in Washington.

UNITED STATES GOVERNMENT

Memorandum

LIMIT DISTRIBUTION

TO : See Distribution

DATE: January 23, 1970

FROM : AA/A, James M. Kearns *JMK*

SUBJECT: Papers on DCA

Attached are two papers which relate to the DCA proposal which we will be considering Monday afternoon. I'd appreciate any comments you may have on either one.

Attachment 1 is an analysis which I did on AID Staffing and Workload, 1962-1969.

Attachment 2 is an analysis of staff requirements in Washington which was developed by Dave McMakin.

Enclosures:
as stated

DISTRIBUTION:

A/AID, Mr. R. M. Poats
A/AID, Mr. C. W. Kencos
AA/NESA, Mr. C. Farrar
AG, Mr. E. Tennant
A/MP, Mr. M. F. DeAngelis
EA/DP, Mr. C. Brecher
LA/OPS, Mr. W. Parks
AG, Mr. J. Benz
PPC/PPBSS, Mr. W. Muldoon
A/MP, Mr. C. D. McMakin

AID STAFFING AND WORKLOAD HISTORY

1962-1969

STAFFING :

SEA staff in the field and Washington shot up by 280%. AID/W, other than SEA, increased by 25%, after peaking to plus 42% in 1967. Overseas, other than SEA, has been cut back sharply by 36%. The SEA increase is due entirely to the war.

Because of the numerous organization changes in AID/W, we have not been able to trace the increase in Washington in the time available.

Some of the considerations related to the increase are: emphasis on Public Safety; the Johnsonian initiatives which created the War on Hunger Office which has carried over to the new Technical Assistance Bureau; increased attention to evaluation, audit, compliance and surveillance; the creation and growth of PRR; growth in the Controller's Office and procurement activities related to new barnacles and the great balance of payments push; the overall effect of the massive increases in capital assistance loans which replaced the simpler grant arrangement and cash transfers and the growing complexity of lending procedures; and overall bureaucratization of operations.

Overseas (other than SEA) was cut back primarily by closing out programs or eliminating full-fledged missions in small countries. These actions accounted for 80% of the total cut and can be attributed as follows:

- Graduates: e.g., Iran (-811), Greece (72), China (482)
- Happenstance: e.g., Cambodia (490), Libya (261), Sudan (169)
- Legislation: e.g., about 150 from the African states eliminated by the Fulbright country limitations.

Otherwise, overseas activities exhibited considerable stability in the use of staff. The major countries were cut back by 9% in total with some going up -- e.g., Brazil, Colombia, D. R., India, Nigeria -- and others, e.g., Indonesia, Chile, Korea, Pakistan, Turkey -- going down. Most of the cut was taken in AID direct-hire (down 18%), and AID direct-hire locals (down 7%) with PASA and contract remaining even. However, there are strong indications that the "hard-core" management staff was protected from sharp cuts (down only 3%) with the cuts being taken in D.H. US Technicians. This was done in several ways: switching projects from D.H. implementation to PASA and contract; eliminating some projects; slimming down projects to fewer technicians. The minor countries behaved very similar to the major group except that the locals were cut 26% primarily by buying services from the local market rather than hiring locals on the staff.

WORKLOAD STATISTICS :

In overall terms, the general trends of our available workload statistics relate to the staffing changes. But the workload statistics may be subject to some gross errors in fact and judgement for a number of reasons.

Gross obligations for Capital and Project Assistance have been cut sharply -- 87%. The sharpest cut has been in capital project assistance -- 80% -- followed by technical assistance -- 46%, and program assistance -- 45%. The trend lines are fairly smooth, except that all of the TA cutback was accomplished by 1965 and has remained fairly constant since then. The major countries have had capital project assistance cut back by 80%, but only modest cuts in program (26%) and technical (23%). The minor countries have had program assistance virtually eliminated and have had capital projects cut back 53% and technical 32%. Obligations have almost been eliminated in the phase-out countries.

Interestingly, other indicators vary from the obligation patterns. Overall the number of active TA projects (W-253 definition) declined only 25% overall; 7% in the major; 19% in the minor, and 41% in the phase-out. The differences might be explained by definitional changes in W-253 reporting over the years. But AID's technical services contracts (after eliminating interpreters and worldwide contracts) are way up. Fifty percent overall: 88% in the major; 70% in the minor, and down 12% in the phase-out. These figures include contracts for services other than strict technical assistance (e.g., Section 214 support) but the trends are interesting and probably valid.

Active project loans show a remarkable increase. Although up only 12% overall, major countries have had a 257% increase and minor countries 613%, and down 92% in the phase-out. Loans instead of

grants have become the almost exclusive means of providing capital projects assistance and loans over the years have grown exceedingly difficult and time-consuming.

Active Program Loans have also shot up: 2140% overall; 2175% in the majors; from none in 1962 to six in 1969 in the minors; and by 1300% in the phase-out, although a new loan hasn't been made since 1967 in this category. Once again the complex program loan device with all of its balance-of-payments machinations have replaced the earlier cash transfer or commodity grant.

As might be expected, the loan portfolio has also grown sharply by 286% overall; 443% in the majors; 364% in the minors; and 190% in the phase-outs.

Participant Arrivals ^{up} have remained fairly constant -- down ~~18%~~ ^{18%} but up ^{25%} in the majors and up ^{3%} in the minors.

Barnacles are still being worked on. We estimate somewhere in the neighborhood of 1000 manyears devoted to barnacle management.

Barnacles have increased in number and complexity over the years and focus directly on the ever-growing loan area.

Some conclusions seem obvious:

- We've cut back our non-SEA staffing by getting out of countries entirely or eliminating formal missions;

- We've attempted to protect our "hard core" management staff in the field, but clipped away at the edges, probably too much in the face of an increasingly large and complicated method of operations.

+15?

81

- We've let Washington grow disproportionately, but probably in response to important, irresistible "new initiatives" and "new barnacles".

- We've tended to protect the number of activities we have underway in the face of shrinking money by cutting our length of project funding and our total effort in the project itself.

Attachments A, B, C provide some backup to the above.

JMKEARNS/kristensen
1/23/70

D
R
A
F
T

82

AID 1962 - 1969

PERCENTAGE CHANGE IN SELECTED FACTORS

OVERSEAS ONLY - SEA EXCLUDED

	<u>O/S</u> <u>Total</u>	<u>Major</u> <u>Ctys</u>	<u>Minor</u> <u>Ctys</u>	<u>P.O.</u> <u>Ctys</u>
Americans o/s	-28%	-12%	-9%	-87%
US DH o/s	-42%	-13%	-14%	-95%
CA Proj Obs	-80%	-80%	-53%	-99%
CA Proj Pipe	-22%	-14%	-5%	-80%
Active Proj Loans	+12%	+257%	+653%	-92%
Prog Ass Obs	-45%	-26%	-99%	-99%
Prog Ass Pipe	+25%	+60%	-64%	-99%
Active Prog Loans	+2140%	+2175%	+ *	+1300%
Loan Portfolio	+286%	+443%	+364%	+190%
TA Obs	-46%	-23%	-32%	-99%
TA Pipe	+14%	+60%	+20%	-75%
TA Active Proj	-25%	-7%	-19%	-41%
TA Conts**	+50%	+88%	+70%	-12%
Participants	0% -18%	0% +25%	0% + 3%	0% -87%

*base was 0 which increased to 6
 **1962 through 1968

Attachment A

87

Overseas Staff except SEA - includes DH, PASA & TA Cont. & D.H. Locals

Total: US DH, PASA & CONT: ^{FN} FH DH:

reduced from 12,694 in 1962 to 8,257 in 1969. This is 35.7%.

The trend line of reductions is steady after an increase of 13,147 in 1963 with the sharpest decline from '68 to '69.

U.S. DH, PASA & CONT

reduced from 5,285 in 1962 to 3,804 in 1969. This is 28%.

Americans reduced account for 1/3 of the total reduction but were 41% of the total staff in 1962. The trend line went down slightly from 1962 to 1963, peaked at 5646 in 1965 and then declined steadily to 1969.

U.S. DH

reduced from 3466 in 1962 to 2011 in 1969. This is 42%. U.S. direct-hire reduced account for 1/3 of the total reduction and all of the American reduction. U.S. direct-hire were less than 1/4 of the total staff in 1962. U.S. direct-hire went down in a straight line except for a peak in 1967. (why?)

U.S. PASA and contract started and ended the period with virtually no change: contract 1355 at start and finish. PASA from 464 to 438. Contract peaked at 2533 in 66; PASA at ⁶⁷⁰ 649 in 1967.

Attachment B

Local Staff

reduced from 7409 in 1962 to 4453 in 1969. This is 40%. Locals reduced account for 2/3 of the total reduction but were only 59% of the total staff in 1962. Locals went up in '63 to 8068 then went down steadily and evenly to 1969.

16 Major Ctys

Total Staff: US DH, PASA & CONT & FH DH.

reduced from 5603 in 1962 to 5097 in 1969. This is 9%. Major ctys total staff reduction was 11% of the total reduction but accounted for 44% of the total staff in 1962. The total staff in the 16 major ctys went up to 6172 in 1963 and then began a slight but steady decline to 1968 then dipped sharply in 1969.

Within the aggregate, individual countries varied considerably:

Brazil + 152; CA + 96; Columbia + 145; DR + 176 after peaking to + 300 in '68; India + 220; Nigeria + 238 after peaking to + 500; Chile - 83; Ethiopia - 83; Indonesia - 531; Korea - 516; Pakistan - 219; Turkey - 105. Congo, Ghana Morocco & Tunisia had small ^{changes} dozen.

16 Major Ctys

U.S. Total - DH, PASA, Contract

reduced from 2509 in 1962 to 2209 in 1969. This is 12%. Americans accounted for 59% of all reductions in the major countries but were only 45% of the major cty base in 1962. Americans in the major countries accounted for but 7% of the total reductions but were about 20% of the total base in 1962. The trend line is quite uneven,

5

many ups and downs. However, only six countries had changes of more than 50 during this period: Columbia + 113, DR + 111, India + 142, Indo - 254, Korea - 94, Turkey - 88. However, nine countries in total went up and seven down.

U.S. Direct Hire

reduced from 1565 - '62 to 1278 - '69. This is 18%. Direct Hire Americans accounted for 57% of all reductions in the major countries but were only 30% of the base in 1962. Direct Hire Americans accounted for but 6% of the total reductions but were over 12% of the base in 1962. The reduction trend line was fairly constant with bounces up in '63 & '67 but coming down again in the following year. All of the major ctys took reductions in DH American except Congo + 13, DR + 46, and Nigeria + 5 (after going up by 80% from the base). An analysis of four of these countries: India, Korea, Brazil and Columbia indicates very clearly that the reductions taken in direct-hire Americans were predominantly in the direct-hire project technician category (a cut of about 45%) with the hard-core manpower being cut by only 3%. These sample figures are consistent with other data we have i.e., contract and PASA although remaining constant in absolute terms represent a much higher proportion of the total; our policy to use contract & PASA first; and the pressure on direct-hire ceilings.

PASA and Contract Americans changed little in absolute terms from start to finish; both growing significantly in '66-'67 then backing off to about the starting point.

Local Staff

reduced from 3094 in 1962 to 2883 in 1969. This is 7%. Locals accounted for 41% of the major city reductions but were 55% of the base in 1962. Locals in the major countries accounted for but 5% of the total reduction but were about 1/4 of the base in 1962. The reduction trend line was steady after a peak in 1963. Variations within individual countries are highly significant. Seven countries had increases: India 78, Columbia 32, DR 65, Nigeria 199, Brazil 126, CA 61, Tunis 20. Nine countries had decreases: Congo 7, Morocco 26, Ghana 8, Chile 65, Pakistan 74, Ethiopia 33, Turkey 21, Korea 322 and Indonesia 277. In general, local movement followed the total American movement in a reasonable manner. When DH Americans reduced, locals still went up if all Americans went up. This suggests that locals supported PASA and contract Americans and may also have taken over hard-core work formerly done by D.H. Americans.

There are notable exceptions:

- Nigerian locals increased by 199 while total Americans went up only 49, and DH US + 5.
- Brazil locals increased by 126 while all Americans went up 36 and DH Americans went down 17
- Central America locals went up 61 while all Americans went up 35 and DH went down 42. (It looks like Brazil is way out of line with a former local build up with Americans not adjusting itself or Americans came down. Nigeria also built up and didn't come down. CA may have replaced some DH with locals.)

The Minor Countries

Total Staff

reduced from 3283 in 1962 to 2883 in 1969. This is 13%. Minor cty's total staff reduction was 9% of the total reduction but was 26% of the 1962 base. The trend line in the minor cty's increased to 4175 in 1965 and then began a fairly even decline. Eight of the minor countries increased in total size but only Tanzania 74 and Uganda 56 by sizeable amounts. Eight decreased with sizeable cuts in Afghanistan 281, Nepal 320, Paraguay 103 & Liberia 233. There are nine non-country units in this figure of which two went down a little and 7 increased with EA Reg 157, Non-Reg 93, Africa Reg 63, all moving up by a sizeable amount.

US DH, PASA & Contract

increased from 1275 in 1962 to 1403 in 1969. This is 9%. Americans in this category offset other cuts taken by 1% and accounted for 10% of the total base in 1962. The trend line fluctuates up and down through 1967 and then comes down to the final figure. Decreases in Americans took place in six of the 16 countries, and 2 of the regional groups with large decreases in Afghanistan - 185, Liberia - 69, and Jordan -43. Increases occurred in 10 of the countries and 7 of the non-^{Country}regional groups with large increases in Tanzania- 52, East Afr Reg.- 141, Non-Reg - 53 and Afr Regional - 58:

U.S. Direct Hire:

reduced from 792 in 1962 to 680 in 1969. This is 14%. Direct Hire reductions in the small countries accounted for 3% of the total reductions while representing 7% of the 1962 base. The trend line increase to 64 then comes down evenly. Twelve of the 16 countries

98

decreased in direct hire Americans (but 5 increased in total Americans at the same time) while only 4 increased. The increases were small. Liberia cut 55 US DH; Afghan, Jordan, Nepal and Ecuador about 30 each. Five of the ~~non-regionals~~ ^{non-countries} went up and 4 down, with the ^{non-}non-regional group s owing a large increase of 53.

Foreign Nationals

reduced from 2008 in 1969 to 1480 in 1962. This is 26%. Locals accounted for the entire cut in this category (9%) but that figure includes an increase in Americans. Locals in this category accounted for 12% of the total staff reductions. Locals peaked in 1969 then trended downward fairly evenly. Ten of the countries showed decreases with Afghan-96, ~~Raxaxgumxxxx92,xtakixxmanxxxxlarge~~ Nepal-293 and Liberia-164, Paraguay-92, taking very large cuts. (Nepal did a good bit of this by buying local services under contract instead of hiring directly. Presumably others did likewise.) Six of the countries and all but one of the ~~non-regional~~ ^{non-countries} increased in locals with ~~now~~ ^{more} very large in absolute terms.

Phase Out Countries

reduced from 3808 in 1962 to 277 in 1969. This is 93%. Phase out countries accounted for 80% of the total cut but were only 30% of the base in 1962. The trend lines show sharpest reductions in the earlier years and then slow down: Cambodia-490, China-482, Greece-72, Iran-811, Libya-261, Sudan-169, UAR-112, Yemen-189, plus many African countries.

U.S. DH, PASA, Contract

reduced from 1501 in 1962 to 192 in 1969. This is 87%. Phase out Americans accounted for 29% of the total reductions but were about 12% of the 1962 base.

U.S. DH

reduced from 1109 in 1962 to 53 in 1969. This is 95%. Phase out US DH accounted for 30% of the total reductions but were only 12% of the base.

FN

reduced from 2307 to 1962 to 85 in 1969. This is 96%. Phase out US DH accounted for 50% of the total reduction but were only 18% of the base in 1962.

5

90

WORKLOAD STATISTICS

I. GROSS OBLIGATIONS - CAPITAL, TECHNICAL, PROGRAM ASSISTANCE

Reduced from \$2.108 billion in 1962 to .889 bil in 1969. This is 58%. Project assistance was reduced by about 70% while program assistance was cut back only 45%. Within project assistance, capital assistance cut back about 80%, and technical assistance only 46%. The trend lines for project and program assistance reduction are fairly smooth. But technical assistance dropped sharply (about 47%) to 1965 and then remained fairly even through 1969.

The Major Countries suffered a sharp cutback in capital project obligations (80%) and more modest cuts in program (26%) and technical (23%) assistance obligations.

The Minor Countries had program assistance virtually eliminated and suffered a 53% cut in capital project assistance and 32% in technical assistance.

The Phase-Out Countries drop was close to 100% in all assistance categories.

II. PIPELINE

The total end-year pipeline has been reduced slightly -- about 7%. Both program (25%) and technical (14%) end-year pipeline are up. The total pipeline grew steadily until 1966 and then began to decline.

The Major Countries increased their program and technical assistance pipeline by 60% each, but had a 14% reduction in capital project pipeline.

The Minor Countries increased only in their technical assistance project pipeline 20% dropping off 64% in program and 5% in capital projects.

The Phase-Out Countries have only a small pipeline left -- mainly in capital projects.

III. TECHNICAL ASSISTANCE PROJECTS

Using the W-253 report (most consistent set of data but probably relatively understated in years 1962 through 1965 compared to 1966 through 1969) as a source, AID's inventory of active technical assistance projects (units of management, field basket basis) declined by about 25% from 1962 to 1969.

The Major Countries suffered a reduction of only 7%; the Minor Countries 19% and the Phase-Out Countries 41%.

IV. CONTRACTS FOR TECHNICAL SERVICES

The number of AID direct contracts for technical services went up by 50% from 1962 to 1968. In the Major Countries, contracts increased 88%; in the Minor Countries +70%, but went down 12% in the Phase-Out Countries. Actually, the minor country figures are probably overstated and phase-out understated because some phase-out country contracts now handled by regional offices in Africa show up in the phase-out category.

V. LOANS

The number of active project loans has grown modestly by 12% from 1962 to 1969. The number of program loans has grown dramatically by 2140% -- from 5 in 1962 to 112 in 1969 but are still relatively few in absolute terms. The inactive loan portfolio has grown almost three-fold, up 286% since 1962.

In the Major Countries, loans are up sharply; 257% in project; 2175% in program; and 443% in the portfolio.

In the Minor Countries, loans are also up: 653% in project; from 0 to 6 in program and 364% in the portfolio.

In the Phase-Out Countries, only project (92%) loans are down. Program is up 1300% and the portfolio is up 190%, but there has been no new program assistance loans since 1967.

VI. PARTICIPANT ARRIVALS

Participants are off ¹⁸⁹⁰ 5% from 1962 to 1967. Arrivals had ~~remained fairly constant from 1962 (8121) to 1969 (7694) with a high of 9162 in 1967.~~ The major countries went up ²⁵⁹⁰ 75%; the minor up ³⁹⁰ 1/2, and the phase-outs down ⁸⁷⁹⁰ 2%.

At the time this is being written, the barnacles paper is incomplete. But it is clear that a large number of barnacles (about 30) and a large proportion of the barnacle workload should be correlated with the increase in loan activity -- both project and program. This would affect staff needs in the field but especially in Washington.

UNITED STATES GOVERNMENT

Memorandum

TO : AA/A, Mr. James M. Kearns
Room 5883 NS

DATE: January 23, 1970

FROM : NESA/CDE, Theodore H. Lustig *THL*
Room 4452 NS

SUBJECT: AID Regulations and Field Manpower Requirements (Loan Program)

As you requested, I have set out in the attached paper the regulatory framework within which the Loan Program is operated and attempted to relate it to our staffing of field Missions. I believe you will agree, after reading the paper and glancing at the attachments, that these staff requirements are almost completely unrelated to the organizational form under which the U.S. aid program is operated; and that they are almost completely dependent on the rules under which such organization operates.

The paper is, in a sense, incomplete, inasmuch as it does not suggest alternative ways of doing business and what effect such other methods might have on staffing needs. To do that would be a much larger undertaking, but one perhaps worth considering.

Attachment

NESA/CDE:THLustig:arr

A.T.D. Loan Operations -
Regulations and Manpower Requirements

1. Total requirements are determined by (a) volume of lending, i.e. number of loans, (b) complexity of loans, (c) procedures governing review and approval of new loan proposals and the implementation and monitoring of loans in the portfolio of active loans, and (d) procedures for post-completion monitoring and evaluation of completed projects.

2. Factors (a) and (b), above, are, for the purposes of this discussion, assumed to be constant. Factor (d) has not been a major element of the actual workload (with some notable exceptions) but conceivably should receive more attention. It has, however, been assumed, for the present purpose, to be negligible. Attention is thus focused on factor (c), so that the impact of procedures (and the underlying policies) on manpower requirements will become clear.

3. Theoretically, all phases of the loan operations can be carried out from a central headquarters (as is done by the IBRD); the headquarters staff, in that event, must be sufficiently large to allow ample time for frequent and extensive field trips, and travelling funds must be correspondingly large. In practice, the central administration of loan operations becomes impossible if the procedures used are such that frequent and intensive contacts with the borrowers are necessary.

4. Project Loans

Manual Circular 1264.2, issued 1/23/67 (hereafter referred to as M.C.) is a compilation of the separate steps of which the loan process is composed, and it is used here as a handy point of reference in discussing project loan procedures. For purposes of analysis, the loan process can be divided into (a) the loan approval phase, and (b) loan administration (or implementation) phase. These are discussed separately in the following paragraphs.

Loan Approval

5. The loan approval process is, schematically, described in steps 1 through 20, M.C. At the present time, both the field

95

Missions and AID/W participate, the division of work and responsibilities between the two varying substantially from Region to Region and, to a lesser degree, between countries in the same Region. At least in NESAs, and I suspect in the other Regions as well, the Missions are always, and in most cases heavily, involved in Step 1, the early "project development" phase. In all Regions, with Africa being a notable exception, the Missions substantively "carry the ball" through preparation of the loan paper (Step 13, M.C.). Depending on the relative competence of the staff in the Missions and AID/W, and, importantly, the "philosophy" governing their relationship in the Regional Bureaus, the loan staff (including both loan officers and engineers) in AID/W will, however, "second-guess", "nit-pick", "revise" or "strengthen" (depending on the point-of-view) the loan paper - and the project - during the period prior to its submission to the Development Loan Committee. In the experience of NESAs, there is unquestionably some duplication of effort during this phase. While much can be said for letting "the people on the ground" do the analytical work (since they have access to many of the sources of data and other factual information which is not readily available in Washington), it is equally true that frequently Washington asks questions which the field staff has overlooked, perhaps precisely because it is closer to the Borrower and more deeply involved in the proposed project.

I believe that this duplication of effort can be eliminated by adopting the IBRD system of "appraisal missions" dispatched from Washington to the field, if necessary more than once in the course of project preparation, and in any event for a sufficiently long period (say, three or four weeks) to gather the necessary data and to conduct preliminary negotiations with the Borrower.

Whether projects can be successfully "generated" in this manner if they are not conceived, at least in outline, by the Borrower, is a question which may require some special consideration. (By "generation" of projects I mean providing the initiative, on the basis of sector studies, program studies or merely observation, for project concepts and project design.)

The number of man/years that can be saved by such concentration of the loan analysis function in AID/W obviously depends on the number of project proposals per year which are to be analyzed, and on the amount of effort needed for each analysis. I have no data on which to base an estimate of the "average effort" required per loan but would guess it might be on the order of 3 man/months total effort. Assuming that figure to be a reasonably accurate guess, and assuming that one man/month could be saved by eliminating any duplication of effort, it would take 12 loans per year to reduce the staff requirements by one man/year. The manpower savings that could be effected are therefore not likely to be very impressive.

Loan Implementation

6. By far the largest part of the time of all professional staffs (loan officers, engineers and lawyers) responsible for the administration of the loan program is devoted to loan implementation and its monitoring, beginning with the drafting of the loan documents (loan agreement and first implementation letter), through contract approvals and preparation of financial documentation, to review of progress reports, site visits. The process ends, for the most part, with the liquidation of contracts and final disbursement. While much of this work is necessary under almost any conceivable form of loan administration, a great deal is peculiar to the elaborate system AID has constructed over the years. Based on the statutory mandate for contract review first included in the Appropriation Act of 1963 (Section 112), AID has, in the course of the last six years, codified procedures which emphasize a deep involvement in the contracting process, while adhering to the basic concept of "Borrower/Grantee" (B/G) contracting.

7. Most of the points of such involvement are listed in the M.C. and are summarized below:

- (1) Publication of notice requesting proposals for A/E contracts.
- (2) Approval of selection of contractors in preselection procedure.
- (3) Security clearance of contractor.
- (4) Approval of contractor.

- (5) Approval of scope of services.
- (6) Approval of contract.
- (7) Security clearance of contractor's personnel.
- (8) Issue of Letters of Commitment for A/E contractor's services.
- (9) Approval of "Plans and Schedules" for project prepared by A/E firm and adopted by Borrower (usually part of second set of conditions precedent).
- (10) - (17) Duplication of Steps (1) - (8) above, for construction contract, except that in lieu of scope of services (Step 5), an entire "Bid Package" has to be approved. 1/

In the case of contracting for equipment and supplies separate from Construction Contract: 2/

- (18) Approval of Invitation-for-Bids (IFB), containing all the elements listed in the footnote but usually less voluminous.
- (19) Advertising for bids.
- (20) Approval of award.
- (21) Approval of contract.
- (22) Issue of Letters of Commitment.

1/ The "bid package" normally consists of the "Invitation", "Bid Schedule", "General Conditions", "Special Conditions", "Technical Specifications" and frequently a contract form. Such package may run to several hundred pages.

2/ Separate rules govern the purchase of "major equipment" and "non-major" items, as defined in the Capital Projects Guidelines. The following is based on rules governing "major" equipment.

AB

Note: Steps (18) - (22) are required for each separate purchase of "major equipment"; there may be a dozen or more such purchases in larger projects.

- (23) Review of Progress Reports and consultation with Borrower and A/E firm on problems noted.
- (24) Site visits and related consultations.
- (25) Review of and reply to AID Audit Reports, GAO Audit Reports and inquiries of individual members of Congress - most of which requires contacts with the Borrower.
- (26) Monitoring of "Continuing Covenants" in Loan Agreements, normally involving contacts with the Borrower.

8. The mere listing of these regular "points of contact" with the Borrower during the implementation of a project, however, does not give a complete picture of the time required at each step. Since most of AID's efforts are primarily directed towards the imposition of U.S. contracting concepts - above all towards the strict adherence to tight bid and award procedures in the contracting process - on the Borrower, and since AID's borrowers view a good part of these procedures with considerable misgivings, the result is frequently a time consuming battle in which AID usually emerges as a Pyrrhic victor, winning its point but creating not only friction but also substantial delays in project completion. An example of what results may be achieved, and of the work involved in achieving them, is described in Attachment 1. That case may be extreme but is by no means unique. Rebidding, on the request of AID, is a frequent occurrence; and even the time which AID must invest to reach the point of contract approval where only one round of bidding is involved is considerable. A typical set of events from NESAs experience is described in Attachment 2.

9. The intimate involvement in the Borrower's contracting which existing AID procedures make necessary requires, it would seem, the presence of a staff resident in the country of the Borrower. To carry out the involved negotiations, described in Attachment 2, from Washington would require an extraordinary volume of correspondence and make delays in project execution a certainty even where no major problems emerge. If the

99

foregoing analysis is correct, it follows that AID must keep sufficient staff in the field as long as its involvement in project implementation is as deep as it is under AID's present regulations. The size of that staff, at least in NESAs, is barely large enough to handle expeditiously all the matters it is required to handle. Any reduction of the loan staff in the field would, therefore, presuppose a substantially more liberal set of ground rules, particularly with respect to contracting procedure. An examination of the arguments for and against such change in approach to loan administration, however, goes beyond the scope of this paper, since manpower requirements are only one - and probably not the most important - aspect of the problem. This finding, I believe, will be correct regardless of the type of organization which administers the foreign aid program. The regulations which govern the loan operations are the key to staff requirements, not only in the field but also in Washington, and not the type of organization (Agency, Bank, Fund, etc.) which handles the loans.

Program Loans

10. Loan Analysis. In NESAs, and I believe in other Regions, the economic analysis on which Program Loans are based is carried out primarily by the economic staff in the Missions and, to the extent AID/W participates in that analysis, by the Country Desks. Loan officers, both in the field and in AID/W contribute to the loan analysis primarily by analyzing statistical material, such as pipeline statistics and statistics relating to the flow of commodity imports financed by AID and from other sources. Secondly, they use their experience with implementation to design plans for new loans. The participation of Mission loan officers is thus intimately connected with the work on loan implementation and would, in effect, have to be performed for operational purposes even if it were not used in the process of preparing a new loan. Staff savings can, therefore, not be made by relieving the field staff from any responsibilities in the loan approval process.

Program Loan Implementation

11. In those countries which maintain a fairly elaborate system of import controls, the operation of the AID Program Loans furnishes an interesting example of the ingenuity and persistence

100

of the private sector (in NESAs countries by far the most important user of Program Loan imports): the combined effect of the bureaucratic hurdles constructed by the local governments and by AID should - but do not - make it impossible to use our loans. AID's part in the hurdle-building exercise is summarized in the following paragraphs.

12. After signature of the Loan Agreement, the Borrowing government and AID first collaborate in establishing the administrative and financial framework within which the loan will be used. The Borrower government issues Public Notices announcing who can apply when for import licenses for which commodities; it proceeds to issue such licenses. AID issues the first implementation letter to the Borrower, setting forth the procedures for utilizing the loan funds and providing information to assist him in implementing the program. A "Commodity Procurement Instruction" (CPI) is attached to the Implementation Letter, embodying a description of the commodities eligible for financing, together with the applicable "Schedule B" code and the special restrictions and prescriptions applicable to a great number of them. (A sample of an Implementation Letter and the appended CPI is attached hereto to illustrate the amount of detail included in the document.) The Borrower government then submits to AID a "Financing Request" specifying the amounts of Letters of Commitments it wants established in various U.S. banks. AID finally issues Letters of Commitment - and the stage is set.

13. After obtaining an import license from their government, the importers must now

(1) Advertise their intended purchases in the Small Business Circular;

(2) Wait 45 days after its publication; or

1a. Alternatively, the importer can, under certain circumstances, obtain a "sole source waiver" (entitling them to purchase from a U.S. supplier under an existing long-term arrangement), a "proprietary procurement" or "emergency" waiver, both of which entitle him to purchase without advertising⁷.

- (3) Place their orders and open Letters of Credit in the U.S. bank designated by the Borrower government;

Note: the Letter of Credit must not be for a smaller amount than the minimum value prescribed by AID; must include AID prescribed provisions on commission payments, marking, source and origin and shipping; must include the right commodity description and Schedule B number and terminate within the validity period of the Letter of Commitment.

14. The U.S. supplier must have the eligibility of the commodity he intends to export approved by AID; and at time of shipment present to the bank, together with the commercial documents, the required AID documentation.

15. All participants in the transaction (the foreign government, the importer, the supplier and his agents, the U.S. and foreign banks, forwarder and carrier) are subject to AID's audit and price check rights and any refund claims that may result from the exercise of such rights.

16. Additional special procedures, similar to those described above in the discussion of Project Loan Implementation, apply to purchase by public sector agencies under Program Loans.

17. Enforcing compliance with all these regulations, deciding where waivers are justified, and attempting to resolve the inevitable entanglements that result not infrequently, is a job shared, in NESAs, by Mission and Washington staff. Here, as in the administration of Project Loans, it would be practically impossible to do the job without experienced field staff to negotiate with, educate, persuade and direct the local participants in the process. In NESAs, a total of only 8 people are staffing the operation in three countries (India, Pakistan and Turkey). Any organization attempting to enforce as complex a set of regulations as AID now uses will need at least as many.

18. Conclusion. Under its existing system of administering loans, AID can reduce the overseas staff involved, at best, only marginally. The same would be true of any successor organization if it adopted the present AID system.

- Attachments:
1. Chronology of Procurement actions for Instruments and Controls - Ramagundam Thermal Power Plant - Loan 386-H-068)
 2. Contracting Procedures for Major Equipment Purchased under Project Loans
 3. Implementation Letter with attachments.
 4. Copy of Manual Circular 1264.2

NESA/CDE:THIustig:arr:1/23/70

ATTACHMENT 1

CHRONOLOGY OF PROCUREMENT ACTIONS FOR INSTRUMENTS AND CONTROLS -
RAMAGUNDAM THERMAL POWER PLANT
(A.I.D. Loan No. 386-H-068)

May 1967	IFB was released and announced in AID Small Business Circular. Bids were to remain valid until end of December 1967 (Approximately three months delay encountered because no U.S. consulting firm was on the job.)	Construction schedule contemplated project completion by end December 1968.
April 1968	Analysis of bids by U.S. consulting firm revealed that neither of the two bids received conformed fully to the requirements of the IFB. Recognizing the criticality of this equipment to project completion, consulting firm recommended acceptance of one bid which in their view was acceptable but which required negotiations with the bidder prior to finalizing the award.	
May 1968	On basis of information received that award might be made to his competitor, the second bidder lodged complaint with the Bureau.	
June 1968	We ruled that both bids must be rejected and rebid.	
October 1968	Revised IFB received from purchaser, but could not be released because certain clauses would again result in receipt of bids not in conformance with AID procurement regulations. Suggested changes were provided.	
January 1969	We approved revised IFB and released for announcement in the Small Business Circular. Bids were to remain valid until May 1969.	

May 1969

Analysis revealed that rebids were non-responsive according to AID procurement rules. Purchaser requested we agree to negotiations and clarifications from bidder in order to be able to make an award. Request denied on grounds this would be in contravention AID procurement regulations.

We suggested rebidding and that a pre-bid conference be held in Washington with the two bidders with a view towards explaining our procurement regulations and ascertaining which of the provisions could not be complied with by the bidders.

June 1969

Chief Engineer of the Electricity Board, and Indian consulting engineer, came to the U.S. Pre-bid conference was held. We assisted Chief Engineer in re-writing IFB.

July 1969

Rebids were revised, reviewed and award made.

Completion
now estimated
by end December
1970.

Comment: Large blocks of time were invested by Mission staff and AID/W. In the absence of Mission participation, we would probably still be going around the rosary bushes!

105

ATTACHMENT 2

Contracting Procedure for
Major Equipment Purchased
Under Project Loans

Typically, the following is the sequence of events leading to a contract for major equipment:

1. The A/E firm's team in the country of the Borrower, usually in consultation with its home office, prepares the "bid package". In most cases, the inexperience of the A/E firm in government contracting, or its unwillingness to make the effort necessary to do an acceptable job, results in a draft that requires many hours of AID staff time to put into shape. In addition, the wording of such key clauses as the "evaluation formula" (to be used in ranking the bids) usually becomes the subject of lengthy discussions with the Borrower who normally wants to maintain some degree of freedom; AID wants "tight" language which leaves no room for subjective judgments. In addition, the Borrower usually wishes to preserve as much of the language he normally uses in bid documents on the grounds that his staff knows how to operate under standard documents and that local agents of US firms (who usually submit the bids) are familiar with it.

2. After the bid package is finally agreed upon, the bids are advertised (through both field and Washington staff of AID) and bids are received. The A/E firm then does its analysis and submits recommendations to the Borrower, its client. The Borrower proceeds to run the bids through its own analysis mill and, normally, accepts the A/E's recommendations. At this point (45 - 90 days after bid opening), AID gets the recommendation, together with the relevant documentation, for approval and begins its analysis. In a large number of cases, questions arise: was the recommended bid (or any other bid) "responsive"? Were the bids properly evaluated, i.e. ranked? Were there post-bid changes? Sometimes the documentation deals with such questions conclusively; more frequently it does not. Consultations with A/E and the Borrower follow. Bidders, who believe to have been passed over, are heard from, both in the field and in Washington.

3. If none of this satisfied AID's requirements, the Borrower is advised that he must rebid. Before reissuing the IFB, however, the documents are again closely examined by the AID field staff, the Borrower and his A/E to eliminate any inconsistencies, ambiguities or other language now known to have caused problems.

4. Now step 2, above, is repeated and, if all goes well, the low responsive bidder can be determined, an award made and a contract approved. If not - back to the drawing board!

THLustig:arr:1/22/70

UNITED STATES GOVERNMENT

Memorandum

TO : AA/A, Mr. James M. Kearns
Room 5883 NS

DATE: January 23, 1970

FROM : NESA/CDE, Theodore H. Lustig *THL*
Room 4452 NS

SUBJECT: AID Regulations and Field Manpower Requirements (Loan Program)

As you requested, I have set out in the attached paper the regulatory framework within which the Loan Program is operated and attempted to relate it to our staffing of field Missions. I believe you will agree, after reading the paper and glancing at the attachments, that these staff requirements are almost completely unrelated to the organizational form under which the U.S. aid program is operated; and that they are almost completely dependent on the rules under which such organization operates.

The paper is, in a sense, incomplete, inasmuch as it does not suggest alternative ways of doing business and what effect such other methods might have on staffing needs. To do that would be a much larger undertaking, but one perhaps worth considering.

Attachment

NESA/CDE:THLustig:arr



THL

A.I.D. Loan Operations -
Regulations and Manpower Requirements

1. Total requirements are determined by (a) volume of lending, i.e. number of loans, (b) complexity of loans, (c) procedures governing review and approval of new loan proposals and the implementation and monitoring of loans in the portfolio of active loans, and (d) procedures for post-completion monitoring and evaluation of completed projects.

2. Factors (a) and (b), above, are, for the purposes of this discussion, assumed to be constant. Factor (d) has not been a major element of the actual workload (with some notable exceptions) but conceivably should receive more attention. It has, however, been assumed, for the present purpose, to be negligible. Attention is thus focused on factor (c), so that the impact of procedures (and the underlying policies) on manpower requirements will become clear.

3. Theoretically, all phases of the loan operations can be carried out from a central headquarters (as is done by the IBRD); the headquarters staff, in that event, must be sufficiently large to allow ample time for frequent and extensive field trips, and travelling funds must be correspondingly large. In practice, the central administration of loan operations becomes impossible if the procedures used are such that frequent and intensive contacts with the borrowers are necessary.

4. Project Loans

Manual Circular 1264.2, issued 1/23/67 (hereafter referred to as M.C.) is a compilation of the separate steps of which the loan process is composed, and it is used here as a handy point of reference in discussing project loan procedures. For purposes of analysis, the loan process can be divided into (a) the loan approval phase, and (b) loan administration (or implementation) phase. These are discussed separately in the following paragraphs.

Loan Approval

5. The loan approval process is, schematically, described in steps 1 through 20, M.C. At the present time, both the field

Missions and AID/W participate, the division of work and responsibilities between the two varying substantially from Region to Region and, to a lesser degree, between countries in the same Region. At least in NESAs, and I suspect in the other Regions as well, the Missions are always, and in most cases heavily, involved in Step 1, the early "project development" phase. In all Regions, with Africa being a notable exception, the Missions substantively "carry the ball" through preparation of the loan paper (Step 13, M.C.). Depending on the relative competence of the staff in the Missions and AID/W, and, importantly, the "philosophy" governing their relationship in the Regional Bureaus, the loan staff (including both loan officers and engineers) in AID/W will, however, "second-guess", "nit-pick", "revise" or "strengthen" (depending on the point-of-view) the loan paper - and the project - during the period prior to its submission to the Development Loan Committee. In the experience of NESAs, there is unquestionably some duplication of effort during this phase. While much can be said for letting "the people on the ground" do the analytical work (since they have access to many of the sources of data and other factual information which is not readily available in Washington), it is equally true that frequently Washington asks questions which the field staff has overlooked, perhaps precisely because it is closer to the Borrower and more deeply involved in the proposed project.

I believe that this duplication of effort can be eliminated by adopting the IBRD system of "appraisal missions" dispatched from Washington to the field, if necessary more than once in the course of project preparation, and in any event for a sufficiently long period (say, three or four weeks) to gather the necessary data and to conduct preliminary negotiations with the Borrower.

Whether projects can be successfully "generated" in this manner if they are not conceived, at least in outline, by the Borrower, is a question which may require some special consideration. (By "generation" of projects I mean providing the initiative, on the basis of sector studies, program studies or merely observation, for project concepts and project design.)

110

The number of man/years that can be saved by such concentration of the loan analysis function in AID/W obviously depends on the number of project proposals per year which are to be analyzed, and on the amount of effort needed for each analysis. I have no data on which to base an estimate of the "average effort" required per loan but would guess it might be on the order of 3 man/months total effort. Assuming that figure to be a reasonably accurate guess, and assuming that one man/month could be saved by eliminating any duplication of effort, it would take 12 loans per year to reduce the staff requirements by one man/year. The manpower savings that could be effected are therefore not likely to be very impressive.

Loan Implementation

6. By far the largest part of the time of all professional staffs (loan officers, engineers and lawyers) responsible for the administration of the loan program is devoted to loan implementation and its monitoring, beginning with the drafting of the loan documents (loan agreement and first implementation letter), through contract approvals and preparation of financial documentation, to review of progress reports, site visits. The process ends, for the most part, with the liquidation of contracts and final disbursement. While much of this work is necessary under almost any conceivable form of loan administration, a great deal is peculiar to the elaborate system AID has constructed over the years. Based on the statutory mandate for contract review first included in the Appropriation Act of 1963 (Section 112), AID has, in the course of the last six years, codified procedures which emphasize a deep involvement in the contracting process, while adhering to the basic concept of "Borrower/Grantee" (B/G) contracting.

7. Most of the points of such involvement are listed in the M.C. and are summarized below:

- (1) Publication of notice requesting proposals for A/E contracts.
- (2) Approval of selection of contractors in preselection procedure.
- (3) Security clearance of contractor.
- (4) Approval of contractor.

- (5) Approval of scope of services.
- (6) Approval of contract.
- (7) Security clearance of contractor's personnel.
- (8) Issue of Letters of Commitment for A/E contractor's services.
- (9) Approval of "Plans and Schedules" for project prepared by A/E firm and adopted by Borrower (usually part of second set of conditions precedent).
- (10) - (17) Duplication of Steps (1) - (8) above, for construction contract, except that in lieu of scope of services (Step 5), an entire "Bid Package" has to be approved. 1/

In the case of contracting for equipment and supplies separate from Construction Contract: 2/

- (18) Approval of Invitation-for-Bids (IFB), containing all the elements listed in the footnote but usually less voluminous.
- (19) Advertising for bids.
- (20) Approval of award.
- (21) Approval of contract.
- (22) Issue of Letters of Commitment.

1/ The "bid package" normally consists of the "Invitation", "Bid Schedule", "General Conditions", "Special Conditions", "Technical Specifications" and frequently a contract form. Such package may run to several hundred pages.

2/ Separate rules govern the purchase of "major equipment" and "non-major" items, as defined in the Capital Projects Guidelines. The following is based on rules governing "major" equipment.

112

Note: Steps (18) - (22) are required for each separate purchase of "major equipment"; there may be a dozen or more such purchases in larger projects.

- (23) Review of Progress Reports and consultation with Borrower and A/E firm on problems noted.
- (24) Site visits and related consultations.
- (25) Review of and reply to AID Audit Reports, GAO Audit Reports and inquiries of individual members of Congress - most of which requires contacts with the Borrower.
- (26) Monitoring of "Continuing Covenants" in Loan Agreements, normally involving contacts with the Borrower.

8. The mere listing of these regular "points of contact" with the Borrower during the implementation of a project, however, does not give a complete picture of the time required at each step. Since most of AID's efforts are primarily directed towards the imposition of U.S. contracting concepts - above all towards the strict adherence to tight bid and award procedures in the contracting process - on the Borrower, and since AID's borrowers view a good part of these procedures with considerable misgivings, the result is frequently a time consuming battle in which AID usually emerges as a Pyrrhic victor, winning its point but creating not only friction but also substantial delays in project completion. An example of what results may be achieved, and of the work involved in achieving them, is described in Attachment 1. That case may be extreme but is by no means unique. Rebidding, on the request of AID, is a frequent occurrence; and even the time which AID must invest to reach the point of contract approval where only one round of bidding is involved is considerable. A typical set of events from NESA experience is described in Attachment 2.

9. The intimate involvement in the Borrower's contracting which existing AID procedures make necessary requires, it would seem, the presence of a staff resident in the country of the Borrower. To carry out the involved negotiations, described in Attachment 2, from Washington would require an extraordinary volume of correspondence and make delays in project execution a certainty even where no major problems emerge. If the

113

foregoing analysis is correct, it follows that AID must keep sufficient staff in the field as long as its involvement in project implementation is as deep as it is under AID's present regulations. The size of that staff, at least in NESAs, is barely large enough to handle expeditiously all the matters it is required to handle. Any reduction of the loan staff in the field would, therefore, presuppose a substantially more liberal set of ground rules, particularly with respect to contracting procedure. An examination of the arguments for and against such change in approach to loan administration, however, goes beyond the scope of this paper, since manpower requirements are only one - and probably not the most important - aspect of the problem. This finding, I believe, will be correct regardless of the type of organization which administers the foreign aid program. The regulations which govern the loan operations are the key to staff requirements, not only in the field but also in Washington, and not the type of organization (Agency, Bank, Fund, etc.) which handles the loans.

Program Loans

10. Loan Analysis. In NESAs, and I believe in other Regions, the economic analysis on which Program Loans are based is carried out primarily by the economic staff in the Missions and, to the extent AID/W participates in that analysis, by the Country Desks. Loan officers, both in the field and in AID/W contribute to the loan analysis primarily by analyzing statistical material, such as pipeline statistics and statistics relating to the flow of commodity imports financed by AID and from other sources. Secondly, they use their experience with implementation to design plans for new loans. The participation of Mission loan officers is thus intimately connected with the work on loan implementation and would, in effect, have to be performed for operational purposes even if it were not used in the process of preparing a new loan. Staff savings can, therefore, not be made by relieving the field staff from any responsibilities in the loan approval process.

Program Loan Implementation

11. In those countries which maintain a fairly elaborate system of import controls, the operation of the AID Program Loans furnishes an interesting example of the ingenuity and persistence

of the private sector (in NESAs countries by far the most important user of Program Loan imports): the combined effect of the bureaucratic hurdles constructed by the local governments and by AID should - but do not - make it impossible to use our loans. AID's part in the hurdle-building exercise is summarized in the following paragraphs.

12. After signature of the Loan Agreement, the Borrowing government and AID first collaborate in establishing the administrative and financial framework within which the loan will be used. The Borrower government issues Public Notices announcing who can apply when for import licenses for which commodities; it proceeds to issue such licenses. AID issues the first implementation letter to the Borrower, setting forth the procedures for utilizing the loan funds and providing information to assist him in implementing the program. A "Commodity Procurement Instruction" (CPI) is attached to the Implementation Letter, embodying a description of the commodities eligible for financing, together with the applicable "Schedule B" code and the special restrictions and prescriptions applicable to a great number of them. (A sample of an Implementation Letter and the appended CPI is attached hereto to illustrate the amount of detail included in the document.) The Borrower government then submits to AID a "Financing Request" specifying the amounts of Letters of Commitments it wants established in various U.S. banks. AID finally issues Letters of Commitment - and the stage is set.

13. After obtaining an import license from their government, the importers must now

(1) Advertise their intended purchases in the Small Business Circular;

(2) Wait 45 days after its publication; or

[1a. Alternatively, the importer can, under certain circumstances, obtain a "sole source waiver" (entitling them to purchase from a U.S. supplier under an existing long-term arrangement), a "proprietary procurement" or "emergency" waiver, both of which entitle him to purchase without advertising⁷.

- (3) Place their orders and open Letters of Credit in the U.S. bank designated by the Borrower government;

Note: the Letter of Credit must not be for a smaller amount than the minimum value prescribed by AID; must include AID prescribed provisions on commission payments, marking, source and origin and shipping; must include the right commodity description and Schedule B number and terminate within the validity period of the Letter of Commitment.

14. The U.S. supplier must have the eligibility of the commodity he intends to export approved by AID; and at time of shipment present to the bank, together with the commercial documents, the required AID documentation.

15. All participants in the transaction (the foreign government, the importer, the supplier and his agents, the U.S. and foreign banks, forwarder and carrier) are subject to AID's audit and price check rights and any refund claims that may result from the exercise of such rights.

16. Additional special procedures, similar to those described above in the discussion of Project Loan Implementation, apply to purchase by public sector agencies under Program Loans.

17. Enforcing compliance with all these regulations, deciding where waivers are justified, and attempting to resolve the inevitable entanglements that result not infrequently, is a job shared, in NESAs, by Mission and Washington staff. Here, as in the administration of Project Loans, it would be practically impossible to do the job without experienced field staff to negotiate with, educate, persuade and direct the local participants in the process. In NESAs, a total of only 8 people are staffing the operation in three countries (India, Pakistan and Turkey). Any organization attempting to enforce as complex a set of regulations as AID now uses will need at least as many.

18. Conclusion. Under its existing system of administering loans, AID can reduce the overseas staff involved, at best, only marginally. The same would be true of any successor organization if it adopted the present AID system.

- Attachments:
1. Chronology of Procurement actions for Instruments and Controls - Ramagundam Thermal Power Plant - Loan 386-H-068)
 2. Contracting Procedures for Major Equipment Purchased under Project Loans
 3. Implementation Letter with attachments.
 4. Copy of Manual Circular 1264.2

NESA/CDE:THLustig:arr:1/23/70

ATTACHMENT 1

CHRONOLOGY OF PROCUREMENT ACTIONS FOR INSTRUMENTS AND CONTROLS -
RAMAGUNDAM THERMAL POWER PLANT
(A.I.D. Loan No. 386-H-068)

May 1967	IFB was released and announced in AID Small Business Circular. Bids were to remain valid until end of December 1967 (Approximately three months delay encountered because no U.S. consulting firm was on the job.)	Construction schedule contemplated project completion by end December 1968.
April 1968	Analysis of bids by U.S. consulting firm revealed that neither of the two bids received conformed fully to the requirements of the IFB. Recognizing the criticality of this equipment to project completion, consulting firm recommended acceptance of one bid which in their view was acceptable but which required negotiations with the bidder prior to finalizing the award.	
May 1968	On basis of information received that award might be made to his competitor, the second bidder lodged complaint with the Bureau.	
June 1968	We ruled that both bids must be rejected and rebid.	
October 1968	Revised IFB received from purchaser, but could not be released because certain clauses would again result in receipt of bids not in conformance with AID procurement regulations. Suggested changes were provided.	
January 1969	We approved revised IFB and released for announcement in the Small Business Circular. Bids were to remain valid until May 1969.	

May 1969

Analysis revealed that rebids were non-responsive according to AID procurement rules. Purchaser requested we agree to negotiations and clarifications from bidder in order to be able to make an award. Request denied on grounds this would be in contravention AID procurement regulations.

We suggested rebidding and that a pre-bid conference be held in Washington with the two bidders with a view towards explaining our procurement regulations and ascertaining which of the provisions could not be complied with by the bidders.

June 1969

Chief Engineer of the Electricity Board, and Indian consulting engineer, came to the U.S. Pre-bid conference was held. We assisted Chief Engineer in re-writing IFB.

July 1969

Rebids were revised, reviewed and award made.

Completion now estimated by end December 1970.

Comment: Large blocks of time were invested by Mission staff and AID/W. In the absence of Mission participation, we would probably still be going around the rosary bushes!

ATTACHMENT 2

Contracting Procedure for
Major Equipment Purchased
Under Project Loans

Typically, the following is the sequence of events leading to a contract for major equipment:

1. The A/E firm's team in the country of the Borrower, usually in consultation with its home office, prepares the "bid package". In most cases, the inexperience of the A/E firm in government contracting, or its unwillingness to make the effort necessary to do an acceptable job, results in a draft that requires many hours of AID staff time to put into shape. In addition, the wording of such key clauses as the "evaluation formula" (to be used in ranking the bids) usually becomes the subject of lengthy discussions with the Borrower who normally wants to maintain some degree of freedom; AID wants "tight" language which leaves no room for subjective judgments. In addition, the Borrower usually wishes to preserve as much of the language he normally uses in bid documents on the grounds that his staff knows how to operate under standard documents and that local agents of US firms (who usually submit the bids) are familiar with it.

2. After the bid package is finally agreed upon, the bids are advertised (through both field and Washington staff of AID) and bids are received. The A/E firm then does its analysis and submits recommendations to the Borrower, its client. The Borrower proceeds to run the bids through its own analysis mill and, normally, accepts the A/E's recommendations. At this point (45 - 90 days after bid opening), AID gets the recommendation, together with the relevant documentation, for approval and begins its analysis. In a large number of cases, questions arise: was the recommended bid (or any other bid) "responsive"? Were the bids properly evaluated, i.e. ranked? Were there post-bid changes? Sometimes the documentation deals with such questions conclusively; more frequently it does not. Consultations with A/E and the Borrower follow. Bidders, who believe to have been passed over, are heard from, both in the field and in Washington.

3. If none of this satisfied AID's requirements, the Borrower is advised that he must rebid. Before reissuing the IFB, however, the documents are again closely examined by the AID field staff, the Borrower and his A/E to eliminate any inconsistencies, ambiguities or other language now known to have caused problems.

4. Now step 2, above, is repeated and, if all goes well, the low responsive bidder can be determined, an award made and a contract approved. If not - back to the drawing board!

THLustig:arr:1/22/70



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN

ATTACHMENT 3

59-A, Satellite Town
Rawalpindi.

Cable: USAIDPAK

Secretary to Government
Economic Affairs Division
President's Secretariat
Government of Pakistan
Islamabad

72

Dear Sir:

Subject: A.I.D. Loan No.391-H-140
Pakistan-General Commodities Loan for FY 1969
Implementation Letter No.1

This letter sets forth the procedures for utilization of the proceeds of the subject loan and provides information to assist you in implementing the program. As provided in Section 6.7 of the Loan Agreement, the Standard Provision Annex and A.I.D. Regulation I also apply to the loan. Except as permitted by the Loan Agreement, nothing in this letter or its attachments modifies the Loan Agreement, the Standard Provisions Annex or A.I.D. Regulation I. This letter and the attachments may be supplemented or modified as necessary by subsequent Implementation Letters.

PART ONE
Program Description

The Loan is for the purpose of assisting the program of agricultural and economic development of the Borrower. The following is an explanation of the major facets of the program and of the Borrower's expected contributions thereto:

(A) One purpose of the loan is to provide an increment of resources which will enable the Borrower to continue its program of reducing administrative controls over imports and exports, to promote exports and export oriented investment and to strengthen its balance of payments.

More.....

122

Secretary to Government
Economic Affairs Division

-2-

The program relies on the market mechanism generally, and on improved competition to achieve these objectives.

For this program, the Borrower intends to provide such aid and other foreign exchange resources as may be available to permit market forces to operate freely.

(B) The loan will also finance the acquisition of imports, particularly pesticides and fertilizers, needed to support the agricultural development of the Borrower. The Borrower will continue to make all reasonable efforts to import sufficient amounts of fertilizer to meet its consumption targets. The Borrower shall also continue to the extent feasible to make available additional foreign exchange during fiscal years 1969 and 1970 to acquire other imports required to increase agricultural productivity.

(C) The fertilizer and pesticide programs to be financed under this loan are expected to lead to further significant increases in grain production. In order to assure the most effective utilization of Pakistan's grain harvests, the Borrower shall continue pursuing additional studies to examine the longer range domestic grain requirements, storage and internal marketing mechanisms, the price, transport, and other infrastructure implications of inter-wing grain shipments, and the economic, trade and financial implications of grain exports.

(D) The Borrower has appointed a Commission to recommend new measures needed to expand savings, particularly in the agricultural sector. The report of the Commission is expected to point to new directions for the mobilization of the domestic resources needed to carry out the development program intended to be supported by this loan.

The Borrower is seeking new ways to supplement resources now devoted to economic development.

More.....

122

Secretary to Government
Economic Affairs Division.

PART TWO
Loan Implementation

I. Conditions Precedent to Disbursement

A.I.D. will issue a first and any additional requested Letters of Commitment or authorize disbursement by other means to finance operations under the Agreement after the conditions prescribed in the Agreement and listed below have been met.

A. Legal Opinion and Supporting Documents - Section 3.1(a)

An outline of information to aid counsel in preparing such opinion is transmitted herewith as Attachment "A". (This condition is satisfied vide letter No.1(34)EU-VII/69, dated April 3, 1969, from EAD Islamabad).

B. Designations of the Borrower's Representative(s)-Section 4.1(b)

Specimen signatures and authority of the person or persons who will act for Borrower pursuant to Section 5.5 of the Agreement may be certified by the person who renders the legal opinion or the person who executes the Agreement. (This condition is satisfied vide letter No. I(34)BU-VII, dated April 1, 1969, from EAD, Islamabad).

C. Commodities and/or Related Services

Eligible for A.I.D. Financing - Section 4.1(C)

A.I.D. agrees that the commodities and/or related services listed in Attachment 'B', Commodity Procurement Instruction (CPI), are eligible for financing under the Agreement, subject to the provisions shown in the CPI and continuation pages thereof. This list may be amended by mutual agreement between A.I.D. and the Borrower. A.I.D. understands that this loan will be used only for the import of commodities to assist the private sector, and for fertilizers and pesticides, except as AID may otherwise agree in writing. (This condition is satisfied vide letter No.1(34)BU-VII/69, dated April 10, 1969, from EAD Islamabad).

More.....

124

Secretary to Government
Economic Affairs Division.

II. Disbursements

A. Procedures and Documentation

Requests for Letters of Commitment under the Agreement shall be submitted to A.I.D. on the Financing Request Form, A.I.D. 1130.2 (Attachment "C"). The full identification number shown on the Letter of Commitment issued by A.I.D. in response to a Financing Request (FR) must be shown on all subsequent correspondence and payment documents in connection therewith, including the Suppliers Certificate (A.I.D. Form 282) submitted for payment to U.S. Banking institutions. Actions to be taken by the Borrower after Letters of Commitment are issued and the documentation required by A.I.D. as a basis for disbursing the loan funds are described in A.I.D. Regulation I, Sub-part F, Payment and Reimbursement - Section 201.50. Disbursement of the loan may also be made by reimbursement procedure in accordance with A.I.D. Regulation I, sub-part F, section 201.51(a). Procedures to be used in case of reimbursement are set forth in Attachment "G".

B. Terminal Dates

1. Except as A.I.D. may otherwise agree in writing, no disbursement shall be made against documentation received by A.I.D. or the banks holding Letters of Commitment after September 30, 1970. The Terminal Shipping Date and Terminal Date for Establishing Letters of Credit is July 31, 1970, and Terminal Date for Requesting Letters of Commitment is December 31, 1969.

2. Since it is expected that the proceeds of the loan will be utilized within the Terminal Date for Disbursement, extension of this date will be considered only in the event of unusual circumstances. Attachment "D" is furnished as a guide in the preparation of "Requests for Extension of Terminal Dates for Disbursements".

III. Procurement

A. Procedures

All procurement under this Agreement shall be carried out in accordance with the provisions of Attachment "B", Commodity Procurement Instruction. The Borrower shall ensure that sufficient copies of the CPI are distributed to CCI & E offices and applicant banks throughout Pakistan and that all importers are required to comply with the provisions contained therein.

More....

125

Secretary to Government
Economic Affairs Division

B. Formal Competitive Bids.

In accordance with Section 6.2 of the Agreement, except as A.I.D. may otherwise agree in writing, commodities procured by the Public Sector shall be limited to fertilizer, pesticides and the commodities listed in Section III.C. of this Implementation Letter and shall be eligible for financing hereunder only if procured through formal competitive bid procedures as set forth in Section 201.22 of A.I.D. Regulation I. In addition to advertising the procurement in the AID Small Business Publication, normally forty (40) sets of invitations for bid and related documents shall be air mailed to an address in the U.S. (preferably, the Pakistan Consulate General, New York) where they may be obtained by interested U.S. suppliers. All invitations for bid and related documents shall be numbered and dated for reference purposes. Borrower is requested to ensure that public distribution of invitations for bid and related documents not be initiated in advance of notification by A.I.D. of date of announcement of proposed procurement in A.I.D. Small Business Publications.

Arrangements for the procurement of fertilizer financed hereunder shall utilize A.I.D. model I.F.Bs. and contract documents and shall comply with the following provisions:

- a. One complete copy of all offers received against fertilizer invitations for bid will be transmitted to the US AID representative at each bid opening.
- b. Within one week after the bid opening, the purchaser shall submit to US AID the recommended award and copies of all manufacturers certificates received. Also, at this time the GOP will submit requests to open Letters of Commitments for each proposed contract, including freight elements for U.S. flag vessels and other charges eligible for A.I.D. financing.
- c. The purchaser will transmit a copy of each contract awarded against fertilizer invitations for bid to US AID on the date of signing.
- d. The purchaser will also transmit a copy of each amendment to fertilizer contracts to US AID.
- e. The purchaser will furnish abstract of bids (A.I.D. Form 11-83) to US AID in accordance with Section 201.22(e) of AID Regulation I.

More.....

12/6

Secretary to Government
Economic Affairs Division.

C. Financing Physical Facilities.

A.I.D. is in receipt of the Borrower's request that approximately One Million Dollars (\$1,000,000) from the proceeds of the Loan be utilized by the Cardiovascular Institute for the purchase of commodities and commodity-related services for use in the equipping of a facility located at Karachi. In connection therewith, the Borrower shall submit to A.I.D., as promptly as possible, information relating to the following:

- (a) The proposed legal status of the Institute;
- (b) The relationship between the Institute and the Cardiology Department of the Jinnah Postgraduate Medical Centre;
- (c) The expected sources of future financing for the Institute;
- (d) The proposed staffing of the Institute;
- (e) The other Cardiovascular facilities in the Cooperating Country;
- (f) The title to the land upon which the subject facility is located;
- (g) The proposed program for procurement of equipment; and
- (h) Such other information as A.I.D. may reasonably request.

D. Eligibility Date.

In accordance with Section 5.1 of the Agreement, the Eligibility Date for Financing is December 1, 1968. No commodity or commodity-related services are eligible for financing under this agreement which were the subject of an order or contract firmly placed or entered into prior to this date.

E. Limitation of Financing of Ocean Freight.

The Borrower agrees that AID will finance up to 90% of ocean freight costs of eligible commodities when such commodities are shipped on U.S. flag vessels. The remaining 10% representing port charges in Pakistan will be financed by the borrower from its own resources as agreed by Borrower in its letter dated April 14, 1969.

More.....

127

Secretary to Government
Economic Affairs Division.

IV. Discounts, Commissions and Similar Allowances.
Financing Commissions Under the Agreement.

As prescribed in Attachment "H" of this Implementation Letter, dollar sales commissions are authorized for financing under the Agreement only to sales agents or brokers located in the United States.

V. Utilization of U.S. Stockpile Materials.

Certain raw materials which are currently in excess of needs in the U.S. Strategic and Critical Stockpile and available to A.I.D. shall be utilized whenever feasible in procurement financed under the loan. Procedures for utilization of such materials are attached to the Commodity Procurement Instruction.

VI. Special Covenants - Section 5.1

The attention of Borrower is particularly directed to section 5.1 of the Agreement, in which Borrower in furtherance of its existing policies agrees to continue to take appropriate measures to encourage development of ^{the} domestic fertilizer production industry ^{and} to continue to transfer the distribution of fertilizer and pesticides to the private sector as soon as possible. In particular, AID anticipates that the Borrower will (a) cooperate with the efforts of potential investors in fertilizer production facilities to construct and start-up proposed facilities with capacity of about 450,000 nutrient tons additional to capacities existing as of January 1, 1969, and (b) ensure that fertilizer is made available to prospective producers so that they may develop a capacity of distributing fertilizer appropriate to their respective planned plant production. A.I.D. also expects Borrower to continue its efforts to transfer distribution of fertilizer in East Pakistan to the private sector.

A.I.D. is pleased that the Government of West Pakistan (GOWP) is progressing toward development of an effective plant protection program, which is to include private sector involvement in distribution and application of pesticides and organizing of a plant protection institute.

The framework within which we expect that program to develop is elaborated upon in Mr. Humayun's letter No.1(19)BU-VII/68, dated December 6, 1968, with the attached letter from Mr. Siddiqui of the GOWP to Mr. Farouqi of EAD, and Mr. Kontos' letter to Mr. M. Ismail of EAD, dated December 17, 1968.

More.....

Secretary to Government
Economic Affairs Division.

A.I.D. also has been concerned about apparently sizeable stocks of pesticides of doubtful quality in government godowns. A letter dated October 30, 1968 from Secretary of Agriculture, GOWP, to the Chairman, Planning and Development Board (copy to USAID) the Government of West Pakistan indicated that a detailed and comprehensive inventory is being prepared which will include:

- "(i) The kinds and quantities of each pesticide.
- (ii) The ages of various quantities of each pesticide.

"4. As soon as the Inventory is completed the Department will take necessary steps to separate the usable stocks from the suspected ones. The usable pesticides will be kept in stock and a system evolved whereby older pesticides will be moved out and used before new stocks are released for use.

"5. The stocks considered to be doubtful quality will be taken out of the Government godowns in the suburbs and put into a central location for making the following determinations:

- (i) The determination by samplings and laboratory tests of those that may be reclaimed and reprocessed for use.
- (ii) The determination of those pesticides that are no longer usable.
- (iii) A plan for the disposal of the unusable pesticides.

"6. It is proposed to complete the inventory as outlined above by 31st January, 1969, and remove the suspected stocks of pesticides to Divisional Headquarters or some other suitable locations by 31st March, 1969.

"7. The laboratory tests, reprocessing and disposal of suspected pesticides will be done by the end of 1969".

We wish to re-emphasize our concern and shall expect that the time table shown above will be adhered to.

More.....

124

Secretary to Government
Economic Affairs Division.

VII. Reporting - Section 6.3

A. Monthly Progress Reports

A description of the information to be included in these reports is given in Attachment "E". This is the same requirement as is included in the most recent A.I.D. Commodity Loans, namely Loans 131 and 121. Since this requirement was imposed, however, EAD has arranged monthly commodity loan utilization meetings with CCI & E and public sector agencies in which A.I.D. participates. A.I.D. has found these meetings, and the agendas and minutes that result from them, to be very beneficial in keeping us up-to-date on progress under the Commodity Loans. In light of this, we should like to discuss with you the possibility of these meetings and the resultant papers substituting for more formal monthly progress reports.

B. Quarterly Shipping Reports

With respect to ocean shipment of goods financed with loan funds, the following is required to provide A.I.D. with reports indicating actual progress in meeting 50/50 shipping requirements. These reports will show for each calendar quarter the actual extent to which the requirements are being met. The report should follow the form indicated in Attachment "F". The first report covering shipments from December 1, 1968 to March 31, 1969 will be due not later than June 1, 1969. Reports covering quarterly periods thereafter are to be dispatched within 30 days after the end of the period covered in the report. Each report is to be supplemented by a covering summary statement giving the cumulative actual figures, beginning with the initial report through the month of the latest report, for U.S. and non-U.S. flag vessels by category of vessel, as applicable. If the summary report indicates a lag in complying with A.I.D. Regulation I, Subpart B, Section 201.15, a statement shall be included indicating how the deficit in shipping on U.S. flag vessels is to be made up. An original and two copies of this report shall be forwarded direct to USAID, 59-A, Satellite Town, Rawalpindi.

C. Economic Reports.

1. In compliance with Section 6.3 of the Loan Agreement, the Borrower shall submit quarterly reports to A.I.D. on letters of credit opened for the import of all non-A.I.D. financed commodities by commodity

More.....

Secretary to Government
Economic Affairs Division.

category. These reports shall be submitted thirty days after the end of each quarter, covering transactions of the quarter just ended. The first report due is for the period ending June; 1969 and shall be submitted not later than AUGUST 1, 1969. Said reports also shall be deemed to satisfy the requirements for such reports set forth under A.I.D. Loan 391-H-121 and 391-H-131.

2. The reports shall be broken out to reflect all goods financed under other country loans and cash and commercial credits (*) and shall, separately, reflect the values of the following commodities:

- a) Capital Equipment
- b) Raw Materials and Components
- c) Consumer Goods

(*) Commercial Credits are defined as credits of five years or less. Swing credits under bilateral trade agreements are considered commercial credits if settlement is made more frequently than once in five years. Letters of credit opened under Bonus Voucher may be included under "cash and commercial credits" or may be shown separately, if preferred.

3. The Borrower also shall continue to keep AID informed of all significant developments in its fertilizer and plant protection program in the same fashion as it has done heretofore.

VIII. Records

In accordance with Section 201.41 of A.I.D. Regulation I, the Borrower shall establish and maintain an arrival accounting system acceptable to A.I.D. which will record the arrival and disposition of all commodities financed by A.I.D. as follows:

A. Indicate whether the commodities financed by A.I.D. have in fact been received in Pakistan in the quantity and condition for which payment was made.

B. Indicate possible refunds due A.I.D. resulting from importers claims for shortages and damages.

More.....

131

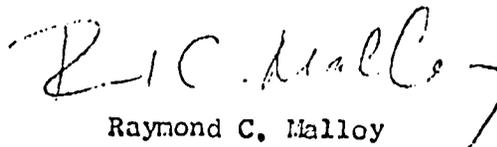
Secretary to Government
Economic Affairs Division

C. Provide means for determining whether eligible items clear through customs promptly.

D. Provide means of identifying the importer (or first purchaser or transferee if importer is the borrower) of the eligible items.

E. Identify the commodities received with specific payments made by A.I.D. as reflected in monthly detail transaction reports prepared by A.I.D. and forwarded to the Government of Pakistan.

Sincerely yours



Raymond C. Malloy
Assistant Director
Capital Development &
Private Enterprise

List of Attachments:

- A) Guide for the assistance of Counsel in preparing Legal Opinion.
(Already satisfied)
- B) Commodity Procurement instructions (CPI). (Being prepared and will be forwarded separately)
- C) Financing Request (FR), A.I.D. Form 1130.2 and 1130.2A.
- D) Requests for extension of Terminal Dates for Disbursements.
- E) Monthly Progress Reporting Requirements.
- F) Quarterly Shipping Report Requirements.
- G) Disbursement of Loan Funds - Reimbursement Procedure.
- H) Commissions in local currency.

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
59-A, SATELLITE TOWN
RAWALPINDI
PAKISTAN

GUIDE FOR THE ASSISTANCE OF COUNSEL IN PREPARING OPINIONS
CONCERNING VALIDITY OF OBLIGATIONS OF GOVERNMENTS PURSUANT TO
PROVISIONS IN AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) LOAN
AGREEMENTS

GENERAL PRINCIPLES:

- (a) AID prefers the opinion of the senior legal officer of Pakistan.
- (b) The opinion should reach in substance the conclusions stated in the Loan Agreement provision on legal opinions.
- (c) AID will look for an explanation of the legal basis on which such conclusions were reached.
- (d) AID will expect counsel to include relevant excerpts in English from the Constitution, Statutes, executive orders or decrees public notices, etc., relied upon in such opinion.
- (e) Two copies of the opinion should be submitted to AID and should be in English.

The legal opinion should support its conclusions by an explanation of how the conclusions arrived at were reached. This would include: citation of the basic legal authority for entering into the Agreement, indication how the Government representative signing was authorized to do so, and an affirmative representation that there are no other requirements of law to make the Loan Agreement or the actions taken pursuant to it valid and binding.

5/14/69

133

C.P.I. - ATTACHMENT "B"

AID 1150-2 (1-68)	FR FINANCING REQUEST	2. AMOUNT - U.S. DOLLARS Previous Amount _____ Increase _____ Decrease _____ Total _____	4. REQUEST NO. 5. <input type="checkbox"/> ORIGINAL OR AMENDMENT NO. _____ 6. AGREEMENT NO. 7. CPI NO.
TO: DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT WASHINGTON, D. C. 20523			
FROM:			
8. METHOD OF FINANCING <input type="checkbox"/> LETTER OF COMMITMENT (L/COM) <u>U.S. BANKING INSTITUTION</u> <u>APPROVED APPLICANT</u> <input type="checkbox"/> PROCUREMENT AUTHORIZATION/PURCHASE REQUISITION (PA/PRI) NAME OF U.S. GOVERNMENT AGENCY: _____ <input type="checkbox"/> OTHER METHOD OF FINANCING: (SPECIFY _____)			
9. ITEMS TO BE FINANCED AND AID COMMODITY CODES			
10. CONTRACTING, SHIPPING, OR OTHER PERTINENT DATES			
11. SPECIAL RESTRICTIONS WITHIN TERMS OF ABOVE-REFERENCED CPI			
12. THE METHOD OF FINANCING AS DESCRIBED ABOVE IS HEREBY REQUESTED			
_____ BORROWER/GRANTEE AUTHORIZED SIGNATURE		_____ DATE	

13. CONDITIONS PRECEDENT TO DISBURSEMENT HAVING BEEN MET, THIS FINANCING REQUEST IS HEREBY APPROVED FOR IMPLEMENTATION

APPROVED FOR AID (SIGNATURE)

(TITLE)

DATE

135

FINANCING REQUEST - INSTRUCTIONS

This form is submitted in original and one copy to request issuance by AID of disbursing authorizations or amendments thereto, pursuant to AID Commodity Program Assistance Agreements. It may be used to request the issuance of a Letter of Commitment (L/COM) to a U.S. bank or a Procurement Authorization/Purchase Requisition (PA/PR) to a U.S. Government Agency. Other methods of financing (e.g., Direct Reimbursement) may be requested if specifically authorized under the terms of the Agreement.

Separate Financing Requests are required for each L/COM or PA/PR requested. A Financing Request, which may be amended from time to time, is required for that amount under the Agreement expected to be financed by Direct Reimbursement.

The form is designed to permit the reflection of any restrictions desired as to commodities, amounts, contracting and/or shipping dates and any other special restrictions desired, subject to the terms of the Agreement, and the pertinent Commodity Procurement Instruction (CPI).

The identification number shown on the AID financing document (L/COM, PA/PR or Direct Reimbursement Approval) is to be shown on all documents, including Supplier's Certificates, required for payment in connection with transactions to be financed thereunder.

Financing Requests are to be completed in English as follows:

BLOCK 1 - Insert the name and address of the borrower or grantee who is a party to the Agreement cited in block 6.

BLOCK 2 - Insert the U.S. Dollar amount for which the financing described in Block 8 is requested. Enter the amount for original requests on the lines titled "increase" and "total". Enter the amounts relevant to amendment requests on the lines titled "previous amount", "increase" or "decrease", and "total".

BLOCK 3 - Insert area of source and AID Geographic Code for the procurement described in block 9.

BLOCK 4 - Insert the identifying number assigned to this Request by the borrower or grantee. A maximum of 99 requests may be submitted under one Agreement.

BLOCK 5 - Indicate whether this request is an original issuance by placing an X in the square, or an amendment by placing the number of the amendment in the space provided. If an amendment, also include, for reference purposes, the number of the AID disbursing authorization for which amendment action is requested.

BLOCK 6 - Insert the identifying number of the Agreement under which this request is being submitted.

BLOCK 7 - Insert the identifying number of the Commodity Procurement Instruction (CPI) under which this request is

being submitted. One request may not be submitted under more than one CPI. However, any number of requests, within the maximum for the Agreement, may be submitted under a single CPI.

BLOCK 8 - Indicate by an X in the appropriate square the specific method of financing requested. For L/COM or PA/PR financing, complete the necessary spaces for the name and address of the U.S. Banking Institution and Approved Applicant, or U.S. Government Agency, respectively. (The Approved Applicant may be the borrower or grantee, or a person or organization, such as a bank in the cooperating country, authorized to request the U.S. Banking Institution to open commercial letters of credit or to make payments to suppliers by other means.) If Direct Reimbursement or another authorized method of financing is requested, place an X in the appropriate square, state the method being requested, and provide essential details.

BLOCK 9 - Describe the items to be financed in terms of AID 3 or 4 digit commodity codes (see AID Commodity Code Book). Additional data, e.g., estimated quantities and dollar costs by commodity code, inclusion of delivery costs, flexibility among category amounts, may be specifically requested by AID. For PA/PR, give detailed specifications of procurement unless separately submitted; in the latter case, refer in this block to the document in which necessary details were submitted to AID. If detailed specifications are to be developed by AID or another U.S. Government Agency, so indicate and refer to any pertinent communications on the subject.

BLOCK 10 - Insert those desired dates pertinent to the financing document requested in block 8. The expiration date for a Letter of Commitment may in no case be later than the terminal date specified in the Agreement or implementing CPI. Contracting and/or shipping dates may be specified if desired; such dates must allow sufficient time for submission of documents for payment prior to the terminal date. For a PA/PR, the shipping period ending date may not be later than the terminal date.

BLOCK 11 - Insert any special restrictions in addition to those which may be required by AID desired to be incorporated into the financing document. These restrictions must be within the terms of the referenced CPI.

BLOCK 12 - Signature of individual authorized to sign for the borrower or grantee, and date of signing.

BLOCK 13 - To be completed by AID Regional Assistant Administrator or his designee. Signature will indicate that Conditions Precedent have been met and that the request is approved for implementation.

***NOTE:** Whenever information to be furnished in Blocks 3, 9, 10 or 11 is identical with that contained in the referenced CPI, then enter the following: "See above referenced CPI."

HAZ 1120-2A 11-68

AGREEMENT NO.

REQUEST NO.

FR
CONTINUATION
SHEET

FINANCING REQUEST
(Continued)

ORIGINAL OR

CPI NO.

AMENDMENT NO.

INDICATE
BLOCK NUMBERS

Use this form to complete the information required in any block of the Financing Request form.

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
59-A, SATELLITE TOWN
RAWALPINDI
PAKISTAN

REQUEST FOR EXTENSION OF TERMINAL
DISBURSEMENT DATE ON A.I.D. LOANS

The Agency for International Development has been concerned with the significant number of outstanding loan projects which are not completed before expiration of the original terminal dates for disbursement and the consequent requests for extension. Accordingly, A.I.D. intends to be exacting in reviewing requests for terminal date extensions and will require strong justification before granting such extensions.

Since commodity loans particularly are made against Consortium pledges with regard to balance of payments projections for a specified period, it is felt that fund availability normally should not be extended into subsequent periods. Commodity Loans usually will provide two years for procurement, shipping and payment. Extensions beyond that time will be considered only under unusual circumstances, and then only to permit fulfillment of contracts which were awarded sufficiently early in the loan period to have normally expected delivery before the terminal date.

All extension requests, for project or commodity loans, must be adequately justified and include the detailed information prescribed in the sample format attached.

Attachment.

5/14/69.

Attachment
to Attachment "D"

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
59-A, SATELLITE TOWN
RAWALPINDI
PAKISTAN

FORMAT TO ACCOMPANY BORROWER'S
REQUEST FOR
EXTENSION OF TERMINAL DATE FOR DISBURSEMENT

Loan Title: _____ Loan No. (DLF/AID) _____

Date Signed: _____ Amount of Loan \$ _____

Date of First Cumulative Disbursement as of
Disbursement: _____ \$ _____

Current Approved Terminal Date Requested Terminal Date
for Disbursement: _____ for Disbursement: _____

(Attach list of all unshipped contracts including supplies, material
amount, date of contract, and expected shipping date)

Rationale of Request for Extension of
Terminal Date for Disbursement

1. Description of Specific and general problems causing delay in implementation.
2. Steps already initiated to overcome above problems.
3. Present situation.
4. Anticipated additional problems which may cause further delay in implementation.
5. Suggested action to meet the above.
6. Requested action.

Signature of Authorized
Representative _____

5/14/69.

121

Pakistan: Non Project Loan

Loan No: AID 391-H-

MONTHLY PROGRESS REPORT
Procurement

Attachment "E"

Date Report Prepared _____

For Period _____ to _____

Certified as Correct _____
(Authorized Representative)

Report in Long Tons (2,240 lbs.) in U.S.Dollars

S. No.	Commodity and Code.	Amount of L/Cs opened during the month.	Progressive total of the amount of L/Cs opened.	Amount of documents retired during the month.	Progressive total of the amount of documents retired.	Amount of L/Cs Cancelled		Amount Outstanding	
						Amount of L/Cs cancelled during the month.	Progressive total of amount of L/Cs cancelled.	During the month under Report.	Progressive total amount.

1/10
5/14/69.

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
59-A, SATELLITE TOWN
RAWALPINDI
PAKISTAN

DISBURSEMENT OF LOAN FUNDS
REIMBURSEMENT PROCEDURE.

Under A.I.D. loan agreements, the borrower may finance loan authorized expenditures, out of its own resources and request reimbursement from A.I.D. The procedures to be followed by the borrower to obtain reimbursement are as follows:

A. Form and Content of Request: Requests to A.I.D. for reimbursement shall be submitted by the borrower on a monthly basis (unless otherwise specified in the implementation letter), in duplicate, serially numbered, and in the form appearing immediately below entitled "request for Reimbursement". Each request shall be dated, identified with the A.I.D. loan number, and supported by a summary listing of the expenditures for which reimbursement is requested and such other documentation as required by A.I.D. (See PART B of this attachment). Each listed expenditure amount for which reimbursement is requested shall be numbered, dated, and briefly described so as to be readily identified with the number, date, and description of the documentation to which it relates. A copy of the summary listing is to be attached to each copy of the voucher (SF 1034).

REQUEST FOR REIMBURSEMENT

Serial No. _____

Pursuant to loan agreement No. _____ dated _____, 19____
the (name of borrower) hereby requests and certifies as follows:

1. The borrower requests A.I.D. to reimburse it for expenditures totalling _____ and, on the basis of such reimbursement, to make a dollar charge against the loan.
2. The amount requested is to reimburse the borrower for the expenditures made by the borrower in procuring goods and services authorized by the loan agreement and identified in the summary listing of

expenditures which is attached hereto and which is accompanied by the documentation required by A.I.D. to support such reimbursement.

3. The borrower has not heretofore applied for or received reimbursement for the costs of any of the items for which reimbursement is requested, and will not obtain such reimbursement out of the proceeds of any other loan, credit, or grant available to the borrower.
4. Where pursuant to the loan agreement, some portion of the total payment for the specific goods and services covered herein is to be met from other than A.I.D. sources, the borrower certifies that the total payment was _____ of which the sum of _____ was borne by _____.

Signed _____
(Borrower)

Title _____
(Authorized Representative)

- B. Documentation: A.I.D. requires that requests by borrowers for reimbursement be supported by the following documents, except when waived in writing by A.I.D.
1. Costs of Goods, Including Costs of Freight and/or Marine Insurance Where Paid by the Supplier. (See paragraphs 3 and 4 below for documentation to support prepayments and progress payments under contracts.)
 - a. Voucher SF 1034: The original and three copies, prepared by the borrower.
 - b. Supplier's Detailed Invoice: One copy or photostat, showing quantity, description, gross sales price, net sales price (after deducting discounts and purchasing agents' commissions), and basis of delivery (e.g., C&F, F&S) of the goods or details of the services. Such invoice shall either be marked "paid" by the supplier or accompanied by a certificate from a banking institution indicating that payment has been made. Where the invoice covers goods shipped from a free

port or bonded warehouse, it shall include an endorsement so indicating and designating also the country or area from which shipment was made to the free port or bonded warehouse. Where an invoice covering costs of freight and/or marine insurance is rendered separately (i.e., where these costs are not billed on the invoice covering the costs of the goods), an appropriate reference must be furnished to the voucher (SF 1034) an invoice under which the cost of the goods was paid.

C. Supplier's Certification of Commodity Source

This certification must be attached to each invoice presented for payment and must be signed by the supplier or his authorized representative. For AID purposes, the term "source" means the country from which a commodity is shipped to the cooperating country, or the cooperating country if the commodity is located therein at the time of purchase. Where, however, 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.

"I (We) hereby certify that the 'source' (as defined by AID) of commodities listed on the attached invoice or invoices herein is as shown below and that such invoiced commodities were mined, grown, or produced in _____ (insert the name of the country in which mined, grown or produced).

"I (We) further certify that, to the best of my (our) information and belief, with respect to any produced commodity invoiced, (I) the cost of components (delivered at the point of production) acquired by the producer of the commodity in the form in which imported into the country of production from free world countries other than countries covered by AID Geographic Code specified in the invitation for bids or solicitation for offers does not

1944

exceed 10 percent (or such other percentage as AID may prescribe) of the lowest price excluding the cost of ocean transportation and marine insurance) at which I (We) make the commodity available for export sale (whether or not financed by AID), and (2) the produced commodity does not contain any components (i) imported from countries not included under AID Geographic Code 899 or (ii) prohibited by the Foreign Assets Control (FAC) or Cuban Assets Control (CAC) Regulations of the U.S. Treasury Department.

"I (We) understand that a false certification made herein may be punishable by law".

Source of Commodities (Country)	References: Invoice No. AID No.	
Corporate Name of Supplier		
Authorized Signature	Title	Date

- d. Evidence of Shipment: One copy or photostat of ocean or charter party bill of lading, airway bill, parcel post receipt, or other commercially acceptable documentation.
- e. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract. The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract executed by the supplier, covering the following:

195

- (1) The cost of the commodity, including the cost of ocean freight and/or marine insurance (including war risk insurance) when such costs are paid by the supplier for his own or by the buyer's account, to be executed by the supplier of the commodity.
 - (2) The cost of ocean freight, to be executed by the ocean carrier.
 - (3) The cost of marine insurance (including war risk insurance) to be executed by the insurer, insurance broker, or underwriter.
- f. Other Documentation: Such additional or substitute documentation as A.I.D. may require.

2. Cost of Services:

- a. Voucher SF 1034: The original and three copies, normally prepared by the borrower.
- b. Supplier's Detailed Invoice: One copy or photostat, describing the services performed and itemizing in detail the costs for which payment is invoiced (except in the case of lump-sum contracts in which case the invoice shall identify the covering contract and the section or paragraphs which provide for such payment and the terms of payment), setting out separately costs of travel, materials, and equipment, if any. Such invoice shall either be marked "paid" by the supplier, or accompanied by a certificate from a banking institution indicating that payment has been made.
- c. Certificate of Performance: This must be executed by an authorized representative of the borrower, as follows:

The undersigned certifies that (1) the services for which reimbursement is requested have been satisfactorily rendered; (2) the costs thereof

are properly reimbursable and the fees earned, in accordance with the terms of the contract;
(3) any reports or recommendations required under the terms of the contract have been received and are in accordance with the terms of the loan agreement.

Signed _____

Title _____
(Authorized Representative)

Date _____

- d. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract.

The original and two copies of the A.I.D. supplier's Certificate and Invoice-and-Contract Abstract, executed by the supplier, covering the total amount for which reimbursement is requested.

- e. Other Documentation: Such additional or substitute documentation as A.I.D. may require.

3. Prepayments and Progress Payments Under Contracts:

Where prepayments and/or progress payments are required under a contract with a supplier (and such financing has been approved by A.I.D. in advance), the value thereof may be reimbursed to the borrower, subject to prior performance of such special provisions as may be required by A.I.D. Documentation to support disbursements covering prepayments and progress payments is as follows:

- a. Voucher SF 1034: The original and three copies, normally prepared by the Borrower.
- b. Supplier's Detailed Invoice: One copy or photostat of the invoice, identifying the covering contract and showing (a) the total value of the contract (excluding escalation); (b) the total of amount previously received and/or claimed as prepayment or

progress payments, detailed by amounts and dates; (c) the amount being invoiced for payment; (d) the total value of goods delivered (including shipping and related costs) and separately the total value of technical or other non-commodity related services performed under the contract as of date of the invoice; and (e) the total value of goods delivered, (including shipping and related costs) broken down by calendar year and quarter of shipment, since the date of the previous invoice and the total value of technical or other non-commodity related services performed since the date of the previous invoice. Such invoice shall be accompanied by a certificate from a banking institution indicating that payment has been made.

- c. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract: The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract, executed by the supplier, covering the total amount for which reimbursement is requested.
- d. Works Progress Certificate: For progress payments, one copy of a Works Progress Certificate, signed by the supplier, in the following form attached to, or endorsed on, the invoice.

The undersigned certifies that (1) the amount expended for engineering services, labor, materials, and payments on account of commitments for materials and services supplied or to be supplied under contract (or order) No. _____ are in excess of the total payments already received or claimed against this contract (or order) including payments claimed under this invoice; (2) the value of said contract (or order) excluding escalation is _____, (3) the undersigned is complying with the terms and conditions of the subject contract (or order); (4) the commodity is presently under the General License, or, if not, a validated export license has been

issued by the Department of Commerce covering the commodity, and the undersigned has not received notice that it has been cancelled or terminated; and (5) the commodity is being specially manufactured or produced for the importer under the contract (or order), does not conform to the undersigned's standard specifications for domestic or foreign sale, or if it does, is not of a type normally manufactured by or for the undersigned for inventory, and to the best of the undersigned's belief, would, in the event of non-delivery, neither be resaleable nor convertible for resale at, or above, the contract price.

Signature _____

Title _____
(Authorized Representative)

- e. Other Documentation: Such additional or substitute documentation as A.I.D. may require.
4. Partial or Final Payments Where Prepayments or Progress Payments Have Been Made: Where prepayments or progress payments have been made under a contract financed out of A.I.D. loan funds, in addition to documentation as provided in Section 1 of this part, a certification, signed by the supplier, in the following form is required to be attached to or endorsed on the invoice.

The undersigned certifies that (1) the sales value of the equipment covered by this invoice, plus the value of equipment already delivered, plus the sales value of engineering services, labor, and purchased material for which expenditures have been made, plus the amount expended on account of commitments for equipment remaining to be supplied under the subject contract are not less than the total payments already received or claimed against this contract (or order) including payments claimed under this invoice, and (2) it is complying with the terms and conditions of the subject contract (or order).

149

Signature _____

Title _____
(Authorized Representative)

Date _____

5. Final Payment Where Amount Previously Withheld Under Contract

Where a contract financed out of A.I.D. loan funds authorizes final payment for goods upon acceptance by the purchaser, certification by purchaser's engineer, or other comparable condition, documentation to support such final payment shall be as follows:

- a. Voucher SF 1034: The original and three copies, normally prepared by the borrower.
- b. Supplier's Detailed Invoice: One copy or photostatic identifying the covering contract and showing (a) the total value of the contract (excluding escalation), (b) total of amounts previously received as payments under the contract, and (c) the amount invoiced for final payment. Such invoice shall either be marked "paid" by the supplier or accompanied by a certificate from a banking institution indicating that payment has been made.
- c. Certificate of Acceptance: There shall be attached to or endorsed on the supplier's invoice a certification substantially as follows, executed by the borrower or its authorized representative.

The undersigned certifies that the (machinery equipment) for which final payment is invoiced meets in all respects the specifications prescribed in the covering contract, and the amount invoiced is properly due and payable to the supplier under the contract.

Signature _____

Title _____
(Authorized Representative)

Date _____

d. A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract

The original and two copies of the A.I.D. Supplier's Certificate and Invoice-and-Contract Abstract executed by the supplier, covering the total amount for which reimbursement is requested.

e. Other Documentation:

Such additional or substitute documentation as A.I.D. may require.

5/14/69.

157

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
59-A, SATELLITE TOWN
RAJALPINDI
PAKISTAN

COMMISSIONS IN LOCAL CURRENCY

Commissions to sales agents and commission employees who do not qualify for dollar payments may be made in local currency under the following procedure for Regulation 1.

A. The supplier will indicate on his invoice the gross amount of the sale (which must not exceed the amount of the letter of credit), the commission, the name and address of the sales agent or commission employee, and the net amount, exclusive of commission, payable to the supplier.

B. The supplier will submit a signed original of Certificate Concerning Commissions (A.I.D. Form 283) to the U.S. bank as a condition for receiving payment. This certificate must be executed for each shipment, whether or not the supplier pays a commission.

C. The Supplier shall place a signed, executed copy of the Certificate Concerning Commissions in a sealed envelope and shall physically attach the sealed envelope to his invoice. By executing Certification H on the A.I.D. Form 283, the supplier will certify to A.I.D. that he has complied with the requirements necessary to effect a payment of a commission in local currency and will request the opening bank in the cooperating country to convert the dollar amount attributable to the commission into a local currency equivalent and to pay over the resulting sum to the sales agent or commission employee whose name and address appear on the supplier's invoice, the Certificate Concerning Commissions (A.I.D. Form 283) and the Invoice-and-Contract Abstract of the Supplier's Certificate (A.I.D. Form 282). The supplier may at his option also place in the sealed envelope another set of invoices executed for the gross amount of the sale without a deduction for commissions. If the supplier chooses to execute such a second set of invoices,

he shall mark this second set before placing it in the sealed envelope with the words "FOR THE IMPORTER" and shall note on the invoice submitted to the U.S. bank as a requirement for payment the words "ONLY FOR A.I.D. AND THE OPENING BANK". The second set of gross-amount invoices represents an accommodation to the supplier to enable him, if he wishes, to withhold commission information from the importer.

D. The U.S. bank will forward the sealed envelope along with the other commercial documents to the opening commercial bank in the cooperating country. The opening bank will remove the Certificate Concerning Commissions from the sealed envelope and, if a gross-amount invoice has been placed by the supplier in the sealed envelope, will also remove the gross-amount invoice. The opening bank will withhold from the package of documents which it presents to the importer the invoice for the gross amount. The opening bank will pay the sales agent or commission employee the amount of commission as requested by the supplier, converted into local currency at the applicable official rate of exchange.

E. The supplier will receive payment from the U.S. bank under his letter of credit for the net amount shown on his invoice, exclusive of all commissions.

F. Unused funds in Letters of Credit resulting from two invoice procedure and where the commission payment has been made in local currency to a sales agent not eligible for AID-financing as defined under item 1, page 1 will be available to Approved Applicant under the concerned Letter of Commitment after the bank has paid the Letter of Credit amount to the US suppliers. Approved Applicant may open additional Letters of Credit against such accumulated balances.

G. Approved Applicant may issue Letters of Credit in excess of the concerned Letter of Commitment value, against Government of Pakistan's own foreign exchange, with instructions to US banks that the foreign exchange cover and/or subsequent drawing should be under provisions of the Letter of Commitment involved, in the event that sufficient balances are created from unused or partially drawn Letters of Credit.

H. When importer/supplier relationship permits, Letters of Credit may be established net of Commission with payment of commission made by the importer to agent.

LIMITATIONS ON SERVICE PAYMENTS:

The new procedures which appear in Regulation 1 prescribe dollar service payments by a supplier to any local service organization. A service payment is defined in the Regulation and on the Certificate Concerning Commissions (A.I.D. Form 283) to mean with respect to services performed in connection with commodities financed under Regulation 1, any payment or allowance by the supplier to any person, whether or not a sales agent, but not including a commission, a payment or allowance for incidental or delivery services, or a salary payment to any officer or employee of the supplier. A local service organization is defined to mean any person who in the cooperating country performs services in connection with the A.I.D. financed commodities. The objective of this limitation is to insure that services performed in connection with A.I.D. financed commodities in the cooperating country are paid for in local currency. The supplier may make a payment in local currency to a local service organization through the same banking procedure described above for making a local currency commission payment.

OBTAINING FORMS:

Copies of the Certificate Concerning Commissions, Form 283 (as well as copies of A.I.D. Regulation 1 referred to in this memo) may be obtained in limited quantities from banks holding A.I.D. letters of commitment, field offices of the Department of Commerce, or the Distribution Branch, Agency for International Development, Washington, D.C. 20523. Forms may be reproduced provided the reproduction is identical in content, size, color and format.

5/14/69.

134



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN

Cable: USAIDPAK

59-A, Satellite Town
HEADQUARTERS OFFICE
RAWALPINDI
July 15, 1969.

Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

Dear Sir:

Subject: AID Loan 391-H-140
Pakistan General Commodities Loan for FY 1969
Implementation Letter No: 2.

AID/Washington has amended packing Specifications for Fertilizer appearing on page 22 of Annexure A to CPI No. 1 of the subject loan as follows:

" Specifications for Packing

<u>Capacity</u>	<u>Description</u>	<u>Specifications of Overbags</u>
50 Kilo net	Polyethylene tubular liner of 4 mil. thickness (with jute overbags) heat sealed at the bottom and closed at top by one of following methods; 1. Heat sealing; 2. Mechanically applied acid resistant clip of 0.150 minimum diameter (gauge 9) completely circling the polyethylene bag with an overlap sufficient to hermetically seal the liner. 3. Mechanically applied bag tie - 4 1/2 inch plastic covered wire with a 3/8 inch inside loop on each end. Wire should be a minimum of 17 gauge before being plastic covered to a minimum of 16 gauge.	New Jute overbag made from 10 oz./40" Porter into 12 shorts Hession.

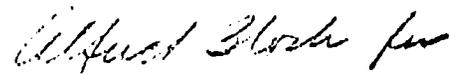
Prior to closing of liner in all methods, excess air shall be exhausted from the bag.

- 2 -

The polyethelene shall be in accordance with Federal Specification L.P. 378 b Type I, Class I, Grade A, Finish I, Plastic Sheet and Strip (Polyolefin)."

We are enclosing a copy of revised page 22 which includes the above revision and should replace original page 22 of Annexure A of CPI.

Sincerely yours



Raymond C. Malley
Assistant Director
Capital Development &
Private Enterprise

Encl: a/s

SPECIAL PROVISION - 42

561.0005

561.0010-561.0055 Manufactured Fertilizers

A. General Requirements

1. Procurement shall be by formal bid procedures unless specifically excepted by A.I.D./W.

2. Additional documentation required for reimbursement:

a. Certificate of Inspection.
b. Certificate by the Supplier enclosed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser".

c. Certificate and Agreement Regarding Concerted Pricing, form AID 285 (not required for 561.0010-561.0020).

d. Certification of weight.

3. Fertilizer Bag Specifications

Bag specifications must meet the following standards, unless specifically excepted by A.I.D./W.

Specifications for Packing

Specifications of Overbags

Capacity

Description

<u>Capacity</u>	<u>Description</u>	<u>Specifications of Overbags</u>
50 Kilo net	Polyethylene tubular liner of 4 mil. thickness (with jute overbags) heat sealed at the bottom and closed at top by one of following methods: 1. Heat sealing; 2. Mechanically applied acid resistant clip of 0.150 minimum diameter (gauge 9) completely circling the polyethylene bag with an overlap sufficient to hermetically seal the liner. 3. Mechanically applied bag tie - 4 1/2 inch plastic covered wire with a 3/8 inch inside loop on each end. Wire should be a minimum of 17 gauge before being plastic covered to a minimum of 16 gauge.	New Jute overbags made from 10 oz. / 40" Porter into 12 shorts Hession.

Prior to closing of liner in all methods, excess air shall be exhausted from the bag.

The polyethylene shall be in accordance with Federal Specification L.P. 378 b Type I, Class I, Grade A, Finish I, Plastic Sheet and Strip (Polyolefin).

Jute bags should be new, single, and of exportable quality. They must be of uniform size and weight.

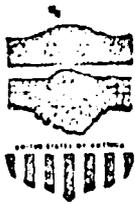
B. General Guidance

a. Single-nutrient Fertilizers

Fertilizers will be evaluated on the basis of the minimum guaranteed analysis in increments of 0.5 unit of plant nutrient, e.g., triple superphosphate ranging from 46.0 to and including 46.49% P₂O₅ will be evaluated as 46.0% and 46.50" to and including 46.99% will be evaluated as 46.50".

b. Multinutrient Fertilizers

Fertilizers must be guaranteed and will be evaluated only on the basis of the analysis requested in the tender, i.e. 18-46-0 will be evaluated as 18% nitrogen and 46% P₂O₅ or a total of 64 units of plant nutrient.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN

Cable: USAIDPAK

59-A, Satellite Town
HEADQUARTERS OFFICE
RAWALPINDI
July 15, 1969.

Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

Dear Sir:

Subject: AID Loan 391-H-140
Pakistan General Commodities Loan for FY 1969
Implementation Letter No: 2.

AID/Washington has amended packing Specifications for Fertilizer appearing on page 22 of Annexure A to CPI No. 1 of the subject loan as follows:

" Specifications for Packing

<u>Capacity</u>	<u>Description</u>	<u>Specifications of Overbags</u>
50 Kilo net	Polyethylene tubular liner of 4 mil. thickness (with jute overbags) heat sealed at the bottom and closed at top by one of following methods; 1. Heat sealing; 2. Mechanically applied acid resistant clip of 0.150 minimum diameter (gauge 9) completely circling the polyethylene bag with an overlap sufficient to hermetically seal the liner. 3. Mechanically applied bag tie - 4 ¹ / ₂ inch plastic covered wire with a 3/8 inch inside loop on each end. Wire should be a minimum of 17 gauge before being plastic covered to a minimum of 16 gauge.	New Jute overbag made from 10 oz./40" Porter into 12 shorts Hession.

Prior to closing of liner in all methods, excess air shall be exhausted from the bag.

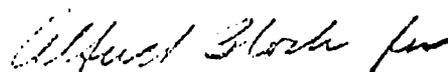
132

- 2 -

The polyethelene shall be in accordance with Federal Specification L.P. 378 b Type I, Class I, Grade A, Finish I, Plastic Sheet and Strip (Polyolefin)."

We are enclosing a copy of revised page 22 which includes the above revision and should replace original page 22 of Annexure A of CPI.

Sincerely yours



Raymond C. Malley
Assistant Director
Capital Development &
Private Enterprise

Encl: a/s

159

SPECIAL PROVISION - 42

61.0005

561.0010-561.0055 Manufactured Fertilizers

A. General Requirements

1. Procurement shall be by formal bid procedures unless specifically excepted by A.I.D./W.

2. Additional documentation required for reimbursement:

a. Certificate of Inspection.
b. Certificate by the Supplier enclosed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser".

c. Certificate and Agreement Regarding Concerted Pricing, form AID 285 (not required for 561.0010-561.0020).

d. Certification of weight.

3. Fertilizer Bag Specifications

Bag specifications must meet the following standards, unless specifically excepted by A.I.D./W.

Specifications for Packing

Specifications of Overbags

Capacity

Description

50 Kilo net

Polyethylene tubular liner of 4 mil. thickness (with jute overbags) heat sealed at the bottom and closed at top by one of following methods:

New Jute overbags made from 10 oz. / 40" Porter into 12 shorts Hession.

1. Heat sealing;
2. Mechanically applied acid resistant clip of 0.150 minimum diameter (gauge 9) completely circling the polyethylene bag with an overlap sufficient to hermetically seal the liner.
3. Mechanically applied bag tie - 4 1/2 inch plastic covered wire with a 3/8 inch inside loop on each end. Wire should be a minimum of 17 gauge before being plastic covered to a minimum of 16 gauge.

Prior to closing of liner in all methods, excess air shall be exhausted from the bag.

The polyethylene shall be in accordance with Federal Specification L.P. 378 b Type I, Class I, Grade A, Finish I, Plastic Sheet and Strip (Polyolefin).

Jute bags should be new, single, and of exportable quality. They must be of uniform size and weight.

B. General Guidance

a. Single-nutrient Fertilizers

Fertilizers will be evaluated on the basis of the minimum guaranteed analysis in increments of 0.5 unit of plant nutrient, e.g., triple superphosphate ranging from 46.0 to and including 46.49% P2O5 will be evaluated as 46.0% and 46.50% to and including 46.99% will be evaluated as 46.50%.

b. Multinutrient Fertilizers

Fertilizers must be guaranteed and will be evaluated only on the basis of the analysis requested in the tender, i.e. 18-46-0 will be evaluated as 18% nitrogen and 46% P2O5 or a total of 64 units of plant nutrient.

140

CPI

AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

COMMODITY PROCUREMENT INSTRUCTION

1. To: Secretary to Government of Pakistan Economic Affairs Division President's Secretariat Islamabad		3. CPI NO. 1	
2. Subject: A.I.D. Loan 391-H-140 Pakistan General Commodities Tenth (Eleventh Program Loan)		4. APPROPRIATION SYMBOL 72-11X4103	
		5. ALLIANCE SYMBOL 253-62-298-00-57-91	
AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.			
6. ELIGIBLE ITEMS AND AID COMMODITY CODES Per pages 3 through 21 Up to but not exceeding 90% of ocean freight costs of eligible commodities shipped on U.S. Flag Vessels.		7. CPI AMOUNT Previous _____ Increase \$ 71,000,000.00 Decrease _____ TOTAL \$ 71,000,000.00	
8. AREA OF SOURCE AND CODE (002) For all Iron and Steel Mill Products, (000) For all other commodities			
9. ELIGIBILITY DATE December 1, 1968 - December 1, 1968	10. CONTRACTING PERIOD December 1, 1968 - July 31, 1970	11. SHIPPING PERIOD December 1, 1968 - July 31, 1970	12. TERMINAL DISB. DATE September 30, 1970
13. METHOD(S) OF FINANCING <input type="checkbox"/> LETTER OF COMMITMENT <input type="checkbox"/> OTHER (SPECIFY)		The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.	
14. AID COMMODITY FINANCING PROCEDURES Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.			
15. Special Provisions and Instructions set forth in Annex A and Annex B are applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.			

16. APPROVED FOR AID
Peter J. Hagan *Peter J. Hagan*
Deputy Chief, Loan Operations
Office of Capital Development and Engineering
Bureau for Near East and South Asia

17.

5/15/69
DATE

161

ORIGINATING COUNTRY REFERENCE	AID REFERENCE		
	AGREEMENT NO.	CPI NO.	L/COM NO.
PAKISTAN: General Commodities Tenth	391-H-140	1	

A.I.D. agrees that the commodities listed in this Commodity Procurement Instruction, (C.P.I.) by U.S. Department of Commerce Schedule B Code Numbers are eligible for A.I.D. financing subject to the provisions and instructions indicated herein. The list of eligible items can be amended as A.I.D. and the Borrower may agree.

The symbol (P) for partial indicates that only those commodities that are specifically listed by name after a particular code are eligible and/or subject to the instructions and provisions indicated.

The special provisions referenced as SP-1 through SP-62 are standard A.I.D. special provisions as published in A.I.D. Small Business Memo 68-18-A of February 11, 1969. A copy of this Small Business Memo is attached as Annex A to this C.P.I.

The special instructions, referenced as SI-1 through SI-5 are listed in Annex B to this C.P.I.

MINIMUM VALUE OF TRANSACTIONS

1. No Letter of Credit may be issued, advised, or confirmed hereunder in an amount of less than \$10,000.00.

2. Unless otherwise agreed to in writing by A.I.D./W, the gross amount of any supplier's invoice submitted for payment in respect to shipments either partial or otherwise, may not be less than \$10,000.00.

3. Letters of credit pertaining to the procurement of Iron and Steel Products, USDC Schedule B Nos.,

- | | |
|-------------------|-------------------|
| 671.2000-671.6060 | 691.1010 |
| 672.1000-672.9000 | 691.1030 |
| 673.1310-673.5400 | 691.1040 |
| 674.4310-674.8050 | 691.1060 |
| 675.0310-675.0440 | 691.1070 |
| 676.1010-676.2020 | 693.2010 |
| 677.0310-677.0430 | 693.2020 |
| 678.1010-678.6056 | 698.8710-698.8720 |
| 679.1010-679.3030 | 698.9130 |
| | 731.7010 |
| | 731.7020 |

or base stocks of Petroleum, (USDC Schedule B. No. 332.5050), may not be issued, advised, or confirmed in amounts less than \$10,000.00, and in addition, where a letter of credit covers more than one item falling within the above mentioned categories, the application for such letter of credit must evidence that the value of at least one of the items covered is \$10,000.00 or more. NOTE: As used above, an "item" is a commodity or group of commodities having a common specification and nomenclature, notwithstanding variations in size.

A.I.D. Reference

PAKISTAN: General Commodities Tenth

Agreement No.	CPI No.
391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
044.0030-044.0040(P)	Corn Seed	SP-4
081.1000	Hay and Fodder	
081.2010-081.2040	Wheat Corn and Rice By-Products	
081.3010-081.3050	Oilseed Cake and Meal	
081.4000	Meat and Fish Meal	
081.9500-081.9940	Prepared Livestock Feeds and Food Wastes	
081.9960-081.9970	Alfalfa Meal	
251.3000	Wood Pulp	SP-17
251.6000-251.8220	Wood Pulp	SP-17
265.0000(P)	Vegetable Fibers, Abaca, Sisal	SI-2.
266.2110-266.4020	Man-made Fibers and their Waste, <u>(except Glass)</u>	
276.2200(P)	Graphite, Domestic Lubricant and Malagasy Flake	SI-2
276.4010-276.4020(P)	Asbestos Fibers, Amosite, Chrysotile and Crocidolite	SI-2
276.5200(P)	Mica, Muscovite Block, Muscovite Film, Muscovite Splittings, Phlogopite Block Nonstockpile Grade and Phlogopite Splittings	SI-2
276.5410(P)	Fluorspar, Acid Grade	SI-2
276.5500(P)	Quartz Crystals (crude)	SI-2
276.9500(P)	Talc, Steatite, in Bags, Boxes and Bulk	SI-2
276.9800(P)	Non-metallic Minerals, NEC, <u>(excluding Bastnaesite, Celestite and Sodium Sulphates)</u>	SI-3

PAKISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No.	CPI No.
	391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
276.9800(P)	Sodium sulphate (rare earth)	SI-2
276.9800(P)	Bastnaesite (rare earth)	SI-2
276.9800(P)	Celestite, 83-86.9% SrSo ₄ , 90.1-90.4% SrSo ₄	SI-2
283.7000(P)	Manganese Ore, Battery Grade, Synthetic Dioxide	SI-2
283.7000(P)	Manganese Ore, Metallurgical	SI-2
283.9100(P)	Chromite, Metallurgical, Bulk Ores, Fines and Concentrates	SI-2
283.9100(P)	Chromite, Chemical, Bulk Ore, Fines	SI-2
283.9200	Tungsten, Ore and Concentrates	SI-2
283.9320(P)	Vanadium (V ₂ O ₅)	SI-2
283.9350(P)	Baddeleyite (Zirconium Ore) (67% Zr ₂ O ₃)	SI-2
283.9800(P)	Columbium, Contained in Concentrates	SI-2
292.2000(P)	Naval Stores Produced in the United States	
292.2000(P)	Naval Stores, Gums and Resins, Shellac, Flake	SI-2
292.5005-292.5075	Seeds, Fruit and Spores for Planting	SP-4, SP-20
292.9125(P)	(Carragenan	
332.5005-332.5055	Lubricating Oils and Greases	SP-22
332.6100-332.6230	Petroleum Jelly and Mineral Waxes	
332.9110-332.9620	Petroleum Oils N.E.C., Pitch, Asphalt, Residues and Bituminous Mixtures, (<u>except Petroleum Asphalt, Crude</u>)	
332.9120-332.9150	Lubricants and Greases	SP-23

ISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No.	CPI No.
	391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>	
411.1010-411.3630	Animal Oils and Fats	SP-24	
422.7025(P)	Castor Oil, Industrial (grade Nos. 1 & 3);	SI-2	
431.1010-431.5000	Fatty Acids, Waxes and Specially Treated Fats and Oils, (<u>excluding Petroleum Products</u>)	SP-26	
431.4000	Waxes of Animal or Vegetable Origin	SI-4	
512.0210-512.0270	Coaltar and other Cyclic Chemical Intermediates, (<u>except Meta Aminophenol</u>)		
512.0310-512.0325	Synthetic Organic Medicinal Chemicals, in Bulk, (<u>except Mixtures or Compounds</u>)		
<u>MEDICINAL CHEMICALS IN FINISHED-DOSAGE FORM ^{1/} ARE INELIGIBLE FOR FINANCING</u>			
512.0310	Sulfonamide Drugs, in Bulk	SP-40A	
512.0315	Aspirin or Acetylsalicylic Acid, in Bulk	SP-40A	
512.0325	Synthetic Organic Medicinal Chemicals, in Bulk	SI-1, SI-3	
512.0325(P)	<ul style="list-style-type: none"> p-Acetamidophenyl Salicylate Acetaminophen Acetaminophen Salicylate Acetarsone Acetic Acid Acetosulfone Acetyl Chloride Acetyl Methionine Acetylaminohydroxy Phenyl Arsonic Acid Acetylcholine Bromide N-Acetylsulfamyl Chloride Acriflavine Adenine Base 	<ul style="list-style-type: none"> Adenosine Triphosphate B-Alanine Aldinamide Allantoin Alloxan 2-Amino-5-Nitrothiazole Aminoacetic Acid Aminophylline 2-Aminothiazole Amodiaquin Base Amodiaquin Hydrochloride Ammonium Citrate Amprolium 	SP-40A, SI-3

^{1/}Definition: Finished-Dosage form is the finished pharmaceutical product, such as tablet, capsule, ointment, elixir, syrup, injectable, or other such form, which requires no further processing before packaging and labeling to be suitable for administration. Packaging, bottling, sterilizing, and/or labeling do not constitute processing operations which produce finished-dosage forms. However, antibiotics for injection are eligible for A.I.D. financing when shipped in bulk for sterilizing or bottling in the importing country.

PAKISTAN: General Commodities Tenth

Agreement No. CPI No.

391-H-140

1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
512.0325(P)	(continued)	SP-40A
	Apiol	Chloroquine Phosphate
	Arabinose	Chlorothenylpyramine
	Arginine Hydrochloride	Chlorothiazide
	Arsanilic Acid	Chlorothymol
	Arsphenamine	Chlorpromazine Hydrochloride
	Asparagine	Cholesterol
	Azapetine Phosphate	Choline Bitartrate
	Azosulfamide	Choline Chloride
		Choline Dihydrogen Citrate
		Choline Theophyllinate
	Barbital	Citric Acid
	Barbital Sodium	Cyanopyridine
	Barbituric Acid	Cysteine Hydrochloride Anhydrous
	Benzaminoacetic Acid	Cystine
	Bendroflumethiazide	Chlorcyclizine Hydrochloride
	Benzocaine	
	Benzyl Succinate	Dehydrochloric Acid
	Betaine	Dextrose
	Betaine Hydrochloride	Diacetylaminoazotoluene
	Betaine Monohydrate	Diallylbarbituric Acid
	Betanaphthol Benzoate	Diatrine Hydrochloride
	Bismuth Betanaphthol	Dibromogallic Acid
	Bismuth Cacodylate	Dichloramine
	Bismuth Citrate	Dichloroquinolone
	Bismuth Glycolyl Arsanilate	Diethylcarbamazine
	Bismuth Gallate	Diethylstilbestrol
	Bismuth Iodosulfgallate	Digitalis
	Bismuth Potassium Tartrate	Dihydroxyaluminum Aminoacetate
	Bismuth Subbenzoate	Etioidohydroxyquin
	Bismuth Subgallate	Dimenhydrinate
	Bismuth Tribromophenate	Dimethoxanate Hydrochloride
	Bithionol	Diethyl Sodium Sulfosuccinate
	Bromodiphenhydramine	Diphenamil Methylsulfate
	Butabarbital	Diphenhydramine Hydrochloride
	Butabarbital Sodium	Diphenylhydantoin
	Butacaine Sulfate	Dithiazamine Iodide
	Butyn Sulfate	Doxylamine Succinate
		Dulcitol
	Cacodylic Acid Salts	
	Caffeine Sodium Benzoate	Ectylurea
	Calcium Cacodylate	Elatinamil Disodium
	Calcium Citrate	Ergosterol
	Calcium Cyanamate	Ethoheptazine
	Calcium Glucoheptonate	Ethoheptazine Citrate
	Calcium Gluconate	Ethotoin
	Calcium Glycerophosphate	Ethylenediamine
	Calcium Lactate	Ethylenediamine Dihydriodide
	Calcium Lactophosphate, (soluble)	Eucatropine hydrochloride
	Calcium Levulinate	
	Calcium Mandelate	Ferric Ammonium Citrate
	Calcium Salicylate	Ferric Ammonium Tartrate
	Carbamide	Ferric Cacodylate
	Carbromal	Ferric Glycerophosphate
	Carisoprodol	Ferric Lactate
	Cetylpyridinium Chloride	Ferric Potassium Citrate
	Chlorbetamide	Ferrous Fumarate
	Chlormerodrin	Ferrous Gluconate
	Chlormethazone	Fructose
	Chlormezanone	Furadantin
	Chlorobutanol	
	Chloroquine Base	

166

PAKISTAN: General Commodities Tenth

A.I.D. Reference

Agreement No.	CPI No.
391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
512.0325(P)	(continued)	
	Galactose	Manganese Sulfate
	Gentian Violet	Mannitol Hexanitrate
	Fluconic Acid Salts	Mannose
	Glucose	Mecamylamine Hydrochloride
	Glucuro lactone	Mefenamic Acid
	Glutamine	Menthol Crystals
	Glutathione	Mepazine
	Glutethimide	Mepazine Acetate
	Glyceryl Guaiacolate	Mepazine Hydrochloride
	Glycerophosphate	Mephesisin
	Glycerophosphate Acid	Mephentermine
	Glycobiarsol	Mephentermine Sulfate
	Glycocyanine	Meprobumate
	Guaiacol	Merbromin
	Guanethidine Sulfate	Mercaptomerin Sodium
	Guanidoacetic Acid	Mercuric Salicylate
		Mercuric Succinimide
	Heptadiene Carboxylic Acid Bismuth Salt	Mersalyl Acid
	Hexocyclium Methylsulfate	Methacholine Chloride
	Hexylresorcinol	Methanearsonic Acid
	Hexestrol	Methantheline Bromide
	Histamine	Methapyrilene Hydrochloride
	Histamine Phosphate	
	Histidine	Methenamine
	8-Hydroxyquinoline Sulfate	Methimazole
	Hydroxyzine	Methionine
	Hypaque Powder	Methocarbamol
		N-Methylacetanilide
	Iodochlorhydroxyquin	Methyl Salicylate
	Iodoform	Methylparaben
	Iodohydroquinoline Sulfonic Acid	Methylparafynol
	Iodophthalein Sodium	Methylthionine Chloride
	Isobutylallyl Barbituric Acid	Naphazoline Hydrochloride
	Isobutyric Acid	B-Naphthol Benzoate
	Isomethoptene	Neoarsphenamine
	Isoniazid (Iso-Nicotinic Acid)	Neostigmine
		Neostigmine Bromide
		Neostigmine Methylsulfate
	Khellin	Nicarbazin
		Nicotinyl Alcohol
	Lecithin	Nikethamide
	Lidocaine	Nithiazide
	Lithium Benzoate	Nitrofurantioin
	Lithium Bitartrate	Nitrofurazone
	Lithium Salicylate	
	Lysidine	Oxyphencyclimine
	L-Lysine Monohydrochloride	Oxyphencyclimine Hydrochloride
	Magnesium Benzate	Para-Aminosalicylic Acid
	Magnesium Cacodylate	Para-Aminosalicylic Acid Sodium Salt
	Magnesium Carbonate	
	Magnesium Chloride	Perphenazine
	Magnesium Citrate	Phenacetin
	Magnesium Glycerophosphate	Phenatidine Citrate
	Magnesium Hydroxide	Phenetsal
	Magnesium Phosphate	Phenindamine Tartrate
	Magnesium Salicylate	Pheniramine Maleate
	Magnesium Stearate	Phenobarbital
	Magnesium Sulfate	Phenolphthalein
	Magnesium Trisilicate	Phentetiothalein Sodium
	Maganese Citrate	Phenylazodiamino-pyridine
	Manganese Glycerophosphate	

SP-40A

PAKISTAN: General Commodities Tenth

Agreement No.	CPI No.
391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
512.0325(P)	(continued)	
	Phenazopyridine	Sodium Cyclamate
	Phenylephrine Hydrochloride	Sodium Diatrizoate
	Phenyl Salicylate	Sodium Diphenylhydantoin
	Phenylsemicarbazide	Sodium Gentisate
	Picrotoxin	Sodium Glycerophosphate
	Piperszine	Sodium Iodide
	Piperazine Citrate	Sodium Iodophthalein
	Piperszine Hexahydrate	Sodium Lactate
	Polyvinyl Pyrrolidone	Sodium Methylarsonate
	Polythiazide	Sodium Pentobarbital
	Potassium p-Aminobenzoate	Sodium Phenobarbital
	Potassium Citrate	Sodium Salicylate
	Potassium Glycerophosphate	Sodium Secobarbital
	Potassium Guaiacolsulfonate	Sodium Sulfocarbolate
	Primaquine Base	Spironolactone
	Primaquine Phosphate	Stibophen
	Probenecid	Succinylcholine Chloride
	Procaine Base	Sulfarsphenamine
	Procaine Hydrochloride	
	Procaine Nitrate	Terpin Hydrate
	Promazine Hydrochloride	Tetracaine Hydrochloride
	Propanediol Dicarbamate	Tetrahydrozoline Hydrochloride
	Propanteline Bromide	Thiabendazole
	Propoxycaïne Hydrochloride	Thimerosal
	Protamine Sulfate	Thiopropazate
	Propylene Glycol	Thiopropazate Hydrochloride
	Propylparaben	Thonzylamine Hydrochloride
	Pyrilamine	Thymol
	Pyrilamine Maleate	Thymol Blue
	Pyrvinium Pamoate	Thymol Iodide
		Tribromophenol-Bismuth
	Quinacrine Hydrochloride	Trifluoromethylthiazide
	Quinolinic Acid	Triflupromazine Base
		Triflupromazine Hydrochloride
	Raffinose	Trihexyphenidyl Hydrochloride
	Rhamnose	Trimethidinium Methosulfonate
		Triphosphopyridine Nucleotide
	Salicylamide	Tryparasamide
	Salicylanilide	Tryptophan
	Salicylic Acid	Tyrosine
	Santonin	
	Sodium p-Aminosalicylate	Undecylenic Acid
	Sodium Benzoate	Zinc Phenolsulfate
	Sodium Cacodylate	Zinc Stearate
	Sodium Citrate	Zinc Undecylenate
512.0410-512.0540	Rubber Compounding Chemicals & Plasticizers, (<u>except potentially explosive blowing agents</u>)	SP-29
512.0610-512.0685	Pesticides & Synthetic Organic Agricultural Chemicals, (<u>except Formulations or Preparations or Festicidal Chemicals Put up for Retail Sale</u>)	SP-30, SI-3

PAKISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No.	CPI No.
	391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
512.0720	Chemicals as Anti-knock Agents	
512.0730	Enzymes, specify by Chemical Name	SP-30A, SI-3
512.0730(P)	Pancreatin, Powdered Stomach, NF XI, SP-40A Varidase, (streptokinase-streptodornase), Fibronuclease	
512.0730(P)	Rennet	
512.0810-512.0975	Miscellaneous Industrial and Other Organic Chemicals, (<u>except Monosodium Glutamate and Products and Dichloro- diethyl Sulfidianol and other Military Gases</u>)	
513.1000	Industrial Gases, including Rare Gases	
513.1000(F)	Helium	SP-31, SI-3
513.2100-513.2925	Chlorine, Carbon Black, Sulphur and Chemical Elements N.E.C., (<u>except Mercury</u>)	
513.2710-513.2730	Carbon Black	SP-32
513.3300-513.3840	Sulfuric Acid, Boric Acid, Inorganic Acids, N.E.C., Carbon Dioxide and Oxygen Compounds of Nonmetals	
513.4000	Halogen & Sulfur Compounds	
513.5010-513.5050	Oxides of Titanium, Zinc, Lead, Cobalt, Manganese, Hydroxides of Iron and Cobalt, Zinc Peroxides, (pigment grade)	SP-33
513.5060	Oxides, Hydroxides & Peroxides as above, (<u>except Pigment Grade</u>)	
513.6110	Ammonia, Anhydrous or in Aqueous Solution, Fertilizer Grade	SP-34, SI-3
513.66120+513.6930	Inorganic Bases & Metallic Oxides, Hydroxides & Peroxides, (<u>except Aluminum Oxide</u>)	

A.I.D. Reference

PAKISTAN: General Commodities Tenth

Agreement No.	CPI No.
391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
513.6510	Aluminum Oxide	SI-2
513.6920	Pigment Grade Metallic Oxides	SP-33
514.4010-514.4020	Inorganic Pigments	SP-33
514.5010-514.7050	Inorganic Chemicals, N.E.C. (<u>except Medicinals</u>)	
514.7035-514.7045	Insecticides, Fumigants, Rodent- icides, Fungicides, Herbicides & Defoliant, Inorganic, (<u>except Formulations, Preparations and Chemicals Put up for Retail Sale</u>)	
514.7050(P)	Chemicals Composed in Part of Precious and Strategic Metals, e.g. Silver, Gold, Platinum, Mercury, etc., (<u>except lead azides</u>)	SI-4
514.8000	Inorganic Medicinal Chemicals, in Bulk	SP-40A, SI-1
<u>MEDICINAL CHEMICALS IN FINISHED-DOSAGE FORM ^{1/} ARE INELIGIBLE FOR FINANCING</u>		
514.8000(P)	Inorganic Medicinal Chemicals Composed in Part of Precious and Strategic Metal, e.g. Silver, Gold, Mercury, etc.	SP-40A, SI-3
515.0010	Uranium and Thorium Compounds	SI-3
515.0040-515.0050	Radioactive and Stable Isotopes, their Compounds and Mixtures; Radioactive Elements	SI-3

^{1/} Definition: Finished-Dosage form is the finished pharmaceutical product, such as tablet, capsule, ointment, elixir, syrup, injectable, or other such form, which requires no further processing before packaging and labeling to be suitable for administration. Packaging, bottling, sterilizing, and/or labeling do not constitute processing operations which produce finished-dosage forms. However, anti-toxics for injection are eligible for A.I.D. financing when shipped in bulk for sterilizing or bottling in the importing country.

A.I.D. Reference

KISTAN: General Commodities Tenth

Agreement No.

CPI No.

391-H-140

1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
521.1000-521.4040	Mineral Tar, Tar Oils and Crude Chemicals from Coal, Petroleum and Natural Gas	
531.0100-531.0200	Synthetic Organic Dye Stuffs & Pigments	SP-38
532.3000	Synthetic Tanning Materials	
532.9000	Tannins (<u>except Extracts of Quebracho Chestnut and Wattle Bark</u>)	
532.9000(P)	Vegetable Tannin Extract, Chestnut, Solid or Powdered Form, Quebracho, Solid Form, Wattle, Solid Form	SI-2
533.1010-533.3500	Pigments, Dyestuffs, Paints, Varnishes and Related Materials, (<u>except Household dyes & Tints & Artists Colors</u>)	SP-39
533.2000	Printing Inks	
533.3400	Paint and Varnish Dryers	
533.3500	Futty, Painters' Filling and Similar Pastes	
541.1010-541.1060	Vitamins, Bulk, Specify by Generic Name	SP-40A, SI-1
541.3010-541.3045	Antibiotics, Bulk, Specify by Generic Name	SP-40B, SI-1
541.4000	Vegetable Alkaloids, their Salts & other Derivatives, bulk, (<u>except Narcotics</u>)	SP-40A, SI-1
541.5010-541.6100	Hormones and Glycosides in Bulk, including oral contraceptives in bulk	SP-40A, SI-1
541.5040(P)	Insulin When Purchased in Finished Dosage Form by or for Governments	SP-40B
541.6310-541.6340	Vaccines and Similar Products for Human and Veterinary Use, (<u>except Ferments, other than Yeast</u>)	SP-40C, SI-3

A.I.D. Reference

PAKISTAN: General Commodities Tenth

Agreement No.	CPI No.
391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
541.7002	Medicinal Chemical Preparations, Compounds or Mixtures in Bulk	SP-40A, SI-1
541.7010(P)	Oral Contraceptives in Finished-Dosage Form	SP-41A
541.7036(P)	Vaginal Chemical Contraceptives in Finished-dosage Form	
541.9100-541.9920	Bandages, Surgical Dressings, First Aid Kits, Dental Cements and Fillings	
541.9920(P)	Dental Cements and Fillings Composed Wholly or in Part of Strategic and Precious Metals, e.g. Silver, Gold Platinum, etc.	SI-4
541.9930	Pharmaceutical Goods, N.E.C.	SI-3
54.2010-554.2040	Detergents and Surface Active Agents, (<u>except Detergents Packaged for Household Use.</u>)	SP-60
561.0005	Urea	SP-42, SI-3
561.0015	Ammonium Sulfate	SP-42, SP-44, SI-3
561.0025	Potassium Chloride	SP-42, SP-46, SI-3
561.0040	Triple Superphosphate	SP-42, SP-47, SI-3
561.0050	Ammonium Phosphate	SP-42, SP-48, SI-3
599.2010-599.2050	Insecticides, Fungicides, Disinfectants and Similar Products; Preparations put up for Retail Sale including DDT	SP-50
621.0100-621.0540	Vulcanized and Unvulcanized Natural and Synthetic Rubber, Rubber Cement, Sundries and Repair Materials, Rubber Thread, Cord, Hose and Tubing	
621.0220	Tire Sundries and Repair Materials	SP-51A
621.0230	Tread Rubber, Camel Back	SP-51A
621.0235	Carbon Black, Masterbatches	SP-51A

174

PAKISTAN: General Commodities Tenth

A.I.D. Reference

Agreement No.	CPI No.
391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
629.3000	Hygienic and Pharmaceuticals, Articles of Unhardened Rubber, Including Latex Contraceptives	
629.4005-629.4030	Transmission, Conveyer or Elevator Belts and Belting of Rubber	
629.8810-629.8930(P)	Miscellaneous Unhardened and Hardened Vulcanized Rubber Manufacturers for Industrial Use Only	
641.3010-641.3055	Kraft Paper and Paperboard	SP-52
641.8005-641.8080	Machine-made Paper and Paperboard in Rolls & Sheets, N.E.C.	SI-4
641.8045	Corregating Material, (except Kraft)	SP-52
641.9100-641.9960	Processed Paper & Paperboard, Impreg- nated, Surface Treated or Colored, (except Creped Stock Paper other than Kraft; Paper and Paperboard, Crinkled, Embossed, or Perforated; Wallpaper; Oiled, Waxed, or Wax Laminated Paper other than for Industrial Use; and Wrapping Products, Impregnated or Coated)	
641.9310(P)	Corregated Paper or Paperboard	SP-52
651.3010-651.4040	Cotton Yarn, Thread and Tire Cord Fabric	
651.6210-651.8020	Man-made Yarn, Thread, Fibers & Tire Cord Fabric	
655.6010-655.6020	Cordage, (except Articles of Jute)	
662.3005-662.4620	Clay and Non-Clay Refractories	
665.8100	Laboratory, Hygenic or Pharmaceutical Glassware	
671.2000-671.6060	Pig Iron; Shot, Fowders & Sponge, & Ferro Alloys, (except Ferro Manganese)	SP-54A, SI-5

A.I.D. Reference

PAKISTAN: General Commodities Tenth

Agreement No.

CPI No.

391-H-140

1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
672.1000-672.9000	Ingots & Other Primary Forms (<u>except Billets</u>)	SP-54A, SI-5
673.1310-673.5400	Bars, Rods, Angles, Shapes and Sections	SP-54A, SI-5
674.4310-674.8050	Plates, Sheets, Tin Plate & Terneplate, (<u>except Circles</u> <u>Cobbles, Strip and Scroll Shear</u> <u>Butts, Tinned</u>)	SP-54A, SI-5
675.0310-675.0440	Hoop and Strip	SP-54A, SI-5
676.1010-676.2020	Rails and Railway Track, Construction Material, (<u>except Relaying Rails,</u> <u>and Other Used Rails, other than</u> <u>for Scrap or Rolling</u>)	SP-54A, SI-5
677.0310-677.0430	wire, (<u>except Insulated Electric</u>)	SP-54A, SI-5
678.1010-678.6056	Tubes, Pipes and Fittings	SP-54A, SI-5
679.1010-679.3030	Castings and Forgings	SP-54A, SI-5
683.2110-683.2400	Nickel and Nickel Alloy Products	
684.0110-684.2600	Aluminum and Aluminum Alloys, (<u>except</u> <u>Aluminum Foil for Household Use</u>)	
685.1010(P)	Lead, Unwrought, Corroding, Chemical and Common Desilverizing and Common	SI-2
685.1020-685.2000	Lead and Lead Alloys, (<u>except</u> <u>Antimonial Lead</u>)	
685.2000(P)	Lead, Wrought Antimonial	SI-2
686.1010	Zinc Unwrought, Special High Grade, High Grade, Prime Western, Intermediate, Grass Special and Selected Grade	SI-2
686.1020-686.2020	Zinc and Zinc Alloys	
687.1000 =	Tin, Unwrought, Pigs	SI-2
687.2000	Tin and Tin Alloys	

174

PAKISTAN: General Commodities Tenth

Agreement No.

CPI No.

391-H-140

1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
689.3100(P)	Magnesium, Unwrought in Primary Grade A	SI-2
689.5025(P)	Cobalt, Cathodes, Granules and Briquettes	SI-2
689.5050(P)	Titanium Sponge	SI-2
691.1010-691.3040	Finished Structural Parts and Structures	
691.1010	Fabricated Iron and Steel	SP-54A, SI-5
691.1030	Fabricated Steel Plate	SP-54A, SI-5
691.1040	Sheet Metal Construction Materials of Iron and Steel N.E.C.	SP-54A, SI-5
691.1060	Prefabricated and Portable Buildings	SP-54A, SI-5
691.1070	Finished Structures and Structural Parts of Iron and Steel	SP-54A, SI-5
693.2010	Barbed Wire of Iron and Steel	SP-54A, SI-5
693.2020	Wire, N.E.C. of Iron and Steel of Types Used for Fencing	SP-54A, SI-5
695.1010-695.2600	Handtools, Cutting Tools and Machine Knives, (<u>except Cooking and Kitchen Hand Tools and Parts N.E.C.</u>)	
698.8710-698.8720	Welding Rods, Wire, Tubes, Plates and Electrodes	SP-54A, SI-5
698.9130	Fabricated Wire Products of Iron and Steel, N.E.C., Specify by Name	SP-54A, SI-5
711.1010-711.8900	Engines, Turbines, and Parts, (<u>except for Aircraft Use, or Intended for Sport or Recreational Use.</u>)	
711.7000	Nuclear Reactors and Parts	SI-3
712.1005-712.1015	Planters, Drills and Fertilizing Machines	SI-4

		A.I.D. Reference	
PAKISTAN: General Commodities Tenth		Agreement No.	CPI No.
		391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
712.2020	Parts for Planters, Drills and Fertilizing Machines	
712.1025-712.1055	Plows, Harrows and Cultivators	SI-4
712.1060	Parts for Plows, Harrows and Cultivators	
712.2005-712.2020	Combines and Harvesters, (<u>except for Cotton Pickers</u>)	
712.2025	Parts for Combines and Harvesters	
712.2030-712.2045	Mowers, Tedders and Bailers	
712.2050	Parts for Haying Machines	
712.2075	Machines for Preparing Crops for Market, N.E.C.	
712.3010-712.3040	Dairy Machines and Parts	
712.5002-712.5018	Wheel Tractors	
712.5030	Garden Tractors	
712.5040-712.5042	Contractors' Off-Highway Wheel Tractors	
712.5060-712.5068	Trac k-laying Tractors	
712.9100	Pressers and Crushers	
712.9910-712.9940	Agricultural Equipment, N.E.C.	
714.1010-714.9290	Business and Office Machinery and Parts, (<u>except Used</u>)	
715.1002-715.1088	Machine Tools and Metal-Working Machinery, (<u>except Used</u>)	
715.2110-715.2140	Foundry Machines and Parts	
715.2210-715.2255	Rolling Mills and Parts	
715.2300	Gas Operated Welding Appliances and Parts, N.E.C.	

PAKISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No.	CPI No.
	391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
717.1110-717.1265	Textile Machinery for Natural and Synthetic Fibers, including Wire Weaving Looms, (<u>except Cotton Gins</u>)	SI-3
717.1320-717.1380	Auxiliary Machines and Parts and Accessories for Textile Machines	
717.1410-717.1520	Felt Making and Textile Bleaching and Finishing Machines	SI-3
717.1410-717.1420(P)	Parts for Felt Making Machines	
717.1525	Parts and Attachments for Textile Machines, N.E.C.	
717.1530-717.1575	Commercial Laundry, Dry Cleaning Pressing and Related Equipment and Parts	
717.2010-717.2020	Leather Working Machinery	
717.3010-717.3070	Sewing Machines, Industrial and Domestic and Parts	
718.1115-718.1220	Pult, Pater and Paperboard Machinery (<u>except Used</u>)	
718.2100-718.2960	Printing and Bookbinding Machinery	
718.3950	Meat and Poultry Processing Machines and Equipment, N.E.C.	
718.3960-718.3970	Fruit, Vegetable and Food Processing Machines, N.E.C., (<u>except Confection Candymaking, and Chewing Gum Manufacturing Machines</u>)	
718.3960-718.3970(P)	Parts, N.E.C.	
718.4100-718.5145	Excavating, Mining, Construction and Maintenance Equipment, (<u>except Used</u>)	
718.5150-718.5220	Minerals and Glass Manufacturing Equipment	
719.1100	Gas Generators and Parts, N.E.C.	

PAKISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No. 391-H-140	CPI No. 1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
719.1210-719.1975	<u>Heating and Cooling Equipment (except Ice Making Machines, unless for Industrial or Institutional Use, Soda Fountain and Beer Dispensing Equipment, Air Conditioners, Automotive, Freezer Dispensers and Popcorn Machines)</u>	
719.1210-719.1220	Air Conditioners, Window or Wall Type	SI-4
719.2105-719.2370	Pumps, Compressors, Fans and Filters, Industrial	
719.2160	Oil Well and Oil Field Pumps	SI-3
719.3102-719.3150	Lifting, Loading and Conveying Machines and equipment, (<u>except used</u>)	
719.3147-719.3150	Oil and Gas Field Equipment	SI-3
719.5100	Machine Tools for Working Asbestos, Cement, Stone and Similar Mineral Materials	
719.5210-719.5270	Machines for Working Wood, Cork, Bone, etc.	
719.5310-719.5370	Power-Operated Non-Electric Hand Tools	
719.5420-719.5480	Parts, Accessories and Equipment for Machines and Machine Tools	
719.6110	Textile Calendering Machines	SI-3
719.6120-719.6150	Calendering Machines	
719.6205-719.6210	Bottling Machines, (<u>except for Bottling Alcoholic Beverages</u>)	
719.6215-719.6240	Packaging, Wrapping, Filling and Sealing Machines	
719.6310-719.6340	Weighing Machines, Parts and Accessories (<u>except Household and Person Weighing Machines, including Coin-Operated</u>)	
719.6410-719.6470	Spraying and Dusting Machines, Including Fire Extinguishers	

173

A.I.D. Reference

PAKISTAN: General Commodities Tenth

Agreement No.

CPI No.

391-H-140

J.

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
719.7010-719.7090	Ball, Roller or Needle Bearings	
719.8005-719.8065	Machinery for Treating Raw Materials e.g., Concrete Pavers, Tire Rebuilding Machines, Tobacco Processing Machines, etc.	
719.8055	Tobacco Processing Machines, N.E.O. and Parts	SI-3
719.9100	Molding Boxes for Metal Foundry, and Molds, other than Ingot Molds	
719.9205-719.9250	Valves, Automatic and Nonautomatic	
719.9310-719.9340	Transmission Shafts, Cranks, Bearing Housings, Pulleys, N.E.C. and Parts	
722.1002-722.1090	Generators and Sets, Motors, Converters and Transformers	
722.2002-722.2054	Electrical Apparatus for Making and Breaking or for Protecting Electrical Circuits	
723.1010-723.1080	Insulated Wire and Cable	
723.2010-723.2040	Electrical Insulators and Fittings of Insulating Material	
726.1000-726.2030	Electric Medical Equipment	
729.1110-729.1255	Electric Batteries	
729.2005-729.2050	Electric Lamps, (bulbs), and Parts, <u>(except Electric Lamps for Advertising, Christmas Lights, Decorations and Sun Lamps)</u>	
729.3005-729.3070	Electron Tubes and Solid State Semi- conductor devices and Parts.	
729.4110-729.4150	Electrical Starting and Ignition Equipment for Internal Combustion Engines, and Parts	
729.4210-729.4230	Motor Vehicle Lamps, Signaling Equipment, Windshield Wipers, Horns and Defrosters	

PAKISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No.	CPI No.
	391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
729.5100-729.5275	Electrical Measuring and Controlling Instruments and Apparatus	
729.6010-729.6030	Electro-mechanical Hand Tools and Parts	
729.7000	Electron and Proton Accelerators and Parts	
729.9110-729.9120	Electro Magnets	
729.9205-729.9260	Electric Industrial Furnaces, Welding Machines, etc.	
729.9310-729.9320	Electric Traffic Control Equipment	
729.9610-729.9630	Carbon and Graphite Brushes and Electrodes	
729.9810-729.9820	Electrical Parts of Machinery and Appliances, N.E.C.	
729.9910	Signal Generators	
729.9920	Electrical Apparatus, N.E.C. and Parts	
731.7010	Wheels and Axles Rolled and Forged for Locomotives and Railway Cars	SP-54A, SI-5
731.7020	Wheels, Chilled Iron for Railway Cars	SP-54A, SI-5
732.0204-732.0234	Gasoline Trucks, all Sizes	SP-58
732.0420-732.0430	Buses	SP-58
732.8010-732.8048	Motor Vehicle and Tractor Parts and Accessories, N.E.C.	
861.1110-861.3930	<u>Optical Equipment, (except Optical Elements Mounted N.E.C.; Sun or Glare Glasses and Sun Goggles, Spectacles, N.E.C. and Parts, N.E.C.; Binoculars; Antiaircraft Search Lights; Sighting and Fire Control Equipment e.g., Bombsights, Sniperscopes, and Telescopic Sights)</u>	
861.1210	Photographic and Projection Lenses	SI-3
861.3500(F)	Telescopes, including Astronomical	SI-3

PAKISTAN: General Commodities Tenth	A.I.D. Reference	
	Agreement No.	CPI No.
	391-H-140	1

<u>Schedule B No.</u>	<u>Description</u>	<u>Special Provisions and Instructions</u>
361.4032-861.6950	Photographic Equipment, (except Motion Picture Projectors, 8mm Silent and Sound)	SI-3
361.7110-861.7220	Medical Instruments and Apparatus including Plastic Contraceptives	
361.8110-861.8240	Meters and Counters	
361.9110-861.9970	Surveying, Navigational and other Scientific Measuring Devices	
362.3000-862.4640	Photography Supplies	
362.4650	Still Picture Film, N.E.C.	SI-4
364.0110-864.0210	Clocks and Time Recording Machines	
393.0015	Plastic Construction Products	
393.0060(P)	Insulators, Trays and Laboratory Ware	
399.1000(F)	Empty Geletin Capsules	
9899500	Ocean Transportation, including Air Freight	
9899501	U.S. Flag Carriers	

161

A.I.D. Small Business Memo

Trade Information for American Suppliers



Issued By

DEPARTMENT OF STATE

Agency for International Development, Office of Small Business

Washington, D. C. 20523

Area Code 202 - 383-6664



SBM No. 68-16-A
February 11, 1969
(M/L: Entire OSB List)

SPECIAL PROVISIONS APPLICABLE TO COMMODITIES FINANCED BY A.I.D.

This memorandum is an updated version of the June 25, 1968 issue of SBM 68-16. It lists for the convenience of U. S. suppliers the Special Provisions which are normally made applicable to certain commodities identified by Schedule B numbers, when financed by A.I.D. These Special Provisions cover requirements such as inspection, analysis, grade, weight, quality, specifications, etc. They are prescribed when A.I.D. negotiates agreements with aid-receiving countries and are in turn incorporated as requirements into Letters of Credit,* along with other supplier obligations. Suppliers usually evidence their compliance with pertinent Special Provisions by including appropriate certificates or certifications with other required payment documents.

Tabulated below are the Special Provisions that are currently applicable for the indicated Schedule B numbers. Some Special Provisions included in the June 24, 1968 issue of SBM 68-16 are now dropped; others are added. Except in the case of SP-4a, all Special Provisions having both a numerical and alpha designation (e.g. 40a, 40b, 50a, etc.) are those that were modified in text. Special Provisions have not been re-numbered where the changes consist only of additions or deletions in Schedule B numbers.

This SBM 68-16-A dated February 11, 1969 supersedes SBM 68-16 dated June 25, 1968 in its entirety.

*When advising or confirming letters of credit which do not contain a Schedule B number, U. S. banks may require suppliers to execute a certification as a prerequisite for payment, to the effect that according to A.I.D. Small Business Memo 68-16, and Supplements thereto as in effect on the date of issuance of the letter of credit, either the commodity for which the supplier is receiving payment does not require submission of any additional documentation, or that any additional documentation required by A.I.D. for the commodity is enclosed in a sealed envelope which is attached to the Supplier's Certificate (form AID-262). (See SBM No. 68-22 dated November 21, 1968.)

102

Schedule B Numbers and their Applicable Special Provisions

<u>Schedule B No.</u>	<u>SP No.</u>	<u>Schedule B No.</u>	<u>SP No.</u>
001.1010-001.1040	62	531.0100-531.0200	38
001.2000	62	533.1010-533.1030	39
001.3000	62	533.3110-533.3120	39
001.4012	2a	533.3220-533.3290	39
001.5000	62	541.1010-541.1050	40a
025.0010	3a	541.3010-541.3045(P)	40b
025.0020	3b	541.4000-541.6100	40a
025.0030-025.0040	3c	541.6310-541.6320	40c
041.0020(P)	4	541.6340	40c
041.0020(P)	4a	541.7002	40a
042.1010-042.2080	5a	541.7010(P)	41a
042.1010(P)	4	554.2010(P)	60
043.0000	6a	554.2030-554.2040(P)	60
043.0000(P)	4	561.0005	42
044.0020-044.0040	7a	561.0010(P)	42&43
044.0030-044.0040	4	561.0015	42&44
045.1000	8a	561.0020	42&45
045.1000(P)	4	561.0025-561.0030	42&46
045.2000	9	561.0035-561.0045	42&47
045.2000(P)	4	561.0050	42&48
045.9005	4	561.0055	42&49
045.9015	10a	581.3230(P)	59
045.9020(P)	4	581.3260(P)	59
046.0020-046.0050	11a	599.2010-599.2055	50
048.8410	12	599.7700	40a
054.2055	20	621.0220-621.0235	51a
054.2080	20	629.1010-629.1090	51a
211.1010-211.7000	13	641.3010-641.3050	52
221.4000(P)	14&20	641.8045	52
242.2110-242.8030	15	641.9310	52
243.1010-243.1020	16	652.1100-652.3000	53
243.2105-243.2245(P)	15	653.2110-653.6100	53
243.2120(P)	16	653.8010-653.8021	53
243.2250-243.3250	15	654.0110-654.0130(P)	53
251.3000	17	654.4110-655.4620	53
251.6000-251.8220	17	671.2000-671.3400	54a
274.1010-274.1020	19	671.6010-674.7010	54a
292.5005-292.5085	4&20	674.7030	54a
321.4010-321.9000	21	674.7060-676.1020	54a
332.5005-332.5055	22	676.2010-679.3030	54a
332.9120-332.9150	23	691.1010	54a
411.1010-411.3630	24	691.1030-691.1040	54a
421.2010-422.1000	25	691.1060-691.1070	54a
422.7015	25	692.1110-692.1120(P)	54a
422.7025(P)	25	693.1100	54a
431.1010-431.3030	26	693.2010-693.3120	54a
512.0325	40a	694.1110-694.1120	54a
512.0410-512.0540(P)	29	694.2110-694.2130	54a
512.0610-512.0685	30	698.8710-698.8720	54a
512.0730	40a	698.9110	54a
513.1000(P)	31	698.9130	54a
513.2710-513.2730	32	715.1072(P)	56
513.5010-513.5050	33	715.1088(P)	56
513.6110	34	731.7010-731.7020	54a
513.6920	33	732.0120-732.0150	58
514.4010-514.4020	33	732.0204-732.0256	58
514.7035-514.7045	35	732.0310-732.0340	58
514.8000	40a	732.0346	58
		732.0420-732.0430	58
		732.8050	61

187

Certificates and Certifications Acceptable to A.I.D.

Certificates or certifications of weight, grade, analysis or inspection, prescribed in special provisions, must conform to the following requirements:

1. Weight: Certification attested to by an independent weigh master or surveyor (one not affiliated with either the supplier or the buyer), and dated on or prior to the date of the bill of lading, as to the weight of the commodity or commodities described in the invoice.
2. Grade: Certification attested to by a U.S. Department of Agriculture inspector and dated on or prior to the date of the bill of lading as to the grade of the commodity or commodities described in the invoice. The certification shall also indicate the standards by which the grade, as described in the invoice, was determined.
3. Analysis: A certificate of analysis, executed and signed by an independent laboratory but not affiliated with either the seller or the buyer, dated on or prior to the date of the bill of lading, and setting forth the analysis obtained and stating that it was based on an examination of samples prepared and authenticated by a qualified sampler or surveyor.
4. Inspection: A certificate of inspection, completed and signed by an independent inspection agency but not affiliated with either the seller or the buyer, indicating that the invoiced commodities, and their packaging, if appropriate, conform to the minimum specifications as set forth in the underlying contract. (In some instances, special inspection certificates may be prescribed).

104

Special Provisions

Each of the Special Provisions given on the following pages applies to the commodities covered by the specific Schedule B numbers listed on the left of the Commodity Description. If the symbol (P) appears after a Schedule B number, only those commodities shown against the classification are involved. Each Special Provision carries a number by which it may be identified. Written questions regarding the Special Provisions should be addressed to the Department of State, Agency for International Development, Washington, D.C. 20523 - Attention* (See below). Telephone inquiries regarding the Special Provisions should be directed to the numbers shown below:

<u>Special Provision (SP)</u>	<u>Telephone Number</u>	<u>Letters *(Attention of:)</u>
SP 2a, 3a, 3b and 3c	(202) 343-4854	WOH/FFF
SP 4	(202) 343-7675	WOH/ARDS
SP 4a, 5a, 6a, 7a, 8a, 9, 10 and 11a	(202) 343-5230	WOH/FFF
SP 12	(202) 383-7868	PROC/IRD
SP 13	(202) 343-4854	WOH/FFF
SP 14	(202) 343-5230	WOH/FFF
SP 15, 16, 17 and 19	(202) 383-7761	PROC/IRD
SP 20	(202) 343-7675	WOH/ARDS
SP 21	(202) 383-7836	PROC/IRD
SP 22 and 23	(202) 383-7860	PROC/IRD
SP 24 and 25	(202) 343-5230	WOH/FFF
SP 26 and 29	(202) 383-7856	PROC/IRD
SP 30	(202) 343-7675	WOH/ARDS
SP 31	(202) 383-7868	PROC/IRD
SP 32 and 33	(202) 383-7856	PROC/IRD
SP 34 and 35	(202) 343-7675	WOH/ARDS
SP 38, 39, 40a, 40b, 40c and 41	(202) 383-7856	PROC/IRD
SP 42, 43, 44, 45, 46, 47, 48, 49 and 50	(202) 343-7675	WOH/ARDS
SP-51a, 52, 53, 54a, 56, 58a, 59, 60 and 61	(202) 383-7856	PROC/IRD
SP-62	(202) 343-4854	WOH/FFF

SPECIAL PROVISION - 2a

001.4012 Baby Chicks (Chickens): Breeder Stock

A. Specifications: Breeder stock chicks must be purchased by specifications which the buyer submits to A.I.D./W prior to soliciting bids or quotations. Specifications must (a) indicate whether the chicks are for reproduction, multiplier or production; (b) cite the sex wanted; and (c) specify the desired breeding.

B. Additional Documentation Required for Reimbursement:
Certificate by the supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the chicks invoiced herein conform to the specifications of the purchaser and qualify
as reproduction
as multiplier (indicate category)
as production
chicks as defined by the National Poultry Improvement Plan (NPIP)."

SPECIAL PROVISION - 3a

025.0010 Shell Eggs, except Hatching

A. Minimum Specifications: Medium size shell eggs produced in the United States, Grade 1 (min. 80% Grade A or better).

B. Packing: Shell eggs must be packed in new containers or cases, utilizing new fillers or flats. Containers must be bound by three straps or equivalent.

C. Additional Documentation Required for Reimbursement:

1. Weight certification
2. Inspection certificate

SPECIAL PROVISION - 3b

025.0020 Shell Eggs for Hatching

A. Specifications: Hatching eggs must be purchased by specifications which the buyer submits to AID/W prior to soliciting bids or quotations. Specifications must indicate whether the hatching eggs are for reproduction, multiplier or production and specify the desired breeding.

B. Packing: Hatching eggs must be packed in new containers or cases, utilizing new fillers or flats. Containers must be bound by three straps or equivalent.

C. Additional Documentation Required for Reimbursement:
Certificate by the supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the hatching eggs invoiced herein conform to the specifications of the purchaser and qualify
as reproduction
as multiplier (indicate category)
as production
hatching eggs as defined by the National Poultry Improvement Plan (NPIP)."

SPECIAL PROVISION 3c

025.0030-025.0040 Frozen and Dried Eggs

Additional Documentation Required for Reimbursement:
USDA Egg Products Inspection Certificate, Form FY - 200.

SPECIAL PROVISION 4

041.0020-045.9020(P) Cereal Seeds

292.5005-292.5085(P) Seeds for Planting

Additional Documentation Required for Reimbursement:

A certificate by the supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the seeds invoiced herein meet Federal Specifications - Seed, Agricultural, JJJ-S-181b, September 3, 1964."

SPECIAL PROVISION - 4a

041.0020(P) Wheat (excluding seed)

A. Additional documentation required for reimbursement:
Certification of grade and weight, for any order in excess of 50 short tons.

B. Specification: U.S. Grade No. 2 or better.

SPECIAL PROVISION - 5a

042.1010-042.2080(P) Rice (excluding seed)

A. Additional documentation required for reimbursement:
Certification of grade and weight, for any order in excess of 50 short tons.

B. Packaging requirements: New jute bags, one hundred (100) pounds net weight per bag unless other packaging specifications are approved by A.I.D./W.

C. Specifications: Milled rice - U.S. No. 6, or better, or second head milled rice, U.S. No. 5, or better.

SPECIAL PROVISION - 6a

043.0000(P) Barley (excluding seed)

A. Additional documentation required for reimbursement: Certification of grade and weight, for any order in excess of 50 short tons.

B. Specifications: Grade No. 2 or better

SPECIAL PROVISION - 7a

044.0020-044.0040(P) Corn (excluding seed)

A. Additional documentation required for reimbursement: Certification of grade and weight, for any order in excess of 50 short tons.

B. Specifications: Grade No. 2 or better

SPECIAL PROVISION - 8a

045.1000(P) Rye (excluding seed)

A. Additional documentation required for reimbursement: Certification of grade and weight, for any order in excess of 50 short tons.

B. Specifications: Grade No. 2 or better.

SPECIAL PROVISION - 9

045.2000(P) Oats (excluding seed)

A. Additional documentation required for reimbursement: Certification of grade and weight, for any order in excess of 50 short tons.

B. Specification: Grade No. 2 or better

SPECIAL PROVISION - 10a

045.9015(P) Grain Sorghums (excluding seed), unmilled

A. Additional documentation required for reimbursement: Certification of grade and weight, for any order in excess of 50 short tons.

B. Specifications: Grade No. 2 or better

SPECIAL PROVISION - 11a

046.0020 - 046.0050 Wheat Flour

A. Additional documentation requirements: Certificates of analysis and inspection

B. Specifications:

1. Minimum Protein:

a. Bread flour - Minimum 11.0 percent, basis 14 percent moisture

b. All-purpose flour - Minimum 8.0 percent, basis 14 percent moisture

2. Maximum ash - 0.48 percent, basis 14 percent moisture

3. Maximum moisture - 13.5 percent

C. Discounts:

If the flour fails to meet the specifications above, the maximum price which A.I.D. will finance is the contract price less the applicable discount shown below for each 100 pounds of flour exported. (deviations in excess of those listed render the flour ineligible for A.I.D. financing.)

<u>Excess Ash</u>	<u>Excess Moisture</u>	<u>Deficient Protein</u>
.01 - 2 cents	.1 - 2 cents	.1 - 2 cents
.02 - 4 cents	.2 - 4 cents	.2 - 4 cents
.03 - 6 cents	.3 - 6 cents	.3 - 6 cents
.04 - 8 cents	.4 - 8 cents	.4 - 8 cents
.05 - 12 cents	.5 - 12 cents	.5 - 12 cents
over .05% -	over .5% -	over .5% -
12 cents plus	12 cents plus	12 cents plus 12
12 cents for	12 cents for	cents for each
each additional	each additional	additional
.01% over .05%	.1% over .5%	.1% over .5%

SPECIAL PROVISION - 12

048.8410 Infants' Dietary Supplement

A. Additional documentation required for reimbursement: Certificate concerning Infants' Dietary Supplements (AID form 1130-6)

SPECIAL PROVISION - 13

211.1010-211.7000 Hides and Skins

Additional requirements: Attached to and made part of each invoice submitted by the supplier the following certification: "The undersigned certifies that the commodity comprising this shipment equals or exceeds the specification in the contract, copy of which is attached."

139

SPECIAL PROVISION - 14

221.4000(P) Soybeans (excluding seed)

A. Additional documentation required for reimbursement: Certification of weight and certificate of inspection, for each order in excess of 50 short tons

B. Specifications: Soybeans must be procured by U.S. grade defined in the official grain standards of the United States

SPECIAL PROVISION - 15

242.2110-242.8030 Wood in the Rough and
243.2105-243.2115 Lumber
243.2120(P)
243.2125-243.3250

A. Additional documentation required for reimbursement: Certificate of inspection

B. Special end-use limitation: May not be used for other than normal production by existing processing facilities.

C. Specifications: May not be higher than utility grade for respective uses

SPECIAL PROVISION - 16

243.1010-243.1020 Railway Ties and
243.2120(P) Sleepers

A. Additional documentation required for reimbursement: Certificate of inspection

B. Specification

1. Must be bought under open competitive bidding, using U.S. Federal Specification MM-T-371c (1), ties, wood (cross and switch) with the following alternatives:

a. Other species equally suitable for railroad tie use, as those listed in the U.S. Federal Specifications by the purchaser.

b. Dimensions different from those given in the U.S. Federal Specification MM-T-371c (1) may be specified. In using fractions of an inch, no dimension less than one-fourth (1/4) of an inch may be used for stating the nominal overall width, thickness, and length measurements.

2. If untreated ties are procured, ties must be properly seasoned and pressure preservatives treated in accordance with U.S. Specification TT-W0571b, or equal.

SPECIAL PROVISION - 17

251.3000, 251.6000-251.8220 Wood Pulp

Additional documentation required for reimbursement: Certificate and Agreement Regarding Concerted Pricing, Form AID 205

1170

SPECIAL PROVISION - 19

274.1010-274.1020 Sulfur

Additional documentation required for reimbursement:
Certificate and Agreement Regarding Concerted Pricing,
form AID 285

SPECIAL PROVISION - 20

221.4000(P) Soybean Seed
292.5005-292.5075 Seeds for Planting

Additional documentation required for reimbursement: A
certificate by the supplier endorsed on or attached to
the invoice as follows:

"The undersigned certifies that the seeds invoiced
herein meet the germination standards of Section
201.31, Rules and Regulations Under the Federal
Seed Act."

SPECIAL PROVISION - 21

321.4010-321.9000 Coal, Coke, and

A. Purchasers are required to:

1. Procure in accordance with specifications and
to obtain prior A.I.D./W approval of such specifications.
2. Engage an independent coal testing laboratory to
sample and analyze the coal, coke, or briquets.

B. Additional documentation required for reimbursement:

1. Certificate by independent coal testing laboratory,
endorsed on or attached to each invoice submitted for
payment, showing analysis obtained from tests and certifying
that:
 - a. The laboratory was engaged by the purchaser.
 - b. Samples of the products invoiced were taken
from cars at loading piers in the presence of a
representative of the laboratory.
 - c. Such samples were taken and prepared for testing
in accordance with A.S.T.M.
2. Weight certificate
3. Certificate by the supplier, endorsed on an attached
to the invoice as follows: "The undersigned certifies
that the products invoiced herein conform to the
specifications of the purchaser."

191

SPECIAL PROVISION - 22

332.5005-332.5055 Lubricating Oils and Greases

A. Additional documentation required for reimbursement on bulk shipments of lubricants: copy of loading or inspection sheet identified to the invoice and showing analyses obtained from tests of the invoiced material.

B. Special requirement: Invoices for packaged lubricants and greases are to identify commodities shipped by:

1. Proprietary name, if any, and other suitable identifying description.
2. Applicable United States Military or Federal Specification number, if any.

SPECIAL PROVISION - 23

332.9120-332.9150 Lubricants and Gre

A. Additional documentation required for reimbursement on bulk shipments: copy of loading or inspection sheet identified to the invoice and showing analyses obtained from tests of the invoiced materials.

B. Special requirement: Invoices for packaged lubricants and greases are to identify commodities shipped by:

1. Proprietary name, if any, and other suitable identifying description (including generally accepted trade identification symbol) and, when applicable, the viscosity number.
2. Applicable United States Military or Federal Specification number, if any.

SPECIAL PROVISION - 24

411.1010-411.3630 Animal Oils and Fats, Except Hydrogenated

Additional documentation required for reimbursement: certification as to weight and certificate of analysis for any order in excess of 50 short tons.

SPECIAL PROVISION - 25

421.2010-422.1000 Vegetable Oils and Fats, Except Hydrogenated

422.7015

422.7025(P)

Additional documentation required for reimbursement: certification as to weight and certificate of analysis for any order in excess of 50 short tons.

SPECIAL PROVISION - 26

431.1010-431.3030 Fatty Acids, Waxes, and Specially Treated Fats and Oils, Excluding Petroleum Products

Additional documentation required for reimbursement: certification as to weight and certificate of analysis for any order in excess of 50 short tons.

SPECIAL PROVISION - 29

512.0410-512.0540 Rubber Compounding Chemicals and Plasticizers

A. Additional documentation requirement for reimbursement: Certificate of analysis.

B. Special provision:

Funds specified herein may not be used to procure potentially explosive "blowing agents" including but not limited to those containing any of the following:

1. Greater than 45 percent N, N' - Dinitrosopentamethylene-tetramine and less than 55 percent inert filler.
2. Include any quantity of N, N' - Dimethyl-N, N' - Dinitrosoterephthalamide.
3. Include any quantity of Azoisobutyronitrile

SPECIAL PROVISION - 30

512.0610-512.0685 Pesticides and Synthetic Organic Agricultural Chemicals, except those put up for retail sale

A. Specifications

Purchaser must be by specifications which the buyer submits to A.I.D./W prior to soliciting bids or quotations.

B. Additional documentation required for reimbursement: certificate by the Supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser."

SPECIAL PROVISION - 31

513.1000(P) Helium

Procurement of helium requires the prior approval of A.I.D./W on a case-by-case basis.

Additional documentation required for reimbursement: Letter of authorization from A.I.D./W covering the specific transaction.

112

SPECIAL PROVISION - 32

513.2710-513.2730 Carbon Black

Certificate and Agreement regarding Concerted Pricing,
form AID-285

SPECIAL PROVISION - 33

513.5010-513.5050 Pigments - Dyestuffs;
513.6920 Pigment Grade Metallic Oxides; and
514.4010-514.4020 Inorganic Pigments

Special requirement: Colors, dyes, and pigments must:

- a. Be listed in the Color Index (Society of Dyers and Colorists, and The American Association of Textile Chemists and Colorists); or
- b. Be of the type of products covered by or invented or produced subsequent to the issuance of the Color Index.

SPECIAL PROVISION - 34

513.6110 Ammonia, Anhydrous, or in Aqueous Solution - Fertilizer Grade

- A. Purchases must be by specifications which the buyer submits to A.I.D./W for approval prior to soliciting bids or quotations.
- B. Additional documentation required for reimbursement: certificate by the Supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser."

190

SPECIAL PROVISION - 35

514.7035-514.7045 Insecticides, Fumigants, Rodenticides, Fungicides, Herbicides, and Defoliants, inorganic, Except Formulations, Preparations, and Chemicals Put up for Retail Sale

- A. Specifications - Purchases must be by specifications which the buyer submits to A.I.D./W prior to soliciting bids or quotations.
- B. Additional documentation required for reimbursement: certificate by the Supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser."

SPECIAL PROVISION - 38

531.0100-531.0200 Synthetic - Organic Dyestuffs and Pigments

Special requirement: Colors, dyes, and pigments must:

- a. Be listed in the Color Index (Society of Dyers and Colorists, and The American Association of Textile Chemists and Colorists); or
- b. Be of the type of product covered by or invented or produced subsequent to the issuance of the Color Index.

SPECIAL PROVISION - 39

533.1010-533.1030 Pigments, Paints, Varnishes, Etc.
533.3110-533.3120
533.3220-533.3290

Special requirement: Colors, dyes, and pigments included in these Schedule B numbers must:

- a. Be listed in the Color Index (Society of Dyers and Colorists, and The American Association of Textile Chemists and Colorists); or
- b. Be of the type of product covered by or invented or produced subsequent to the issuance of the Color Index.

SPECIAL PROVISION - 40c

541.6310
541.6320
541.6340

Medicinals and Pharmaceuticals - BIOLOGICALS

I. Importers' Responsibilities

When AID finances the importation of biologicals, the subauthorizing or import licensing authorities of the host country shall cause importers to advise potential suppliers that transactions for such commodities must meet the following additional requirements.

A. Identification

Invoices must list, opposite each item billed, the established name, as defined in Section 502(a)(2) of the Federal Food, Drug, and Cosmetic Act.

B. Specifications and Compliance

Every biological, serum, antitoxin, toxoid, antiserum and similar product (whether for human or veterinary use) shall comply with the requirements of paragraph 1 or 2 below:

1. U.S. Public Health Service, National Institutes of Health

Any biological product for human use must comply with safety, sterility, potency, and other requirements of the U.S. Public Health Service, National Institutes of Health. Invoices covering any such item shall show evidence of such compliance, unless this requirement has been waived by AID.

2. U.S. Department of Agriculture, Veterinary Biologics Division

Any biological product for veterinary use must comply with safety, sterility, potency, and other requirements of the U.S. Department of Agriculture, Veterinary Biologics Division. Invoices covering any such item shall show evidence of such compliance, unless this requirement has been waived by AID.

C. Expiration Dates

The actual expiration date for each product supplied, or an indication that no expiration date was established by its manufacturer, must be listed opposite each item billed. No more than 1/6 of full dating periods from 1 through 18 months, nor 1/3 of full dating periods of more than 18 months shall have expired on the date of shipment.

196

SPECIAL PROVISION - 40c (Continued)

D. Certification

The following certification must accompany the other documentation required by AID for reimbursement:

"I(We) certify that this transaction, financed under Letter of Credit No. _____, meets all requirements of I.A., I.B., and I.C of Special Provision AID 1450-SP-40(c) as attached to such Letter of Credit and that evidence of compliance required under I.C. is attached hereto.

(Signature) _____
(Title) _____
(Supplier) _____

II. Banks' Responsibilities

When AID finances the importation into a host country of biological products, U.S. banks shall be responsible for:

A. Attaching Special Provision AID 1450-SP-40(c) to any Letter of Credit established for biological products.

B. Obtaining from suppliers the certification contained in paragraph I.D of Special Provision AID 1450-SP-40(c).

197

SPECIAL PROVISION - 41a

541.7010(P) Specification for AID-Financed Oral Contraceptives

1. US F&DA APPROVAL: Material furnished under the contract shall be covered by an effective New Drug Application from the U. S. Food and Drug Administration. Prior to award the successful offeror(r) will be required to submit evidence that he has obtained such approval.
2. PACKAGING: Tablets shall be individually enclosed in a standard FDA-approved package. Each cycle package on which pills are mounted shall show the date of manufacture and the batch or lot number. The cycle package shall be enclosed in an opaque container made of foil or of paper which has been impregnated or coated with plastic. Labeling and directions for use shall be in English and in a language of the destination country as specified in purchase orders resulting from the contract. Such instructions shall be printed on or inserted in the cycle container.
3. PACKING: Fifty (50) monthly cycles shall be packed in manufacturer's standard commercial carton. Ten (10) such cartons shall be packed in a V3C fiberboard box conforming to Federal Specification PPP-B-636 and shall be closed and waterproof-sealed with tape conforming to Federal Specification PPP-T-75. Latest issues in effect are applicable.
4. SHELF LIFE: At the time of inspection of acceptance for delivery to the country of destination, no more than four months shall have expired since date of manufacture as shown on each cycle package.
5. LABELING: Each opaque cycle container shall show the manufacturer's name and address, brand and generic name and the amount of each active ingredient per tablet. The intermediate containers shall show the foregoing information with the exception of the active ingredients. Labeling for shipping containers shall be as specified in purchase orders resulting from the contract.
6. CERTIFICATION: Chemical and physical test data must be on record for each lot shipped against the contract and available to Government representatives, if requested.
7. INVOICES: Invoices covering oral contraceptives must list, opposite each item billed, the established generic name (as defined in Section 502(e)(2) of the Federal Food, Drug and Cosmetic Act) quantities of each active ingredient, and the number of the effective New Drug Application assigned by U.S. Food and Drug Administration to the product supplied.
8. EMBLEMS: Emblems, if any, will be specified in purchase orders resulting from the contract.

198

SPECIAL PROVISION - 42

561.0005

561.0010-561.0055 Manufactured Fertilizers

A. General Requirements

1. Procurement shall be by formal bid procedures unless specifically excepted by A.I.D./W.

2. Additional documentation required for reimbursement:

a. Certificate of Inspection

b. Certificate by the Supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser."

c. Certificate and Agreement Regarding Concerted Pricing, form AID 285 (not required for 561.0010 - 561.0020).

d. Certification of weight

3. Fertilizer Bag Specifications

Bag specifications must meet the following standards, unless specifically excepted by A.I.D./W.

Specifications for Packing

<u>Capacity</u>	<u>Description</u>	<u>Specifications of Overbag Overbag</u>
50 Kilo net	Polyethylene tubular liners of 4-mil thickness, in accordance with Federal Specifications L-A-378b, Type I, Class A, Plastic Strip (Polyolefin), with jute overbags, heat sealed at the bottom and sewn to the outer jute on top with acid resistant thread	Overbags made from jute cloth of 10 oz. quality

Jute bags should be new, single, and of exportable quality. They must be of uniform size and weight.

B. General Guidance

a. Single-nutrient Fertilizers

Fertilizers will be evaluated on the basis of the minimum guaranteed analysis in increments of 0.5 unit of plant nutrient, e.g., triple superphosphate ranging from 46.0 to and including 46.49% P₂O₅ will be evaluated as 46.0% and 46.50% to and including 46.99% will be evaluated as 46.50%.

b. Multinutrient Fertilizers

Fertilizers must be guaranteed and will be evaluated only on the basis of the analysis requested in the tender, i.e., 18-46-0 will be evaluated as 18% nitrogen and 46% P₂O₅ or a total of 64 units of plant nutrient.

SPECIAL PROVISION - 42 (Continued)

2. Discounts

a. When a shipment fails to meet grade of plant nutrient as guaranteed, the following discount schedule will apply:

	<u>Adjustment Factor</u>
(1) Deficiency through minus 0.50 PN from guaranteed grade (No adjustment because of normal variation in sampling and analysis.)	0
(2) From minus 0.51 through 1.0 unit of PN	2
(3) More than minus 1.0 unit of PN	3

Each unit of plant nutrient will be rounded off to the nearest 0.1.

b. The above discounts will apply to single nutrient products and to the total nutrient content in multiple physical or chemical blends. No allowance will be made for excess over guarantee of one nutrient to balance deficiency of another nutrient. Plant nutrient value will be calculated on the basis of the contract price per ton of material, F.O.B., F.A.S., C. & F., or C.I.F.

3. Example of Computation

a. Analysis of ammonium sulfate guaranteed by the bidder is 20.5% on a lot of 1500 tons priced at \$70.00 per ton, C & F. Upon testing, the plant nutrient content was found to be 19.9%; viz. deficiency was $20.5 - 19.9 = 0.6$ of a unit.

b. Price adjustment (discount) is computed as follows: 0.6 (unit deficiency) times 2 (adjustment factor) times $\$3.41$ (plant nutrient value = $\$70.00$ divided by 20.5) times 1500 (number of tons) equals $\$6,138$ (discount).

SPECIAL PROVISION - 43

561.0010 Ammonium Nitrate and Ammonium Sulfonitrate

1. Specifications

Purchasers are required to procure in accordance with specifications and to obtain prior A.I.D./W approval of such specifications.

2. Quality Control

Chemical - (A.O.A.C. unless otherwise noted)

Nitrogen	2.050
Free acid	Titration to methyl red endpoint w/standard NaOH
Moisture	2.012 (at 129-131°C for 5 hours)

(Note: See also Special Provision 42)

100

SPECIAL PROVISION - 44

561.0015 Ammonium Sulfate

1. Specifications

Physical condition	Crystalline, compacted flakes, prilled or granular -- free flowing
Nitrogen content	20.5% as N, minimum
Free acid content	0.10% as H ₂ SO ₄ , maximum
Moisture content	1.0% as H ₂ O, maximum

2. Quality Control

Chemical - (A.O.A.C. unless otherwise noted)

Nitrogen	2.050
Free acid	Titration to methyl red endpoint w/standard NaOH
Moisture	2.012 (at 129-131°C for 5 hours)

(Note: See also Special Provision 42)

SPECIAL PROVISION - 45

561.0020 Nitrogenous Chemical Fertilizers, NEC

1. Specifications

Purchasers are required to procure in accordance with specifications and to obtain prior A.I.D./W approval of such specifications.

2. Quality Control

Chemical - (A.O.A.C. unless otherwise noted)

Nitrogen	2.050
Free acid	Titration to methyl red endpoint w/standard NaOH
Moisture	2.012 (at 129-131°C for 5 hours)

(Note: See also Special Provision 42)

201

SPECIAL PROVISION - 46

561.0025-561.0030 Potassic Chemical Fertilizers

1. Specifications

a. Potassium Sulphate (K₂SO₄)

Physical condition	Free flowing
Potassium content, soluble	50.0% as K ₂ O, mini
Moisture	1.0% as H ₂ O, maximum
Chlorine content, total	2.5% as Cl, maximum
Screen size (Tyler)	90%-10+200 mesh, minimum

b. Potassium Chloride (KCl)

Physical condition	Free flowing
Potassium content, soluble	60.0% as K ₂ O, minimum
Moisture content	1.0% as H ₂ O, maximum
Screen size (Tyler)	90%-6-20 mesh, minimum (granular grade) 90%-8+35 mesh, minimum (course grade) 90%-10-150 mesh, minimum, (standard grade)

c. Sulphate of Potash - Magnesia

Physical condition	Free flowing
Potassium content, soluble	22% as K ₂ O, minimum
Magnesium oxide, soluble	16% as MgO, minimum
Sulphur	21% as S, minimum
Chlorine content	2.5% as Cl, maximum
Moisture content	1.0% maximum
Screen size (Tyler)	90%-10-100 (standard grade)

d. Other Potassic Chemical Fertilizers

Purchasers are required to procure in accordance with specifications and to obtain prior A.I.D./W approval of such specifications.

2. Quality Control - Analytical Methods for Potassic Fertilizers

a. Potassium Sulfate (K₂SO₄)

Chemical (A.O.A.C.)	
Potassium, water soluble	2.079(b), 2.083, 2.084, 2.085,
Moisture	2.012 (at 129-131°C for 5 hours)
Chlorine	2.098, 2.099

Physical (N.P.F.I.)

Sieve analysis	5.110 (final riffle product) 100-200 grams
Sample reduction	3.110B - Screening time: 10 minutes

b. Potassium Chloride (KCl)

Chemical (A.C.A.C.)	
Potassium, water soluble	2.079(b), 2.083, 2.084, 2.085
Moisture	2.012 (at 129-131°C for 5 hours)

Physical (N.P.F.I.)

Sieve analysis	5.110 (final riffle product) 100-200 grams
Sample reduction	3.110B - Screening time: 10 minutes

202

SPECIAL PROVISION - 46 (Continued)

2. Quality Control - Analytical Methods for Potassic Fertilizers
(Continued)

c. Sulfate of Potash - Magnesia

Chemical (A.O.A.C.)	
Potassium, oxalate soluble	2.079(a), 2.083, 2.084, 2.085
Magnesium, water soluble	2.110(a), 2.109
Sulfur, total	2.123, 2.124, 2.125
Chlorine	2.098, 2.099
Moisture	2.012 (at 129-131°C for 5 hours)

Physical (N.P.F.I.)	
Sieve analysis	5.110 (final riffle product) 100-200 grams
Sample reduction	3.110B - Screening time: 10 minutes

d. Other Potassic Chemical Fertilizers

(To be provided by A.I.D./W when prior approval of specifications is requested.)

(Note: See also Special Provision 42)

SPECIAL PROVISION - 47

561.0035-561.0045 Phosphatic Chemical Fertilizers, Except Mixtures

1. Specifications

a. Triple Superphosphate, Granular

Physical condition	granular--free flowing
Phosphorus content, available	46% as P ₂ O ₅ , minimum
Water soluble P ₂ O ₅ (% of available P ₂ O ₅)	75% minimum
Free acid content	4.0% as H ₃ PO ₄ , maximum
Moisture	4.0% as H ₂ O, maximum
Screen size (Tyler)	85%-6+16 mesh, minimum

b. Other Phosphatic Fertilizers

Purchasers are required to procure in accordance with specifications and to obtain prior A.I.D./W approval of such specifications.

2. Quality Control - Analytical Methods for Fertilizers

a. Triple Superphosphate, Granular

Chemical (A.O.A.C. unless otherwise noted)

Phosphorus available:	
Total	2.023(c), 2.024, 2.025(b)
Citrate insoluble	2.032, 2.033
A.P.A.	2.055

Phosphorus, water soluble	2.029, 2.030
Free acid	3.810 (N.P.F.I.)
Moisture	2.013

Physical (N.P.F.I.)	
Sieve Analysis	5.110 (final riffle product) 100-200 grams
Sample reduction	3.110B - Screening time: 5 minutes

b. Other Phosphatic Fertilizers

(To be provided by A.I.D./W when prior approval of specifications is requested.)

(Note: See also Special Provision 42)

203

SPECIAL PROVISION - 48

561.0050 Ammonium Phosphates

1. Specifications

a. Diammonium Phosphate

Physical condition	Granular--free flowing
Nitrogen content	18% as N, minimum
Phosphorus content, available	4.6% as P ₂ O ₅ , minimum
Water soluble P ₂ O ₅ (% of available P ₂ O ₅)	90% minimum
Moisture content	2.0% as H ₂ O, maximum
Screen size (Tyler)	85%-6+16 mesh, minimum

b. Other Ammonium Phosphate Fertilizers

Purchasers are required to procure in accordance with specifications and to obtain prior A.I.D./W approval of such specifications.

2. Quality Control

a. Diammonium Phosphate

Chemical (A.O.A.C.)	
Total nitrogen	2.042, 2.043, 2.045
Ammoniacal nitrogen	2.050
Phosphorus available:	
Total	2.023(c), 2.024, 2.025(b)
Citrate insoluble	2.032, 2.033
A.P.A.	2.035
Moisture	2.013

b. Other Ammonium Phosphate Fertilizers

(To be provided by A.I.D./W when prior approval of specifications is requested.)

(Note: See also Special Provision 42)

SPECIAL PROVISION - 49

561.0055 Mixed Chemical Fertilizers, NEC

1. Specifications

Purchases must be by specifications which the buyer submits to A.I.D./W for approval prior to soliciting bids or quotations.

2. Quality Control

(To be provided by A.I.D./W when prior approval of specifications is requested.)

(Note: See Also Special Provision 42)

204

SPECIAL PROVISION - 50

599.2010 - 599.2050 Pesticides and Herbicides Including DDT

A. Specifications

Purchases must be by specifications which the buyer submits to A.I.D./W for approval prior to soliciting bids or quotations.

B. Additional Documentation Required for Reimbursement

Certificate by the supplier endorsed on or attached to the invoice as follows:

"The undersigned certifies that the products invoiced herein conform to the specifications of the purchaser."

SPECIAL PROVISION - 51a

621.0220, 621.0230, 621.0235 Tire Sundries and Repair Materials
629.1010 - 629.1090 Tires and Tubes

A. Additional documentation required for reimbursement:

Certificate and Agreement Regarding Concerted Pricing, form AID 285.

B. Financing of all rubber products under this authorization is limited to those transactions on which suppliers agree to purchase excess rubber from the U.S. Strategic and Critical Stockpile in amounts equal to the rubber hydrocarbon content of the rubber products supplied. Full particulars concerning the quantities of rubber to be purchased from the stockpile under this participation program may be secured from the General Services Administration, Property Management and Disposal Service, Washington, D. C. 20405.

SPECIAL PROVISION - 52

641.3010 - 641.3055 Kraft Paper and Paperboard
641.8045 Corrugating Materials Except Kraft Paper
641.9310 Corrugated Paper and Paperboard

Additional documentation required for reimbursement:
Certificate and Agreement Regarding Concerted Pricing,
form AID 285

SPECIAL PROVISION - 53

Textile Yarn Fabrics

652.1100 - 652.3000 Cotton Woven Fabric
653.2110 - 653.2200 Wool Woven Fabric
653.5110 - 653.6400 Synthetic Woven Fabric
653.8010 - 653.8021 Glass Fiber Woven Fabrics
654.0110 - 654.0130 Narrow Woven Fabric
655.4110 - 655.4160 Bonded Fiber Fabric
655.4210 - 655.4620 Coated Fabric

A. Special Price Limitation

Reimbursement shall not be made for textile fabrics priced in excess of \$2.00 per linear yard, FAS.

B. Additional Documentation Required for Reimbursement

Textile Fabrics Suppliers Certification, form AID 1130-4

207

SPECIAL PROVISION - 54a

Iron and Steel

671.2000 - 671.3400
671.6010 - 674.7010
674.7030
674.7060 - 676.1020
676.2010 - 679.3030

Manufactures of Metal

691.1010
691.1030 - 691.1040
691.1060 - 691.1070
692.1110 - 692.1120(P)
693.1100
693.2010 - 693.3120
694.1110 - 694.1120
694.2110 - 694.2130
698.8710 - 698.8720
698.9110
698.9130

Transport Equipment

731.7010 - 731.7020

A. Specifications

Iron and steel products (including tinplate) shall be according to specifications calling for primary quality.

B. Additional Documentation Required for Reimbursements for Deliveries of Primary Quality Iron and Steel Products (Including Tinplate)

1. A certificate by the supplier addressed to the Agency for International Development, endorsed on or attached to the invoice as follows: "The undersigned certifies that the material furnished is of primary quality."
2. The documents listed in subparagraphs a, b, and c hereof, must be dated, giving the name and address of the "producing mill" and must be signed by an authorized official of the "producing mill".

For the purpose of executing documents required by this paragraph 2, a "producing mill" is defined as a mill that produces primary iron or steel mill products or a firm that converts and/or processes primary iron or steel products by forming, rolling, coating, and/or drawing. A mill that does not perform any of the foregoing operations and that engages in other conversion or processing activities, including roller leveling, shearing, or conversion of sheet to strip, is not considered to be a "producing mill" for this purpose.

a. - Producing Mill Inspection Certificate, covering each shipment (identified by mill order number and specification), must certify that the material is approved as fulfilling specifications, based upon tests and inspection.

b. - Producing Mill Packing List, covering each shipment must show the mill order number, specification, quantity, and size of each item.

c. - Producing Mill Source and Quality Certificate, covering each shipment (identified by mill order number), addressed to the Agency for International Development, must certify that the material meets AID Geographic Code C02 source including componentry requirements in Section 201.11(b) of A.I.D. Regulation I, is of primary quality, conforming to U.S. Federal specifications or to specifications issued by one or more of the following organizations:

206

SPECIAL PROVISION - 54a (Continued)

American Society for Testing Materials
Society of Automotive Engineers
American Iron and Steel Institute
American Society of Mechanical Engineers
Lloyds Register of Shipping
American Bureau of Shipping
American Petroleum Institute
Association of American Railroads
American Railway Engineering Association

or consists only of

Carbon Steel Plates, carbon 0.33% maximum.

SPECIAL PROVISION - 56

715.1072 (P) Metal Cutting Machine Tools, Used and
715.1088 (P) Metal Working Machine Tools, Used

Additional documentation required for reimbursement:

Certificate Regarding Rebuilt or Reconditioned Machine Tools
and Metal-Working Equipment, form AID 1130-7

SPECIAL PROVISION - 58

Motor Vehicles

732.0120 - 732.0150 Passenger Motor Vehicles
732.0204 - 732.0234 Gasoline Trucks
732.0236 - 732.0256 Diesel Trucks
732.0310 - 732.0345 Special-purpose Vehicles
732.0420 - 732.0430 Buses

Source Limitation

Funds may not be used to finance the purchase, sale,
long-term lease, exchange, or guaranty of a sale of
motor vehicles unless such motor vehicles are
manufactured in the United States.

SPECIAL PROVISION - 59

581.3230 Cellulose Ester Molding and Extrusion Compositions
581.3260 Chemical Derivatives of Cellulose, Unplasticized

A. Products of cellulose containing nitrogen are eligible for A.I.D.
financing only if they contain not more than 12.2 percent nitrogen.

B. Additional documentation required for reimbursement

A certificate by the supplier endorsed on or attached to the
invoice as follows:

"The undersigned certifies that the cellulose product invoiced
herein contains not more than 12.2 percent nitrogen."

207

SPECIAL PROVISION - 60

- 554.2010 (P) Detergents, Alkaline, and Acid-Type Cleansers
- 554.2030 (P) Detergents, Synthetic Organic
- 554.2040 (P) Surface Active Agents

Only those substances or mixtures intended for industrial use and having cleansing action (such as detergents, surface active agents, wetting agents, emulsifiers, and dispersing agents) are eligible for A.I.D. financing.

Mixtures and substances for household use are ineligible.

SPECIAL PROVISION - 61

- 732.8050 (P) Rebuilt or Reconditioned Automotive Parts and Assemblies
Additional Documentation Required for Reimbursement

"Certificate Regarding Rebuilt or Reconditioned Automotive Parts and Assemblies". Form A.I.D. 1130-3.

SPECIAL PROVISION - 62

- 001.1010 - 001.1040 Bovine Cattle
- 001.2000 Sheep, Lambs, and Goats
- 001.3000 Swine
- 001.5000 Horses, Asses, Mules, and Hinnies

Additional Documentation Required for Reimbursement

Certificate of inspection executed by a Veterinary Health Official of the Animal Health Division of the U. S. Department of Agriculture certifying that the animals invoiced are free from evidence of communicable disease and exposure thereto.

WB

		A.I.D. Reference
PAKISTAN: General Commodities Tenth	Agreement No.	CPI No.
	391-H-1/0	1

SPECIAL INSTRUCTION 1 (SI-1)

Pharmaceuticals

Pharmaceuticals Containing any Amount of the Following are Ineligible:

Aletris & Aletris Cordial Concentrate	d-Lysergic Acid Diethylamide
Amidopyrine	(LSD), LSD-25
Aminopyrine	Mercaptopurine
Amphetamine, products & compounds	d-Methamphetamine
Androgenic Hormones	dl-Methamphetamine
Animal Glands, Tissues & Organs	Narcotics
Articnoke	Neocinchophen
Bencyl Methyl Carbinamine	Neurophytol
Blood Plasma, whole	Pamaquine Naphthoate
Bromoform	Penicillin & Dihydrostreptomycin
Bromosalicylamide Urea	combined for human parenteral use
Chloral Hydrate	Pentamethylenetetrazol
Cinchophen	Peyote
Cynara Scholmys	Phenmetrazine
d-Desoxyephedrine	B-Phenylisopropyl hydrazine
dl-Desoxyephedrine	Hydrochloride
Destro-Amphetamine	D-Propoxyphene Hydrochloride
Dimethoxymethane	Psilocybin (Psilocibin)
Dimethylaminoantipyrine	Psilocyn (Psilocin)
Dimethylaminophenazone	Queen Bee Jelly
Dimethyltryptamine (DMT)	Scrophularia Nodosa
Dipyrone	Stronium
Ephedrine	Sulfonethylmethane
Erythrityl-Tetranitrate	Sulfonmethane
Ethyl Carbamate	Testosterone
Glyceryl Trinitrate	Thiacetazone
Helonias Dioica	Thiosmicarbazone
Hexamethonium Bromide	Thiouracil
Hirudin	Urethane
Hydroxyamphetamine	
Levo-Amphetamine	

SPECIAL INSTRUCTION 2 (SI-2)

Excess Stockpile Materials

A.I.D. does not finance the procurement from commercial sources of certain materials that are available in the form required from the U.S. Excess Stockpile. Such procurement shall be authorized only by means of a PA/PR (Program Assistance Purchase Requisition) issued in favor of GSA by A.I.D./W to cover the cost of the stockpile material, of ocean transportation, and of any other acquisition charges. A Borrower desiring A.I.D. financing for procurement of the materials listed below will request A.I.D. to issue a PAA (Program Assistance Authorization), which when approved by A.I.D., initiates the issuance, in A.I.D./Washington, of the PA/PR and other documents required. Where orders of individual importers are less than the proscribed minimum, it is expected that orders will be pooled to meet that minimum quantity.

2012

		A.I.D. Reference	
PAKISTAN: General Commodities Tenth	Agreement No.	CPI No.	
	391-H-1/0	1	

MATERIALS AVAILABLE FROM U.S. STOCKPILE WHICH MAY BE FINANCED UNDER A.I.D. PROGRAMS

The symbol (P) after a code number indicates that only these commodities listed under the classification are involved. If the symbol (P) is absent, all items within the commodity classification are involved.

Schedule B Code Numbers	Description	Minimum Order Quantity
422.7025 (P)	<u>Other Vegetable Oils and Fats, NEC</u> Caster Oil, Industrial (Grade Nos. 1 & 3)	1 tank - Approx. 336,000 pounds
265.0000 (P)	<u>Vegetable Fibers</u> Abaca Sisal	100 tons 100 tons
292.2000 (P)	<u>Naval Stores, Gums and Resins</u> Shells, Flake	100 bags approx. 16,400 pounds
532.9000 (P)	<u>Dyeing and Tannin Extracts</u> <u>Vegetable Tannin Extract (in bags)</u> Chestnut, solid or powdered form Quebracho, solid form Wattle, solid form	25 tons
513.6510 276.9800 (P)	<u>Industrial Chemicals</u> Aluminum Oxide Sodium Sulphate (rare earth)	1,000 tons 1 drum (700- 750 lbs)
276.4010 276.4020	<u>Other Nonmetallic Minerals and Products</u> <u>Asbestos Fibers</u> Amosite Chrysotile Crocidolite	25 tons
276.9800 (P)	Bastnaesite (rare earth)	1 drum (approx. 900 lbs.)
276.9800 (P)	Celestite 83-86.9% SrSo ₄ 90.1-90.4% SrSo ₄	25 tons
276.5410 (P)	Fluorspar, Acid Grade	1,000 tons
276.2200 (P)	Graphite Domestic lubricant Malagasy flake	25 tons
276.5200 (P)	Mica Muscovite block Muscovite film Muscovite splittings Phlogopite block nonstockpile grade Phlogopite splittings	25 cases - approx. 2,500 pounds (100 pounds each)
276.5500 (P)	Quartz Crystals (crude)	25 cases - approx. 2,500 pounds

210.

PAKISTAN: General Commodities Tenth Agreement No. 391-H-1/0 CPI No. 1

<u>Schedule B Code Numbers</u>	<u>Description</u>	<u>Minimum Order Quantity</u>
276.9500 (P)	Talc, Steatite (in bags, boxes, and bulk) Block Lump Ground	Block - 50,000 pounds Lump - 25 tons Ground - 25 tons
283.9350 (P)	<u>Nonferrous Ores and Concentrates</u> Baddeleyite (Zirconium Ore) (67% Zr 2 ^o 3)	1,000 tons
283.9100 (P)	Chromite, Chemical Bulk ore, fines	1,000 tons
283.9100 (P)	Chromite, Metallurgical Bulk ores, fines and concentrates	approx. 1,000 tons
283.9800 (P)	Columbium (contained in concentrates)	25 tons
283.7000	Manganese Ore (55 gal. drums) Battery grade, synthetic dioxide	25 tons
283.7000	Manganese Ore Metallurgical	approx. 1,000 tons
283.9200	Tungsten (ore and concentrates)	50,000 pounds
233.9320 (P)	Vanadium (v2 ^o 5)	1 lot (25 tons)
286.0020 (P)	<u>Precious Metals and Products</u> Monazite (Although listed under A.I.D. precious metals code, this rare earth is eligible for A.I.D. financing.)	1 drum (approx. 1,000 lbs.)
685.1010 (P)	<u>Lead, Unwrought</u> Corroding Chemical Common desilverized and common	50 tons
685.2000 (P)	<u>Lead, Wrought</u> Antimonial	50 tons
687.1000	<u>Tin, Unwrought</u> Tin Pigs	16 long tons
686.1010	<u>Zinc, Unwrought</u> Zinc Special high grade High grade Prime western Intermediate Brass special Selected grade	50 tons
689.3100 (P)	<u>Magnesium, Unwrought (20 lb. ingots)</u> Primary Grade A	15 tons
689.5025 (P)	<u>Miscellaneous Industrial Nonferrous Metals and their Products</u> Cobalt Cathodes, granules, and briquettes	approx. 50,000 pounds
689.5050 (P)	Titanium Sponges	50,000 pounds

211

		A.I.D. Reference
PAKISTAN: General Commodities Tenth	Agreement No.	CPI No.
	391-H-170	1

SPECIAL INSTRUCTION 3, (SI-3)

Commodities Subject to Prior Approval by A.I.D./W

Procurement requires the prior approval of A.I.D./W on a case-by-case basis.

Additional documentation required for reimbursement: Letter of authorization from A.I.D./W covering the specific transaction.

SPECIAL INSTRUCTION 4, (SI-4)

Commodities Subject to Prior Approval by the A.I.D. Mission in Pakistan.

Procurement of these commodities requires the prior approval of the A.I.D. Mission in Pakistan on a case-by-case basis.

Additional documentation required for A.I.D. Form 11 approval: Letter of authorization from the A.I.D. Mission in Pakistan covering the specific transaction.

SPECIAL INSTRUCTION 5, (SI-5)

Iron and Steel, Manufactures of Metal, and Transport Equipment

Secondaries are ineligible for A.I.D. financing. Only primary quality is permitted.

CPI

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

COMMODITY PROCUREMENT INSTRUCTION

1. To: Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

3. CPI NO.

1 Revision A

4. APPROPRIATION SYMBOL

72-11X4103

5. ALLOTMENT SYMBOL

253-62-298-00-57-91

2. Subject: A.I.D. Loan 391-H-140
Pakistan General Commodities Tenth
(Eleventh Program Loan)

AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND AID COMMODITY CODES

Per Original

This CPI is amended as follows:

Antibiotic, bulk Schedule B Codes
541.3010-541.3045 shall be subject
to Special Instruction 3 (SI-3)
listed in Annex B to the original
CPI.

7. CPI AMOUNT

Previous \$ 71,000,000.00

Increase _____

Decrease _____

TOTAL \$ 71,000,000.00

8. AREA OF SOURCE AND CODE

(002) For all Iron and Steel
Mill Products, (000) For all
other commodities

9. ELIGIBILITY DATE

10. CONTRACTING PERIOD

11. SHIPPING PERIOD

12. TERMINAL DISB. DATE

December 1, 1968

December 1, 1968 -
July 31, 1970December 1, 1968 -
July 31, 1970

September 30, 1970

13. METHOD(S) OF FINANCING

 LETTER OF COMMITMENT OTHER (SPECIFY)

The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.

14. AID COMMODITY FINANCING PROCEDURES

Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.

15. Special Provisions and Instructions set forth in Annex A and Annex B are applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.

APPROVED FOR AID

Peter J. Hagan *Peter J. Hagan*
Deputy Chief, Loan Operations
Office of Capital Development and Engineering
Bureau for Near East and South Asia

SIGNATURE

17.

DATE

6/23/69

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

CPI

COMMODITY PROCUREMENT INSTRUCTION

1. To: Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

2. Subject: A.I.D. Loan 391-H-140
Pakistan General Commodities Tenth
(Eleventh Program Loan)

3. CPI NO.

I Revision B

4. APPROPRIATION SYMBOL

72-11X 3

5. ALLOTMENT SYMBOL

253-62-298-00-57-01

AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND AID COMMODITY CODES

Per Original and in addition Schedule B Code
599.7020

7. CPI AMOUNT

Previous \$ 11,000,000.00

Increase

Decrease

TOTAL \$ 11,000,000.00

8. AREA OF SOURCE AND CODE

(002) For all Iron and Steel
Mill Products (000) For all
other commodities

9. ELIGIBILITY DATE

December 1, 1968

10. CONTRACTING PERIOD

December 1, 1968 -
July 31, 1970

11. SHIPPING PERIOD

December 1, 1968 -
July 31, 1970

12. TERMINAL DISB. DATE

September 30, 1970

13. METHOD(S) OF FINANCING

 LETTER OF COMMITMENT OTHER (SPECIFY)

The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.

14. AID COMMODITY FINANCING PROCEDURES

Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.

15. Special Provisions and Instructions set forth in the Original CPI and Revision A are applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.

16. APPROVED FOR AID

Vernice G. Hakebeck
Chief, Loan Operations
Office of Capital Development and Engineering
Bureau for Near East and South Asia

SIGNATURE

17.

8/13/69
DATE

D 1130 1 (1-65)

CPI

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

COMMODITY PROCUREMENT INSTRUCTION

To: Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

Subject: A.I.D. Loan 391-H-140
Pakistan General Commodities Tenth
(Eleventh Program Loan)

3. CPI NO.
I Revision C

4. APPROPRIATION SYMBOL
72-11X4103

5. ALLOTMENT SYMBOL
253-62-298-00-57-91

AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND AID COMMODITY CODES

Per Original and in addition Schedule B Code

599.7520

Schedule B Code
599.7020 is deleted from the list of eligible commodities.

7. CPI AMOUNT

Previous	\$ 71,000,000.00
Increase	
Decrease	
TOTAL	\$ 71,000,000.00

8. AREA OF SOURCE AND CODE
(002) For all Iron and Steel Mill Products (000) For all other commodities

9. ELIGIBILITY DATE
December 1, 1968

10. CONTRACTING PERIOD
December 1, 1968 -
July 31, 1970

11. SHIPPING PERIOD
December 1, 1968 -
July 31, 1970

12. TERMINAL DISB. DATE
September 30, 1970

13. METHOD(S) OF FINANCING
 LETTER OF COMMITMENT OTHER (SPECIFY)

The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.

14. AID COMMODITY FINANCING PROCEDURES
Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.

15. Special Provisions and Instructions set forth in the Original CPI and Revision A applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.

16. APPROVED FOR
Virginia C. Hancock
Chief, Loan Operations
Bureau of Capital Development and Engineering

17.
9/5/69 215

AID 1130-1 (1-65)

CPI

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

COMMODITY PROCUREMENT INSTRUCTION

1. To: Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

3. CPI NO.

1 Revision D

2. Subject: A.I.D. Loan 391-H-140
Pakistan General Commodities Tenth
(Eleventh Program Loan)

4. APPROPRIATION SYMBOL

72-11X 3

5. ALLOTMENT SYMBOL

253-62-298-00-57-91

AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND AID COMMODITY CODES

Per Original and Revision C and in addition Schedule B Codes:

581.3240(P) Wet Nitrocellulose with 30%
isopropyl alcohol.
682.1200-682.2600 Refined copper and copper
alloys and copper mill products.

7. CPI AMOUNT

Previous \$ 71,000,000.00

Increase

Decrease

TOTAL \$ 71,000,000.00

See attached continuation sheet for revisions to
Special Provisions

8. AREA OF SOURCE AND CODE

9. ELIGIBILITY DATE

10. CONTRACTING PERIOD

11. SHIPPING PERIOD

12. TERMINAL DISB. DATE

December 1, 1968

December 1, 1968 -
July 31, 1970

December 1, 1968 -
July 31, 1970

September 30, 1970

13. METHOD(S) OF FINANCING

LETTER OF COMMITMENT

OTHER (SPECIFY)

The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.

14. AID COMMODITY FINANCING PROCEDURES

Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.

15. Special Provisions and Instructions set forth in the Original CPI and Revision A and attached hereto are applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.

APPROVED FOR AID
Vivian G. Hancock
Chief, Loan Operations
Office of Capital Development and Engineering
Bureau for Near East and South Asia

SIGNATURE

17.

10/8/69

DATE

SPECIAL PROVISIONS

COOPERATING COUNTRY REFERENCE	AID REFERENCE		
	AGREEMENT NO.	CPI NO.	L/COM NO.
	391-H-140	1 Revision D	

A.I.D. Small Business Memo No. ~~68-16-A~~ ^{68-16-A}, Special Provisions Applicable to Commodities Financed by A.I.D., has been amended by the publication of Supplement No. 1 published on August 20, 1969. The requirements of Supplement No. 1 to A.I.D. Small Business Memo ~~68-16-A~~ ^{68-16-A}, attached hereto as Annex A, are effective for all transactions under this CPI for which letters of credit are confirmed on or after the date of the letter of commitment bank's acceptance of an amendment to the letter of commitment incorporating this CPI amendment.

Page one of Annex A describes in detail the new Special Provision requirements applicable to this CPI.

SPECIAL PROVISIONS

COOPERATING COUNTRY REFERENCE	AID REFERENCE		
	AGREEMENT NO.	CPI NO.	L/COM NO.
PAKISTAN: General Commodities Tenth	391-H-140	1, Revision E	

A.I.D. agrees that the commodities listed in this Commodity Procurement Instruction, (C.P.I.) by U.S. Department of Commerce Schedule B Code Numbers are eligible for A.I.D. financing subject to the provisions and instructions indicated herein. The list of eligible items can be amended as A.I.D. and the Borrower may agree.

The symbol (P) for partial indicates that only those commodities that are specifically listed by name after a particular code are eligible and/or subject to the instructions and provisions indicated.

The special provisions references as SP-1 through SP-62 are standard A.I.D. special provisions as published in A.I.D. Small Business Memo 68-18-A of February 11, 1969. A copy of this Small Business Memo is attached as Annex A to this C.P.I.

The special instructions, references as SI-1 through SI-5 are listed in Annex B to this CPI.

MINIMUM VALUE OF TRANSACTIONS

- No Letter of Credit may be issued, advised, or confirmed hereunder in an amount of less than \$10,000.00.
- Unless otherwise agreed to in writing by A.I.D./W, the gross amount of any supplier's invoice submitted for payment in respect to shipments either partial or otherwise, may not be less than \$10,000.00
- Letters of credit pertaining to the procurement of Iron and Steel Products, USDC Schedule B Nos.,

671.2000-671.6060
 672.1000-672.9000
 673.1310-673.5400
 674.4310-674.8050
 675.0310-675.0440
 676.1010-676.2020
 677.0310-677.0430
 678.1010-678.6056
 679.1010-679.3030

691.1010
 691.1030
 691.1040
 691.1060
 691.1070
 693.2010
 693.2020
 698.8710-698.8720
 698.9130
 731.7010
 731.7020

may not be issued, advised, or confirmed in amounts less than \$11,000.00. Letters of Credit for base stocks of Petroleum, (USDC Schedule B No. 332.5050), may not be issued, advised or confirmed in amounts less than \$10,000.00. In addition, where a letter of credit covers more than one item falling within the above mentioned categories the application for such letter of credit must evidence that the value of at least one of the items covered is \$10,000.00 or more. NOTE: As used above, an "item" is a commodity or group of commodities having a common specification and nomenclature, notwithstanding variations in size.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

CPI

COMMODITY PROCUREMENT INSTRUCTION

1. To: Secretary to Government of Pakistan
Economic Affairs Division
President's Secretariat
Islamabad

2. Subject: A.I.D. Loan 391-H-140
Pakistan General Commodities Tenth
(Eleventh Program Loan)

3. CPI NO.
1 Revision E

4. APPROPRIATION SYMBOL
72-11-03

5. ALLOTMENT SYMBOL
253-62-298-00-57-91

AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND AID COMMODITY CODES
Per Original and Revisions C and D:

See attached continuation sheet for revised page 2 of 21 of the original CPI. This revision raises the minimum value for letters of credit for iron and steel products to \$11,000.

7. CPI AMOUNT

Previous \$71,000,000.00

Increase _____

Decrease _____

TOTAL \$71,000,000.00

8. AREA OF SOURCE AND CODE

9. ELIGIBILITY DATE
December 1, 1968 -
December 1, 1968

10. CONTRACTING PERIOD
December 1, 1968 -
July 31, 1970

11. SHIPPING PERIOD
December 1, 1968 -
July 31, 1970

12. TERMINAL DISB. DATE
September 30, 1970

13. METHOD(S) OF FINANCING

LETTER OF COMMITMENT OTHER (SPECIFY)

The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.

14. AID COMMODITY FINANCING PROCEDURES

Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.

15. Special Provisions and Instructions set forth in the Original CPI, Revisions A and D and attached hereto are applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.

16. APPROVED BY: *[Signature]*
CHIEF, Program Loan Division
Office of Capital Development and Engineering
Bureau for Near East and South Asia

17. DATE
10/10/69

SIGNATURE

DEPARTMENT OF STATE
 AGENCY FOR INTERNATIONAL DEVELOPMENT
 Washington, D. C. 20523

CPI

COMMODITY PROCUREMENT INSTRUCTION

1. To: Secretary to Government of Pakistan Economic Affairs Division President's Secretariat Islamabad 2. Subject: A.I.D. Loan 391-H-140 Pakistan General Commodities Tenth (Eleventh Program Loan)	3. CPI NO.
	4. APPROPRIATION SYMBOL
	5. ALLOTMENT SYMBOL

1 Revision F
 72-11X4103
 253-62-298-00-57-91

AID will finance the reasonable foreign exchange cost of commodities as described in the AID Commodity Code Book and of commodity related services procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND AID COMMODITY CODES Per Original and Revisions C, D, E and in addition, Schedule B Codes: 599.6410 Wood Rosins, except B Wood Rosin 599.9210 Activated Carbon 599.9910 Nickel Compound Catalysts Schedule B Code 512.0325(P), Calcium Cyclamate, Magnesium Cyclamate, Potassium Cyclamate and Sodium Cyclamate is deleted from the list of eligible items.	7. CPI AMOUNT
	Previous \$71,000,000.00
	Increase _____
	Decrease _____
TOTAL \$71,000,000.00	

8. AREA OF SOURCE AND CODE

9. ELIGIBILITY DATE December 1, 1968	10. CONTRACTING PERIOD December 1, 1968 - July 31, 1970	11. SHIPPING PERIOD December 1, 1968 - July 31, 1970	12. TERMINAL DISB. DATE September 30, 1970
---	---	--	---

13. METHOD(S) OF FINANCING
 LETTER OF COMMITMENT OTHER (SPECIFY) _____
 The Borrower shall submit separate Financing Requests, (A.I.D. Form 1130-2) for each Letter of Commitment and Amendment thereto.

14. AID COMMODITY FINANCING PROCEDURES
 Commodities financed hereunder are subject to Standard Financing Procedures under full application of A.I.D. Regulation I and other Special Provisions and Instructions of this C.P.I.

16. Special Provisions and Instructions set forth in the Original CPI, Revisions A, D, and E are applicable and will be incorporated by A.I.D. as appropriate in all Letters of Commitment or other disbursing authorizations issued pursuant to this C.P.I.

APPROVED FOR AID
 Virginia G. Hancock
 Associate Director, Program Loan Division
 Bureau for Near East and South Asia

17.
 11/18/69
 DATE

Clearance: PROC/IRD DLeen phone

220

MANUAL CIRCULAR**AGENCY FOR INTERNATIONAL DEVELOPMENT**

SUBJECT Progress Check List for Capital Projects (form AID 1260-5)	EFFECTIVE DATE	CIRCULAR NO.
	January 23, 1967	1264.2
	TRANSMITTAL LETTER NO.	TERMINATION DATE
	11:42	* 12-31-67
FILING INSTRUCTIONS		
File as M.O. 1264.2		

Attachment A (form AID 1260-5, Progress Check List for Capital Projects: Proposal, Review, Approval and Implementation) is designed to assist in the planning and monitoring of capital projects. It may be kept with each loan file to serve as an annotated chronology of progress. In addition, the Check List may serve as an instructional and reference document for new employees. The Check List, form AID 1260-5, is available from A/AS, Distribution Branch, AID/E.

The Check List sets forth the principal events in the proposal, review, approval, and implementation of a capital project. However, events do not always occur in the order listed and not all steps are always involved. The Check List contains columns for recording planned and revised target dates, the dates of accomplishments, and explanatory remarks. The lettered subdivisions are designed to serve as useful units, where desired, in developing project work plans.

For detailed information on events and decisions involved in the procurement phase of capital projects, see Section 1442 - Capital Project Guidelines, which includes M.C. 1442.3 - Capital Project Procurement: Check List of Options Permitted and Decisions Required.

W. O. Hall
for

William O. Hall
Assistant Administrator
for Administration

*To be codified as M.O. 1264.2 by the above date.

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

(MAY BE KEPT WITH EACH LOAN FILE AS AN ANNOTATED CHRONOLOGY OF PROGRESS. EVENTS DO NOT ALWAYS OCCUR IN THE ORDER LISTED. NOT ALL THE EVENTS PERTAIN TO ALL PROJECTS.)

EVENT	M.O. REFERENCE (s)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
A. <u>PROPOSAL RECEIVED</u>					
1. PRE-APPLICATION DISCUSSION.	1210, 1231.1, 1232.1				
2. FORMAL APPLICATION RECEIVED.	1231.1, 1232.1				
3. LETTER OF ACKNOWLEDGEMENT TO BORROWER; COPIES OF APPLICATION FORWARDED TO US AID OR AID/W.	1241.1				
B. <u>PRELIMINARY REVIEW COMPLETED</u>					
4. PRELIMINARY REVIEW; BY US AID IF MISSION HAS CAPITAL DEVELOPMENT STAFF, OTHERWISE BY REGIONAL BUREAU, AID/W.	1241.1				
5. DETERMINATION MADE THAT REASONABLE EFFORT TO SECURE OTHER THAN AID-FINANCING HAS BEEN MADE BY APPLICANT. EXPORT-IMPORT BANK CLEARANCE OBTAINED BEFORE INTENSIVE REVIEW AUTHORIZED.	1241.1, 1213.1 1052.1				
6. DECISION REQUIRING	1241.1				
A. REJECTION AND NOTIFICATION OF BORROWER, OR					
B. SUBMISSION OF INTENSIVE REVIEW REQUEST (IRR) TO REGIONAL AA.					
7. INTENSIVE REVIEW REQUEST CONSIDERED BY REGIONAL BUREAU; CIRCULATED TO STAFF OFFICES.	1241.1				
8. INTENSIVE REVIEW REQUEST REJECTED OR INTENSIVE REVIEW (IR) AUTHORIZED BY REGIONAL ASSISTANT ADMINISTRATOR.	1241.1				

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
9. IF REJECTED, LETTER OF REJECTION SENT TO APPLICANT.	1242.1				
10. ADVICE OF ALLOTMENT OBTAINED BY THE BUREAU WHEN AUTHORITY TO EXECUTE LOAN AUTHORIZATION DELEGATED TO MISSION DIRECTOR; OTHERWISE SEE 17, BELOW.	1251.1				
C. <u>INTENSIVE REVIEW COMPLETED</u>					
11. CAPITAL ASSISTANCE COMMITTEE (CAC) ESTABLISHED IN AID/W OR MISSION TO CONDUCT IR.	1242.1				
<p>12. INTENSIVE REVIEW PACKAGE COMPLETED BY CAC:</p> <p>CAPITAL ASSISTANCE PAPER COMPLETED. IT RECOMMENDS AID-FINANCING OR REJECTION OF THE APPLICATION.</p> <p>(IF AID-FINANCING RECOMMENDED, THE PAPER INCLUDES THE IMPLEMENTATION PLAN AND DRAFT CAPITAL ASSISTANCE AUTHORIZATION. WHEN POSSIBLE THE FOLLOWING ARE PREPARED CONCURRENTLY WITH THE PAPER.</p> <p>A. DRAFT CAPITAL ASSISTANCE AGREEMENT B. DRAFT IMPLEMENTATION LETTER C. OUTLINE OF REPORTING AND MONITORING RESPONSIBILITIES.)</p>	<p>1242.1, 1251.1, 1261.1, 1262.1, 1263.1</p>				

2/11

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE ()	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
D. <u>CAPITAL ASSISTANCE PAPER ACCEPTED/REJECTED BY BUREAU</u>					
13. CAPITAL ASSISTANCE PAPER APPROVED BY MISSION DIRECTOR (IF CAC IN MISSION).	1242.1				
14. CAPITAL ASSISTANCE EXECUTIVE COMMITTEE AND STAFF OFFICES REVIEW WORK OF CAC AND COMMITTEE MAKES ITS RECOMMENDATION TO REGIONAL ASSISTANT ADMINISTRATOR.	1242.1				
15. REGIONAL AA APPROVES OR REJECTS CAPITAL ASSISTANCE PAPER.	1242.1				
IF APPLICATION REJECTED, LETTER OF REJECTION SENT TO APPLICANT.	1242.1				
E. <u>PROPOSED AUTHORIZATION APPROVED</u>					
17. AUTHORIZATION PREPARED IN FINAL AND CLEARED FOR SIGNATURE, INCLUDING MAKING REQUEST FOR AND OBTAINING FROM CONTROLLER ADVICE OF ALLOTMENT FOR LOANS AND CLEARANCE <u>RE</u> CERTIFICATION OF FUND AVAILABILITY FOR GRANT. (AT JUDGEMENT OF CAC, THIS STEP MAY FOLLOW ITEM 18.)	1251.1				
18. INTERAGENCY REVIEW OF CAPITAL ASSISTANCE PAPER AND DRAFT AUTHORIZATION MADE BY THE DEVELOPMENT LOAN COMMITTEE (DLC) AND NATIONAL ADVISORY COUNCIL (NAC).	1054.1, 1251.1				

2/11

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE (S)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
19. A/AID, REGIONAL AA OR HIS DESIGNEE SIGNS CAPITAL ASSISTANCE AUTHORIZATION, WITH ADVICE OF ALLOTMENT ATTACHED IF A LOAN.	1251.1				
20. MISSION OR AID/W ADVISED BY CABLE OF AUTHORIZATION, COOPERATING COUNTRY GOVERNMENT INFORMED PRIOR TO PUBLIC ANNOUNCEMENT. APPLICANT MAY BE NOTIFIED IN WRITING (LETTER OF ADVICE) OF AUTHORIZATION. ISSUANCE OF PRESS RELEASE IN U.S. AND COOPERATING COUNTRY COORDINATED WITH THE INFORMATION STAFF, AID/W.	1253.1, 1254.1				
F. <u>AGREEMENT SIGNED</u>					
21. DRAFT CAPITAL ASSISTANCE AGREEMENT AND BASIC IMPLEMENTATION LETTER SENT TO BORROWER.	1262.1, 1263.1				
22. NEGOTIATION OF CAPITAL ASSISTANCE AGREEMENT AND BASIC IMPLEMENTATION LETTER.	1262.1, 1263.1				
23. THE CAPITAL ASSISTANCE AGREEMENT IS SIGNED BY THE COOPERATING COUNTRY GOVERNMENT AND AID, GENERALLY BY THE MISSION DIRECTOR FOR AID PROVIDED SUCH AUTHORITY IS DELEGATED TO HIM.	1262.1				
24. AID/W ADVISED OF AGREEMENT EXECUTION AND SENT A SIGNED AND DATED COPY. SIGNED COPY TO A/CONT, CONFORMED COPY TO OTHERS CONCERNED. (LOAN AGREEMENTS NOT SIGNED WITHIN 90 DAYS AFTER AUTHORIZATION ARE RECORDED IN THE W-224C REPORT.)	1262.1				

225

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE (S)	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
25. LOCAL PRESS RELEASE ISSUED.	1262.1				
26. CAC DESIGNATES AID OFFICER RESPONSIBLE FOR EXPEDITING AND MONITORING IMPLEMENTATION OF CAPITAL ACTIVITY (NAME OF OFFICER RECORDED IN THE W-224A REPORT).	1264.1				
G. <u>INITIAL CONDITIONS PRECEDENT SATISFIED</u>					
27. CONDITIONS PRECEDENT (CPs) TO INITIAL DISBURSEMENT SATISFIED, DOCUMENTED, AND RECORDED.	1263.1 1264.1				
A. LEGAL OPINION OF BORROWER <u>RE</u> VALIDITY OF AGREEMENT SUBMITTED.					
B. BORROWER'S AGENTS AND REPRESENTATIVES IDENTIFIED.					
C. OTHER					
(THE TERMINAL DATE FOR INITIAL CPs AND DATE MET RECORDED IN THE W-224A REPORT.)					
(LOANS WITH INITIAL CPs NOT MET BY TERMINAL DATE AND MORE THAN 90 DAYS AFTER THE AGREEMENT DATE ARE RECORDED IN THE W-224C REPORT.)					

226.

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
<u>PROCUREMENT OF ENGINEERING AND OTHER PROFESSIONAL SERVICES</u>					
H. <u>RFP NOTICE PUBLISHED</u>					
28. BORROWER SUBMITS PUBLICATION NOTICE AND REQUEST FOR TECHNICAL PROPOSALS FOR ENGINEERING AND OTHER PROFESSIONAL SERVICES.	1442 (CAPITAL PROJECT GUIDELINES (CPG))				
28A. ALTERNATIVELY, BORROWER PREPARES, PUBLISHES (THROUGH AID) NOTICE OF, AND DISTRIBUTES PRESELECTION QUESTIONNAIRE; PERFORMS PRE-SELECTION.	1442, CPG				
29. AID APPROVES BORROWER'S NOTICE AND REQUEST FOR TECHNICAL PROPOSALS.	1442, CPG				
30. AID PUBLISHES NOTICE IN <u>COMMERCE BUSINESS DAILY</u> .	1442, CPG				
I. <u>FIRM SELECTED AND APPROVED</u>					
31. BIDDERS RECEIVE REQUEST FOR TECHNICAL PROPOSALS AND SUBMIT TECHNICAL PROPOSALS TO BORROWER.					
32. BORROWER SELECTS FIRM FOR CONTRACT AWARD.	1442, CPG				
33. SECURITY CLEARANCE OF PROPOSED FIRM.	610.2, 1263.1				
34. AID APPROVES BORROWER'S PROPOSED FIRM.	1442, CPG				
J. <u>CONTRACT NEGOTIATED AND APPROVED</u>					
35. BORROWER AND APPROVED FIRM NEGOTIATE CONTRACT.	1442, CPG				

207

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
36. AID APPROVES CONTRACT WITH FIRM.	1442, CPG				
37. BORROWER AND FIRM EXECUTE THE APPROVED CONTRACT (MAY OCCUR AFTER AID APPROVES REQUEST FOR FINANCING, EVENT 40).					
K. <u>DISBURSEMENT ARRANGED</u>					
38. BORROWER HAS SATISFIED BY THIS STAGE ALL INITIAL CPs AND HAS BEEN SO NOTIFIED BY AID.	1264.1				
39. BORROWER REQUESTS FINANCING BY LETTER OF COMMITMENT (L/COM), DIRECT REIMBURSEMENT, OR OTHER METHOD, AND DESIGNATES BANK.					
40. AID APPROVES FINANCING REQUEST. IF BORROWER CHOOSES L/COM METHOD OF PAYMENT, FIRST L/COM ISSUED TO U.S. BANK BY AID AND NOTIFICATION SENT TO BORROWER.	1263.1, 1442, CPG				
(DATE OF DISBURSING AUTHORIZATIONS RECORDED IN THE W-224A REPORT.)					
41. BORROWER OR ITS APPROVED APPLICANT REQUESTS BANK TO OPEN LETTER OF CREDIT AGAINST LETTER OF COMMITMENT HELD BY U.S. BANK.	1263.1, 1442, CPG				
42. NOTICE TO PROCEED SENT TO FIRM BY BORROWER.	1263.1				
(AS APPROPRIATE, POSITIONS WHOSE INCUMBENTS REQUIRE SECURITY CLEARANCE WILL HAVE BEEN IDENTIFIED BY THIS TIME AND THE CLEARANCE OF SUCH INDIVIDUALS WILL BE IN PROCESS, IF NOT COMPLETED.)	610.2, 1263.1 1442, CPG				

223

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE (S)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
L. <u>CONTRACT PERFORMANCE BEGINS</u>					
43. FIRST DISBURSEMENT MADE. (DATE OF DISBURSEMENTS RECORDED IN THE W-224A REPORT. LOANS WITH NO DISBURSEMENT 90 DAYS AFTER INITIAL CPs MET RECORDED IN THE W-224C REPORT.)	1263.1				
44. DETAILED PLANS (OR OTHER CONSULTANT SERVICES) COMPLETED.	1442, CPG 1263.1				
<u>PROCUREMENT OF CONSTRUCTION SERVICES AND MAJOR EQUIPMENT</u>					
M. <u>SYNOPSIS PUBLISHED; PRE-QUALIFICATION QUESTIONNAIRE APPROVED</u>					
45. BORROWER SUBMITS SYNOPSIS FOR CONSTRUCTION BIDDING TOGETHER WITH ANY PROPOSED CHANGES TO THE STANDARD PRE-QUALIFICATION QUESTIONNAIRE. (THIS AND FOLLOWING STEPS APPROPRIATE TO ALL CONSTRUCTION AND MAJOR EQUIPMENT PROCUREMENT EXCEPT AS OTHERWISE SPECIFIED TO BORROWER.)	1442, CPG				
46. AID APPROVES SYNOPSIS AND ANY PROPOSED CHANGES IN QUESTIONNAIRE AND PUBLISHES SYNOPSIS IN <u>COMMERCE BUSINESS DAILY</u> .	1442, CPG				

229

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE (S)	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
N. <u>PROPOSED BIDDERS' LIST APPROVED</u>					
47. BORROWER FURNISHES PRE-QUALIFICATION QUESTIONNAIRE TO INTERESTED FIRMS. (PRE-QUALIFICATION PROCEDURE IS NOT GENERALLY REQUIRED FOR EQUIPMENT PROCUREMENT.)	1442, CPG				
48. BIDDERS COMPLETE AND RETURN QUESTIONNAIRE.					
49. BORROWER EVALUATES QUESTIONNAIRES AND SUBMITS TO AID A RECOMMENDED LIST OF PRE-QUALIFIED FIRMS.	1442, CPG				
B. AID APPROVES LIST AND NOTIFIES BORROWER.	1442, CPG				
O. <u>IFB APPROVED AND ISSUED</u>					
51. BORROWER SUBMITS FOR AID APPROVAL THE INVITATION FOR BIDS (IFB) PACKAGE.	1442, CPG				
52. AID APPROVES IFB.	1442, CPG				
53. BORROWER DISTRIBUTES IFB TO QUALIFIED FIRMS.	1442, CPG				
54. PRE-BID CONFERENCE HELD IN CERTAIN CASES.	1442, CPG				
P. <u>CONTRACTOR SELECTED AND APPROVED; CONTRACT EXECUTED</u>					
55. BIDS SUBMITTED TO BORROWER.	1442, CPG				
56. BORROWER ANALYZES BIDS, PROPOSES AWARD.	1442, CPG				

230

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE ACCOMPLISHED	REMARKS
57. SECURITY CLEARANCE OF PROPOSED CONTRACTOR.	610.2				
58. AID APPROVES AWARD AND PUBLISHES NOTICE IN <u>COMMERCE BUSINESS DAILY</u> OR DISAPPROVES AWARD, JUSTIFIES IT TO BORROWER AND RECOMMENDS ALTERNATIVE ACTION.	1442, CPG				
59. ANY CHANGES IN CONTRACT FROM IFB ARE SUBMITTED FOR AID APPROVAL.	1442, CPG				
60. BORROWER SENDS WRITTEN NOTICE OF AWARD TO CONTRACTOR; COPIES OF NOTICE RECEIVED BY AID.	1442, CPG				
61. BORROWER AND CONTRACTOR EXECUTE CONTRACT; CONFORMED COPIES RECEIVED BY AID. (MAY OCCUR AFTER AID APPROVES REQUEST FOR FINANCING, EVENT 67.)	1442, CPG				
<u>PROCUREMENT OF NON-MAJOR EQUIPMENT AND MATERIALS</u>					
62. IFB COPIES SENT TO AID AND TO APPROVED U.S. LOCATION FOR DISTRIBUTION.	1442, CPG				
63. INTERESTED FIRMS SUBMIT BIDS IN RESPONSE TO IFB.	1442, CPG				
64. BORROWER EVALUATES BIDS AND AWARDS CONTRACT FOR NON-MAJOR EQUIPMENT AND MATERIALS.	1442, CPG				
65. BORROWER SUBMITS BID ABSTRACTS AND AWARD INFORMATION TO AID.	1442, CPG				

651

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
Q. <u>DISBURSEMENT ARRANGED</u>					
66. CPs TO ADDITIONAL DISBURSEMENT MET PRIOR TO THEIR TERMINAL DATE. (TERMINAL DATE FOR SUCH CPs AND DATE THEY ARE MET ARE RECORDED IN THE W-224A REPORT.)	1263.1				
67. AID APPROVES REQUEST FOR FINANCING. IF BORROWER CHOOSES L/COM METHOD OF PAYMENT, L/COM ISSUED TO A U.S. BANK BY AID FOR CONSTRUCTION AND EQUIPMENT PROCUREMENT. (DATE OF DISBURSING AUTHORIZATIONS RECORDED IN THE W-224A REPORT.)	1442, CPG				
68. BORROWER OR ITS APPROVED APPLICANT REQUESTS U.S. BANK TO OPEN LETTER OF CREDIT AGAINST L/COM AND BORROWER GIVES NOTICE TO CONTRACTORS TO PROCEED.	1442, CPG				
69. DISBURSEMENT FOR CONSTRUCTION AND EQUIPMENT MADE WHEN SUPPORTED BY REQUIRED DOCUMENTATION FROM CONTRACTORS, SUPPLIERS AND THE BORROWER. (DATE OF DISBURSEMENTS RECORDED IN THE W-224A REPORT.) (PARTIALLY DISBURSED LOANS WITH NO DISBURSEMENTS IN PAST 60 DAYS RECORDED IN THE W-224C REPORT.)	1442, CPG 1263.1				

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
<p>R. <u>CONTRACT(S) PERFORMED</u></p> <p>70. CONSTRUCTION AND EQUIPMENT PROCUREMENT PROGRESS MONITORED ACCORDING TO ESTABLISHED SCHEDULE. (THESE ITEMS WILL VARY FROM PROJECT TO PROJECT, BUT MONITORING SCHEDULE SHOULD NOTE MAJOR STEPS OF PROJECT -- E.G., <u>CONSTRUCTION</u>: GROUND BREAKING; MAJOR STRUCTURAL UNITS COMPLETE; MAJOR UNITS OUTFITTED; <u>EQUIPMENT</u>: COMPLETED; SHIPPED; DELIVERED; INSTALLED.)</p>	<p>1263.1, 1264.1</p>				

223

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
71. PERIODIC BORROWER AND CONTRACTOR PROGRESS REPORTS RECEIVED.	1263.1, 1264.1, 1442, CPG				
72. ALL LETTERS OF COMMITMENT ISSUED BEFORE TERMINAL DATE. (TERMINAL DATE FOR ISSUANCE OF DISBURSING AUTHORIZATIONS RECORDED IN THE W-224A REPORT. LOANS WITH BALANCES AVAILABLE FOR DISBURSING AUTHORIZATIONS AND 30 DAYS TO TERMINAL DATE RECORDED IN THE W-224C REPORT.)	1263.1				
73. ALL DISBURSEMENTS MADE BEFORE TERMINAL DATE. (TERMINAL DATE FOR DISBURSEMENTS RECORDED IN THE W-224A REPORT. LOANS WITH UNDISBURSED BALANCES AND 30 DAYS TO TERMINAL DATE RECORDED IN THE W-224C REPORT.)	1263.1				
74. AS SCHEDULED BY OUTLINE OF REPORTING AND MONITORING RESPONSIBILITIES OR OTHERWISE: A. ON SIGHT INSPECTIONS	1242.1				

238

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE(S)	TARGET DATE	REVISED DATE	DATE AC-COMPLISHED	REMARKS
74. (CONTINUED)					
B. INTERNAL AID AUDITS					
C. OUTSIDE COMMERCIAL AUDITS					
D. OTHER CHECKS					

255

PROGRESS CHECKLIST FOR CAPITAL PROJECTS: PROPOSAL, REVIEW, APPROVAL, AND IMPLEMENTATION

EVENT	M.O. REFERENCE (S)	TARGET DATE	REVISED DATE	DATE AC- COMPLISHED	REMARKS
75. PHYSICAL COMPLETION OF PROJECT.					
76. FACILITY TESTED AND ACCEPTED BY BORROWER.					
S. <u>PROJECT WIND-UP</u>					
77. PRODUCTION/OPERATION OF FACILITY BEGINS.					
78. COMPLETION PROGRESS REPORT RECEIVED FROM BORROWER.	1263.1				
79. CONTINUING COVENANTS OF CAPITAL ASSISTANCE AGREEMENT UPHELD BY BORROWER.					
80. REPAYMENT SCHEDULE REVISED; SENT TO BORROWER.					

2236