

P.D. 6822

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: **A-AM**
 2. COUNTRY/ENTITY: **SABEL AFRICA REGIONAL**
 3. PROJECT NUMBER: **698-0438; 690-0235; 625-0971**
 4. BUREAU/OFFICE: **AFR Private Enterprise Office**
 5. PROJECT TITLE: **Africa Private Enterprise FUND**
 6. PROJECT ASSISTANCE COMPLETION DATE (PACD): **09/30/89**
 7. ESTIMATED DATE OF OBLIGATION: **09/30/89**

8. COSTS (\$000 OR EQUIVALENT \$1 = ...)

A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	R. FX	G. LC	D. Total	R. FX	G. LC	D. Total
AID Approved Total	500	1,500	6,000	500	1,500	6,000
(Grant)	(500)	(1,500)	(6,000)	(500)	(1,500)	(6,000)
(Loan)						
Other:						
1. U.S. Agency for International Development						
2. Other Donor(s)						
TOTALS	500	1,500	6,000	500	1,500	6,000

9. SCHEDULE OF AID FUNDING (\$000)

PROJECT PURPOSE	FEDERAL FUNDING PURPOSE CODE	PRIMARY TECH CODE	D. OBLIGATION DATE		2. AMOUNT APPROVED		3. LIFE OF PROJECT	
			1. G. Grant	2. L. Loan	1. G. Grant	2. L. Loan	1. G. Grant	2. L. Loan
1) ARDN	270	110			2,250		2	250
2) ERN	660	908			500		2	500
3) LHM	580	530			500		2	500
4) SDAS	790	840			6,000		2	6,000
TOTALS					6,000		2	6,000

To help toward meeting development goals in Africa committed by providing...
 PROJECTS...
 1989-1990

10. SCHEDULED EVALUATIONS

11. SOURCE ORIGIN OF GOODS AND SERVICES

12. COMMENTS/NATURE OF CHANGE (if any)

13. APPROVED BY: *Charles A. Bullock*

14. DATE DOCUMENT REVIEWED: **09/30/89**

15. APPROVED BY: *[Signature]*

16. DATE DOCUMENT REVIEWED: **09/30/89**

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I. PROJECT SUMMARY

A. Project Goal and Purpose

The project goal is to promote private enterprise development which contributes to country development goals.

The project purpose

To work toward achieving development goals in African countries by providing consulting services and other technical support for private enterprise through proposals developed by Missions and AFR offices and funded by this project.

B. Project Activities

Assist missions principally by providing and funding long and short-term consulting and technical expertise to promote and support private enterprise development, particularly of small and medium profit-generating rural and agribusiness, in the following ways:

1. Improve business/investment climates and facilitate policy dialogue by analyzing and recommending changes in a wide range of policies that inhibit business activities. As examples:

- pricing, subsidies and foreign exchange policies;
- fiscal and monetary policies;
- credit and capital market facilities
- investment codes.

2. Increase use of private sector firms (banks, industries, CPA's etc.) to achieve AID development goals. In particular:

- Design PE components into agriculture, health, education and other types of projects;
- Review ongoing projects and, as feasible, incorporate private enterprise activities in implementation actions;
- Design PE specific projects such as establishment of intermediate credit facilities and privatization, including divestiture of public enterprises;
- Support the Interagency Group and private enterprise and individual investors by helping to identify joint venture opportunities and funding follow-on feasibility studies.

3. Enable Africa Bureau management to directly promote enterprise development in such ways as:

- a. Fund and provide private enterprise expertise to Missions.**
- b. Fund PE specific personal service contract personnel to assist REDSO's to advise on development of PE activities.**
- c. Determine what kinds of training best support private enterprise development and how to obtain maximum participation and support from industries, banks, chambers of commerce and other private sector organizations.**

C. Major Outputs Expected:

Feasibility studies for agribusiness and small industry	30
National advisory reports on private enterprise	5
Government privatization proposals	6
Conference action proposals	6
Designs for credit agencies	5
Governments assisted	15
Indigenous organizations (credit, coop, trade) assisted	30
African business managers and workers trained	2,000
Africans trained overseas in enterprise skills	96

D. Participating Countries

The project will be primarily directed towards the 25 USAID Missions and Programs in Africa which the Bureau has designated as "Category I and II." For other (Category III) countries having smaller AID programs, operations may be undertaken when they pertain to the regular AID Bilateral Program or when the Mission seeks and obtains approval for an exception (Annex E).

E. Financial Plan:

Life-of-project funding will total \$6,000,000 over 5 years. One million five hundred thousand dollars are planned for obligation in FY85. Project inputs are:

<u>Technical Assistance:</u>	<u>Life of Project</u> <u>(\$ thousands)</u>
3 Long-term Advisors (72 pm)	840
240 short-term Advisors (390 pm)	3,700
<u>Training</u>	
6 Long-term academic Trainees (72 pm)	135
90 short-term business skills (90 pm)	275
In-country (conferences, workshops, on the job)	560
<u>Commodities:</u>	40
<u>Other costs:</u> (evaluation and technical support)	450
TOTAL	6,000

F. Program Management

AFR/PRE will be responsible for the management of this project.

To assist in the overall direction of the project, a Consultative Committee chaired by AFR/PRE shall be formed. The membership of the committee will include individuals selected by the AAA/AFR/PRE from the Bureau of Africa, Private Enterprise, and Science and Technology.

The Consultative Committee shall address project policy and management issues which arise as the project develops. It will develop criteria for activity selection and establish an evaluation process.

II. PROJECT BACKGROUND

In October 1981, the AFR/Office of Regional Affairs published a discussion paper^{1/} on the constraints to private enterprise growth in Africa and outlined options for AID activities.

This paper recommended deeper AID involvement with indigenous private sectors and enumerated ways to support AID mission initiatives through an AFR Bureau regional project. Discussion of this paper within AID and consultations with USAIDs confirmed interest in this area.

The AFR/Office of Regional Affairs began work on a regional private enterprise promotion project in 1982.

^{1/} Discussion Paper by Mark Wentling (AFR/RA), "The Development of African Private Enterprise".

A PID was prepared in mid 1982 for a \$12,000,000 "Private Entrepreneurship Promotion" (PEP) project to fund:

1. U.S. experts to conduct business climate surveys, and assist in establishing policy reforms needed to remove constraints to business;
2. Provide long and short-term advisors to help regional and national training institutions support training programs, seminars, conferences, (including participant training in the U.S.) on managerial and entrepreneurial techniques for medium and small industries.

Following AFR/ECPR approval of the PID in February 1983 missions were asked by cable to comment on and to participate in the project design. Mission reactions were extremely positive. Subsequently, severe FY 1984 budget reductions required scaling the project down radically and reducing the large training component.

At the February 1984 Mission Directors meeting in Rwanda the Associate AA for Private Enterprise/Africa Bureau described AFR/Bureau intentions to create a Bureau FUND to finance a wide range of PE expertise and invited suggestions as to how it should be used. Missions generally supported the proposal and requested that AFR/PRE also stress two additional important areas. One is the "informal sector" activity, wide up of small businesses, trade and manufacturing. These enterprises are unlicensed, pay no taxes and use no banks. Mission Directors felt this subsector activity is significant, and should be examined and possibly strengthened as a development vehicle.

The other suggestion concerned privatization of parastatals. Mission Directors noted that many governments are disenchanted with the inept performance of parastatals and are beginning to move away from state ownership of and excessive control over the productive private sector. This dawning realization offers AID opportunities to stimulate reform measures through providing consultancies on divestitures and other privatization actions, and to help governments develop more rationale policies and regulations that encourage formation and expansion of private enterprises.

Taking a parallel course, the State Department began in early 1984 to promote development of country strategies aimed at facilitating private investment in Africa. These strategies were developed by U.S. country teams in response to a January 1984 request (State 22951) from the Interagency Group (IG) on Private Sector Activities in Africa. The IG is made up of the State Department, AID, OPIC, Treasury Department, U.S. Trade Rep., Commerce Department, and

others to "coordinate" all U.S. Government programs on private enterprise development in Africa. A strong interest in such "coordination" has been expressed by the Africa Subcommittee of the House Foreign Affairs Committee. This committee itself is considering legislative proposals to provide additional USG technical assistance to African countries for private enterprise expansion, possibly outside of AID.

Private enterprise strategies were received by the IG in March 1984 from Embassies in Ivory Coast, Zaire, Sudan, Madagascar, Nigeria, Cameroon, Liberia, Zimbabwe, Kenya, and Senegal. Each profiled the existing business community and prevailing business climate, identified constraints and proposed steps to be taken that might facilitate domestic and foreign private investment. U.S. country teams made suggestions about assistance needed for business climate studies to identify needed policy and institutional reforms and to generate trade missions and promotional efforts for which U.S. consultants and financial assistance might be required. AFR/PRE, as a member of the IG, will need to draw on FUND resources to respond in appropriate cases as other IG members, and most USAID's lack funds to back such activities.

Based on lessons learned from these developments, AFR/PRE redesigned the PEP regional project to provide pump - priming funds that would:

- Encourage missions to increase their private enterprise activities;
- Result in heightened action in creating new businesses or expanding existing business in African countries;
- Give priority to medium/small indigenous enterprises, especially agribusiness, including fishing and forestry and wholesale/retail operations.

Also the redesigned project as described below includes implementation measures that can be triggered relatively rapidly in order to take rapid advantage of business promotion opportunities as they arise.

III. PROJECT DESCRIPTION

A. Problem

AID African Missions generally report that governments have begun to acknowledge the failure of experiments in socialized government control of economic development. Nationalization has mostly created

red ink parastatals. Also, many African governments are now implementing IMF loan conditions to put their economic houses in order. They openly recognize the social/economic value and necessity of a sound private sector. All these factors are beginning to open up opportunities to help revitalize the private sector..

However, to regenerate the private sector, governments are facing complex technical problems for which specialized help is needed. They include:

- Reforming business inhibiting policies, regulations and tax laws; revising investment codes and increasing foreign exchange and technology inflows;
- Opening up and expanding private sector funding of businesses including provision of medium and long term credit;
- Providing business advisory services to small and medium enterprises including how to prepare bankable feasibility studies;
- Defining and implementing business skill and management training programs that have immediate application and utility;
- Defining and implementing progressive actions to privatize inefficient state enterprises (parastatals).

Three USAIDs, Somalia, Kenya, and Sudan, have independently established a private enterprise initiative by setting up private enterprise support projects using ESF funds. Rwanda has a similar project using DA funds. Through these projects resources are available to respond to host government requests for technical assistance. Experts may be called in to provide a variety of technical assistance work including investment feasibility studies, business climate assessments, policy reform analyses and business advisory services such as upgrading banks and other local business institutions. Under the Somalia project two long term private enterprise advisors have been contracted and are in the field. USAID Sudan has already brought a long term private enterprise advisor on board. The Africa Bureau encourages other USAIDs and RECSOs to follow this pattern using ESF or DA funds, as available.

All Missions throughout Africa need funds and quick-response administrative arrangements to provide private enterprise consulting activities. Yet most missions do not have ESF financed

technical support projects and request such assistance from the AFR Bureau and PRE. Examples are a divestiture expert for East Africa, mortgage banking advisor for Liberia, export trading advisor for Zimbabwe, and a business advisory services consultant for Cameroon and Liberia. However, Bureau sources of funding are few and the PD&S account is over-committed.

Bureau financing of such private enterprise initiatives is a logical, timely approach and AFR/PRE proposes by this project to establish a modest fund within AFR Bureau to support such requests.

B. Project Goal and Purpose

The project goal is to promote private enterprise development which contributes to country development goals.

The project purpose: To work toward achieving development goals in African countries by providing consulting services and other technical support for private enterprise through proposals developed by missions and AFR offices and funded by this project.

Project Activities will:

- Assist Missions by providing and funding long and short term consulting and technical expertise to promote and support private enterprise development, particularly of small and medium profit generating rural and agribusiness in the following ways: 1. Improve business investment climates and facilitate policy dialogue by analyzing and recommending changes in a wide range of policies that inhibit business activities.
- Increase use of private sector firms (banks, industries, CPAs, etc.) to achieve AID development goals;
- Enable Africa Bureau management to directly promote enterprise development, as defined in I B3 above.

C. Types of Assistance to be Provided

The FUND will finance the following kinds of services to support Mission and AFR Bureau private enterprise activities. An illustrative list of concrete examples received from Missions appears in Annex F.

1. Project Design and Proposals

The FUND will provide short-term advisory expertise to USAIDs to assess and identify ways in which private enterprise can contribute to CDSS and AID development goals e.g., jobs, food supply, incomes, exports. Team recommendations will focus on how to utilize local business when designing AID projects. As examples, with soundly based proposals, USAID may be better equipped to engage host governments' interest in programming local currencies to private development banks or to fund investment studies. (see Annex G - Use of Local Currency). Also Missions can hire professionals available in local branches of highly qualified international firms. These firms have competent staff overseas, who are familiar with local business firms, practices and business leaders.

2. Business Development

a. Industry and Sector Surveys

Industry surveys will be performed for priority development sectors. Surveys will identify markets, import requirements, present state of manufacturing, raw material and labor availabilities, potential for export, pricing restrictions, etc. Surveys will assist in development or reformulation of sector policy, regulations and administrative practices, and may be distributed within the country and to U.S. businesses.

b. Assistance to Intermediate Credit Institutions

Consultant assistance will be provided on credit policy, banking organization and operations, investment analysis, business advisory programs, accounting, and sub-lending criteria and procedures in order to set up or improve credit facilities for small and medium enterprises.

c. Privatization and Divestiture

The FUND will undertake studies of state-owned enterprises (parastatals) either for the purpose of divestiture or for purposes of reorganization to make them more cost effective and salable. The process may involve audit and asset evaluation work; profitability analyses; market assessment; reorganization; provision of management, engineering, etc. know-how; and preparation of promotional materials for the purpose of selling assets.

d. Investment Promotion

Feasibility studies will concentrate on specific investment proposals including joint LDC-US ventures, under the same general rules observed by the PRE Bureau for such studies.

Consultants will be used to improve the quality of information available to foreign investors and help initiate investment promotion activities including promotion training, offices or "one-stop" centers.

e. Training for Management and Business Skills

In the field of business training and education, the FUND will be used for the following purposes:

- survey and assess business training needs, including contracts with African entrepreneurs, business and trade associations, management training centers, AID suppliers of on-the-job training, such as IESC and Technoserve, U.S. businesses active in Africa and international agencies (IFC, IERD, UN) active in enterprise development, including the Commonwealth Development Corporation.
- review business education programs to determine which are most effective. The emphasis will be on user-fee based training which entrepreneurs and workers can immediately apply to increase sales and profits.
- propose ways and means for existing AFR regional or bilateral training programs to be reoriented or shaped to fund PE training.

D. Expected Achievements and Accomplishments

Project Results:

This project recognizes that many African problems are rooted in outmoded or ill-conceived policies which are extremely difficult to change. Discussions on policy change are usually complex matters, and often highly political. In cases of tax reform, import controls, foreign exchange adjustments or divestiture, USAIDs cannot be expected to engage in persuasive policy dialogue without benefit of solid analyses and probably without having expert advice at hand. This project hopes to fill gaps that may exist in USAID's financial and technical capability and capacity to provide professional advice in private enterprise development. Also,

technical support and management reports provided under this project should enable Missions and host country entities to identify, invest in or otherwise sponsor development projects and administrative reforms which will increase in one to two years the volume and type of marketable products produced and sold into the marketplace.

Technical support proposal under this project will be reviewed and approved in light of their potential for enabling Mission or host country entities to invest in projects leading to production of marketable products and services in the near future. To invest in such "follow-on" undertakings, Missions or host country entities may allocate their own financial and technical resources or seek funding from the private capital market or public lending agencies. Designs for "follow-on" projects which lead to risk sharing and up-front investment by indigenous entrepreneurs will be especially encouraged.

Inputs and Outputs:

Most of the inputs in this project will be in the form of short term consultants who will design AID projects or project components or prepare proposals for business ventures, investments and credit facilities, and private enterprise advisory team recommendations for CDSS and sector strategies. Consultants will provide other services necessary for USAID private enterprise development. The project provides \$3,700,000 to finance 390 person months of short-term services to produce 30 feasibility studies for agribusiness and small industry, 5 national advisory reports on private enterprise, 6 government privatization proposals, 5 designs for credit agencies, as well as technical assistance to expand the effectiveness of 30 African organizations (credit, coop trade) and consultant services to 15 governments. Consultants will be in such fields as business and marketing development, business and commercial law, financial analysis and planning, business institutional development, divestiture and privatization, money, banking and credit, agribusiness, industry, business management and training, investment climate reform, and economic policy, and regulation.

The project budgets \$840,000 to finance three long-term business and industry advisers (72 person months) to governments in three countries. By placing technical advisers within African ministries of finance, industry or commerce, the project will provide those governments the expertise necessary to form and carry out changes to privatize government operations or effect economic policy and administrative reforms critical to growth of the private for-profit sector. While most long-term and short-term consultants will be from the United States, African consultants will also be engaged.

The project finances training of Africans to enable indigenous entrepreneurs, managers and workers to increase their productivity in existing or new positions. The project will invest \$560,000 in short-term training. This training will be primarily for in-country courses, conferences and workshops to train at least 2,000 business managers and workers to expand existing or incipient businesses. Also, training will be given to certain government officials who are responsible for public policy and regulations.

In-country short-term courses will cover basic subjects, e.g., accounting and auditing, inventory control, marketing and business planning, plus conferences and workshops on investment promotion, export development and related subjects basic to business expansion.

In addition, 90 Africans will be provided short-term training overseas by participating in trade and investment missions, business conferences, and other short-term business preparation activities.

The project provides a limited budget of \$275,000 to train six Africans in the United States, some to the MBA level, for service with public or private business associations.

The balance of the budget will cover evaluation (\$150,000), technical support to AID/APR/PRE for project operations (\$300,000) and limited equipment and supplies (\$40,000).

E. Criteria for Assistance to be Provided

The regional FUND, "capitalized" at a level of \$6,000,000 will respond to requests from USAIDs for a variety of support activities. In addition, some activities may be initiated by the AID in Africa Bureau, provided there is Bureau consensus, and clearance by USAIDs when they are integrally involved.

All undertakings financed by the FUND will follow AID's private sector development strategy and will emphasize growth of indigenous enterprise and improved economic and business climates favorable to local and foreign investment.

Criteria: A key criterion for selection and funding of a proposal for technical support activities will be its potential for enabling Mission or country entities to invest in and carry out "projects" rapidly leading to production and sale of marketable products and services. This criterion applies to proposed consulting services for private sector surveys and country strategies as much as to proposed feasibility studies for individual business ventures. In short, the key criterion for funding will be that the proposal is business action-oriented.

With regard to business ventures, the project should assist only those operations which, except in special circumstances, do not involve dominant equity participation by the government. Exceptions (such as government enterprises scheduled for divestiture) will be decided by the proposal review committee. Special circumstances not fitting this description may be considered with written approval of Bureau management. Assistance may of course be provided to government institutions (e.g., investment promotion agencies, credit, extension and education services which foster indigenous private enterprise).

The FUND will give priority to proposals which lead to projects, administrative change, or other initiatives in which Missions, host country entities, or indigenous entrepreneurs invest their own financial and technical resources to expand profitable enterprises or improve the climate for growth of private enterprise. In addition, the activity proposal must increase the contribution which private enterprise makes to achievement of one or more of AID country development goals including GNP growth and export development, expanding jobs, generating income and increasing the food supply among AID's target population and mobilizing resources for productive ventures to expand the host country market base. The major thrust will be to stimulate the growth of small and medium size self-sustaining, profitable business. Proposals to support micro-enterprises with predominately social overtones and high institutional support costs will be lower priority.

F. Contracting Mechanisms

This project is designed to respond to a diversity of requests for consultant services involving many differing skills. To respond to the requests AFR/PRE will seek the most capable, experienced and competent consultants. A range of AID IQCs are currently available which specialize in business development, banking, intermediate credit, privatization, capital markets, export trading, agribusiness technologies, etc. Given the relative ease and speed of contracting that these IQCs provide, they will be used extensively by AFR/PRE to provide services. When necessary, PSCs with individuals, RSSA or Cooperative Agreements or other non-IQC firms will also be considered for use. At the project outset an effort will be made to work with a variety of available consulting firms and individuals to test them and determine which are the top performers.

Rules for use of small business, minority and 8(a) firms will be strictly observed. Such firms will be requested to undertake assignments depending on the nature of the specific consultancy concerned and consultant qualifications required.

During the early stages of the project, individual tasks implemented through IQCs and S(a) firms may be most appropriate. Such short-term assistance will limit the activities to a size manageable by APR/PRE (and the field) and permit them to develop their own experience base. Later in the project, longer term assistance in the form of cooperative agreement, addressing a wider set of issues may be more appropriate; for example, a cooperative agreement which calls for privatization of government parastatals in several countries, possibly followed by policy dialogue and the execution of a divestiture plan.

A number of the IQC firms specialized in private enterprise development and investment analysis are:

- Price Waterhouse -
- Equator Bank -
- Coopers Lybrand -
- Energy Development International -
- East-West Group -

Other IQCs are available for agribusiness through:

- IRI Research Institute
- Development Alternatives Inc. (with Coopers Lybrand)
- MASI, Inc.

Proposals under this project may require waivers to procure services from sources other than those allowed by the authorized codes (i.e., Codes 000 and 941 and cooperating countries). Such waivers will be considered on an ad hoc basis as needed.

Procedurally, PIO/Ts will be used as the basis for preparing contracts.

IV. PROJECT ANALYSES

The project analyses show that the project is economically and socially acceptable and technically and environmentally sound. The shape this project will take depends on the particular activities which Missions propose within the TA and training categories described in this paper. (See Section IIIC: Types of Assistance and also Projected 18 Month Activity Budget.) The separate activities will be reviewed for the acceptability of their economic, social, environmental and technical impact.

A. Environmental Examination

This project constitutes/incorporates classes of actions not subject to environmental procedures such as education, technical assistance and training programs; analyses and studies; and support

for capitalization of intermediate credit institutions not involving right to review and approve individual loans. The project does not include construction of facilities or other activities directly affecting the environment. This activity meets the criteria for Categorical Exclusion in accordance with Section 216.2(c)(2)(xiii) and is excluded from future environmental analyses. The Africa Bureau Environmental Officer concurs in this determination.

B. Economic Analysis

African governments have been relying on the public sector to undertake activities which can more effectively be carried out by the private sector. Often, due to size, managerial inability, political constraints, featherbedding, and lack of competition and alternatives, public sector investment turns out to be less productive. Decreasing the labor force in the public sector often will not decrease the level of goods and services produced. Increasing employment in the public sector will often not increase output of the public sector. In economic terms this is to say that the marginal productivity of labor in the public sector is low.

This situation is not generally relevant in the private sector, except where the consequences stem from constraints imposed by the government. Allocating resources to the private sector will increase overall output, income and productivity. Directing further investment into the public sector will often create inflation with little discernible increase in real national output, and little long-run productive employment. To get African countries to achieve economic efficiency and growth, as well as to dampen the rate of inflation, we must encourage a greater reliance on the private sector, less reliance on the public sector and more effective use of natural and human resources.

The private sector in Africa has not been able to grow and thrive as it might under better circumstances. Government involvement in parastatal enterprises has been less efficient than private sector activity and has hindered growth. Government over-regulation has hindered the growth of indigenous private sector enterprises. Foreign exchange regulation and trade barriers have encouraged the importation of foreign produced capital equipment and other goods and services, while discouraging the exportation of those products (mostly agricultural) in which these countries have a natural comparative advantage. Overvalued currencies have hurt the balance of trade situations of most African countries and these countries are now mired in debt.

Other constraints on private enterprise include the lack of managerial skills and entrepreneurship. All societies which hope to advance in manufacturing, marketing, agricultural production, etc. must be able to organize both capital and labor as well as other inputs in such a way as to create viable, profitable enterprises. This requires not just technical know-how but also the capacity to manage all the different factors and the entrepreneurship to take the necessary risks inherent with any new venture.

The lack of capital available to small enterprises constrains growth of the very enterprises which are most likely to create the greatest amount of productive employment. Job generation is a crucial factor in most of the African countries where unemployment in the non-farm sector is acute. The proliferation of small enterprises would do much to employ the abundant labor available to these countries, as well as to improve income distribution and speed overall economic growth.

In many African countries governments regulate local markets and production so as to discourage small businesses from entering. These regulations are often imposed to help the government maintain control and because the government wishes to direct how the country's scarce resources will be used. However, typically, these regulations hinder competition, decrease opportunities for upward economic and social mobility, and cause inefficient use of resources. Selectively loosening these regulations should help create a more favorable environment for investment and entrepreneurship.

For a project such as this, where specific activities have yet to be determined, it is not possible to derive an internal economic rate of return. Past efforts which involve similarities to this project, however, have afforded some results that can illustrate some of the benefits that can be anticipated in this project.

A comparison between the effectiveness of the private vs. the public sector is illustrated by comparing the bus system in Abidjan, Ivory Coast and Nairobi, Kenya. In Abidjan, the city leaders decided that the city should only be served by city owned buses and outlawed competition by private sector buses. As a result, the number of city owned buses tripled and the bus system is running huge deficits. In Nairobi, the city managers decided that independent bus services would be allowed to compete with the city bus lines. It turned out that these private bus companies were able to serve the city quite well using small vans and the city bus company remained small and is still profitable. This is one example where reliance on the private sector has saved government revenues and served the public's need.

Foreign aid is not sufficient to ensure the growth and development of developing countries. Most of the resources for growth and development must come from the local economy. By fostering a better business climate, improving government policies and regulations, as well as correcting other price-incentive distortions, local resources can be mobilized to help in a country's development. In Bangladesh, partly as a result of AID policy dialogue, the interest rates in the formal sector were changed to parallel interest rates in the informal sector and the banking industry was considerably deregulated. (AID efforts are currently assisting Bangladesh in the denationalization of commercial banks, which will open up the banking sector to private investors and increase the private sector's share of available credit.) The results have included: increased activity in the financial sector, greater mobilization of local resources, and overall economic stimulation and growth.

An AID project in Paraguay called the Paraguay Productive Credit Guaranty Program (PCGP) was designed to establish a self-sustaining guaranty fund that would neutralize the risks involved in lending to smaller-scale entrepreneurs. The criterion chosen to determine project success was the growth in the size of the fund. On this criterion alone the project was declared a success, with the fund growing 20 times larger by 1980 than had originally been envisioned in the PP. In addition, it was calculated that the PCGP generated over 600 subprojects and created 3,900 new jobs. Unfortunately, the project crashed when the government of Paraguay withdrew its support and no longer would guaranty loans.

The Ivory Coast has a tax system that does not seriously distort incentives. The country has had an outward looking policy of "liberalism and openness toward foreign investors." Interest rates move up and down reflecting market forces.

With the general policy of export orientation comes the recognition of an important feature of the Ivorian economy. The bulk of employment and output are in the agricultural sector, which is where the country's comparative advantage lies.

The Ivory Coast has had a relatively non-protectionist foreign trade policy, except for some promotion of modest import-substitution light industry. A stable monetary system, free convertibility at a guaranteed exchange rate, open borders, and a minimum of internal regulation have allowed market forces to dictate the scope and structure of development. Despite the difficulties experienced during the current recession, reliance on this regime and free market system has led to higher growth than has been experienced in most African countries and also lower income inequalities.

The evidence shows that the private sector can be tapped as an instrument of development and that it can generate higher growth in incomes, output and employment at higher rates than can the public sector. Thus, activities to be undertaken by this project can lead to high rates of return, although estimation now of the rates of return would be premature.

Activities that tap local resources and cause these resources to be used more efficiently will require less investment on our part and afford very high returns in the form of national income growth and productive employment creation. Activities that help towards relieving constraints on small business created by government regulation can at low costs go far to increase economic activity and efficiency. Activities that lead to long term policy and structural change will have payoffs that will continue long after LOP. Activities that train managers and enhance human capital will have high payoffs if linked to applications in productive undertakings and will be replicated by the private sector once the payoffs become apparent.

The conclusion is that this project has ample opportunities to earn high economic rates of return and should lead to greater net social gains in welfare than would continued excessive reliance on the public sector to undertake development activities.

C. Social Analysis

This analysis addresses two concerns: the social-political feasibility of the project, and equity considerations.

As a legacy of colonial rule and differing rates of economic expansion African economies are dualistic and unevenly developed, more so than other developing regions. Upon liberation, across Africa there were just a few pockets of modernity while most of the continent remained primitive and underdeveloped.

In an attempt to shake the legacy of colonialism many African countries nationalized foreign owned firms. In attempt to address dualism and speed the development process many African countries initiated parastatal enterprises and imposed policies designed to foster import substitution. These countries also have held down prices of foodstuffs, hurting the farmers but maintaining social calm in the rapidly growing urban areas.

There has been a great deal of recognition that these activities and policies have hindered rather than facilitated the development process. Many African leaders are aware that these activities and policies must be altered, that greater reliance must be placed on the private sector, and that the atmosphere for private sector activity and investment must be made conducive. The long-term development of the region requires these adjustments. However, these adjustments can bear high short-term costs. Greater reliance on the private sector indicates loss of control by the central government over use of a country's resources. Divestiture of the parastatals will invariably entail loss of jobs and lower wages in the immediate future. Divestiture also means less opportunities for politicians to enhance their standing through favoritism and nepotism.

Increasing food prices will do much to raise production and lower import needs, but it may very well be accompanied by urban unrest and political instability.

These costs are undeniably high but they can be mitigated to some extent through proper timing, foreign aid, political astuteness, and social sensitivity. The political will must be existent for these necessary long-term adjustments to be implemented.

The question of equity is important. Often the very government policies that this project must change were instituted with the anticipation of improving income distribution along with enhancing economic growth. It has become apparent, however, that these activities and policies have hindered growth and have done very little for equity. On the contrary, Ivory Coast, a country which has fostered private investment and has had a liberal and open door posture toward foreign investment, has about the most equitable distribution of income in all of Sub-Saharan Africa.

The case has been made that the activities of this project can lead to growth. In Africa we have been experiencing no growth with little equity. By turning to local entrepreneurs African countries can anticipate growth with equity. To the extent that these AID sponsored activities will create new and productive jobs, this project addresses the equity question. In this regard, participation of women in enterprise activities will be assessed.

Many activities under this project are aimed at small and medium sized enterprises, with improvement in income distribution in mind.

With the political will, social sensitivity, economic and technical assistance, greater reliance on the private sector for undertaking development activities can lead to growth and greater equity within African countries.

D. Technical Analysis

Few generalizations can be made in advance about the project's technical contents, since this will depend on the nature of activities selected and the specific approaches used to implement them. To provide the basis for technical review as proposals are advanced for funding, however, the AFR/PRE Office will require Missions to include details of approaches to be used and a justification for consultant services or other technical support proposed.

E. AID Policy on Private Enterprise

One cause of Africa's economic crisis has been over-dependency on the state's role in national economies. After independence, many African countries sought to remove key elements of their economies from foreign or colonial domination and to promote industrialization which was viewed as a symbol of modernity. These efforts typically took the form of state controlled industries and marketing boards. Prices, which were often controlled and highly subsidized, artificially skewed the distribution of resources. This was particularly harmful to farmers. The private sector was taxed to pay for burgeoning bureaucracies created to seek worthwhile social goals. Unfortunately, the costs and distortions of big government often did more harm than good. The result of excessive governmental intervention has been higher deficit spending, external debt problems, urban migration, inflation and declining investment.

The World Bank Report, Accelerated Development in Sub-Saharan Africa, (1981) describes the situation this way:

"It is now widely evident that the public sector is overextended given the present scarcities of financial resources, skilled manpower, and

organizational capacity. This has resulted in slower growth than might have been achieved with available resources, and accounts in part for the current crisis. Without improved performance of public agencies, stepped-up growth will be difficult to achieve. The organization and management of economic activity need to be reviewed to determine how the resources and energies of all economic agents can be better mobilized for development - for example, by improving government policymaking institutions and procedures; giving the public sector's development-related agencies ("parastatals") clearer mandates and greater management autonomy; giving wider responsibilities to the small-scale indigenous private sector; allowing greater scope for decentralized cooperatives; and by defining an appropriate role for larger-scale private capital, both domestic and foreign. Many governments have already acted in this area. In Guinea-Bissau, Mozambique, Senegal, Uganda, and Zaire, among others, governments have decided on efficiency grounds that the scope of private sector activity should be enlarged."

The Africa situation obliges AID to consider all forms of development assistance. Perhaps most important from a sustained growth prospect, yet the most difficult to achieve in Africa, is technical assistance and loans aimed at building strong indigenous private sectors.

The AID Administrator succinctly set forth the Agency's policy in this regard (State 148902, May 29, 1982):

"A.I.D.'s private enterprise initiative is predicated on the notion that free and competitive markets offer the best means of achieving A.I.D.'s central objective. That objective is to assist recipient countries to meet the basic human needs of their poor majorities through sustained, broadly based economic growth. I believe that individual initiative, exercised through free and competitive markets, is a major force for the alleviation of poverty. Similarly, A.I.D.'s commitment to private enterprise should in no way be interpreted as a sign of lessening interest in agriculture, rural development, nutrition, population, health, education and human resources, and energy. This emphasis should be seen, rather, as aiding the accomplishment of development objectives in these sectors.

In general, for private enterprise to flourish, there needs to be: (a) an encouraging, rather than an inhibiting, legal, regulatory and policy environment; (b) institutions that support private enterprise and skills that strengthen markets; (c) capital resource flows for new investment and (d) a stream of new technologies that lead to increased productivity and increased employment.

A.I.D.'s goal is to stimulate indigenous private enterprise in developing countries. By private enterprises I refer to profit-oriented economic units producing goods and services for the market in which the means of production are privately owned. Farms make up the vast majority of private enterprises in most developing countries."

V. IMPLEMENTATION

A. The Approval Process

Proposals from field Missions may be submitted to AFR/PRE by cable or in letter form. They should be as complete as possible to give clear understanding of what problem is being addressed and what services are needed. Proposals will give the following information:

- Description of the problem faced, or the situation needing attention, analysis, etc.
- Background on the activity's importance to the host country.
- Scope of services to be performed by consultants.
- Suggested qualifications of consultants and any preferred firms or individuals to be considered in recruiting services.
- Timing and estimated duration of the consultancy.
- Information on special working conditions in the country, or internal travel anticipated and any logistical problems foreseen.

Project activity proposals from the field for \$100,000 or more will be reviewed by a proposal review committee chaired by a representative of AFR/PRE and composed of representatives from AFR/PD, AFR/DP, the geographic office, GC/AFR and the appropriate AFR/TR office plus any individuals from other offices which the AAA/AFR/PRE chooses to select from the consultative committee (see below). The proposal review committee will approve and record individual activities, with the PIO/T going to the DAA for concurrence.

For proposals which do not exceed \$100,000 the AAA/AFR/PRE will circulate the proposal for comment to the Bureau offices on the consultative committee plus the geographic desk, and then will make a decision.

If a proposal is approved, AFR/PRE in consultation with the Mission, will decide whether contracting will be done in AID/W or in the field. Regardless of where the contract is executed, the Mission will prepare the PIO/T required for contracting purposes or cable AID/W with full information needed for PIO/T.

B. Participating Countries

The project will be primarily directed towards the 25 USAID Missions and programs in Africa which the Bureau has designated as "Category I and II." (See Annex E). For other (Category III) countries having smaller AID Programs, operations may be undertaken only when they are directly linked with a project in the Small Program Strategy Statement (SPSS) or when the mission seeks and obtains AA/AFR approval for an exception.

A Group III mission which wishes to participate will submit a written statement to AFR/PRE justifying their request. If the justification is based on an existing program, the request should simply refer to the mission's SPSS and the relevant project. If the justification is founded on other grounds, the Mission should write a one-page statement (similar to an IEE or 611(e) certification) laying out its rationale. This statement shall be reviewed and approved by the projects' consultative committee before being sent to the Assistant Administrator for Africa (AA/APR) for approval.

Group I missions will be asked, where possible, to share in the cost of funding the activities they propose.

To participate in the fund, normally AID Missions will be expected to be allocating DA or ESP and/or counterpart funds in private enterprise development within bilateral country programs and projects.

C. Program Management

AFR/PRE will be responsible for the management of this project.

To assist in the overall direction of the project, a consultative committee chaired by AFR/PRE shall be formed. The membership of the committee will include individuals invited by the AAA/APR/PRE (with the concurrence of office directors) from the following offices:

- General Counsel (GC/APR)
- Project Development (APR/PD)
- Development Planning (APR/DP)
- Regional Affairs (APR/RA)
- Bureau for Private Enterprise (PRE)
- Science and Technology (S&T/RD/ESE)

This consultative committee shall address project management issues which arise as the project develops. Early in the project, criteria for activity selection and an evaluation process will need to be established. The consultative committee will develop criteria to determine in what cases various forms of contracting should be used. The committee shall also develop broad work plans for each year which will outline the goals and types of activities the project should address. In addition, it will develop means for defining measurable outputs which can be evaluated. The committee will meet at the discretion of and as needed by AFR/PRE but at least once each quarter.

Coordination between AFR/PRE, and PRE, S&T/RD/ESE and AFR/RA, offices which have experience in fostering private sector initiatives and dealing on a regional basis, is an important element of program management. These three offices have personnel skilled in executing the administrative procedures required to implement a project of this type. AFR/PRE and the consultative committee shall consider ways (formal or informal) in which the expertise and capabilities of these offices can best be applied to the implementation of this project.

The scope of this project not only places demands on AFR/PRE to develop new expertise but the quantity of work anticipated in the future may exceed the present capability of this office. After three to six months, AFR/PRE will have gained experience with the operational details of implementing the project. At this point, this office will consider enlisting support to assist with the numerous details associated with expanding the activities under this project. Project funds (\$150,000) are included in the budget to meet such technical support costs. The three offices cited above as well as GC/AFR and SER/CM will be able to advise on the exact nature and form of such support. Possible support services enlisted by AFR/PRE are as follows:

- a. Identify and advise on qualifications and capabilities of consultants to provide technical services to host countries in the design and evaluation of private enterprise undertakings.
- b. Provide research and technical data on business and finance development matters, and respond to technical inquiries.
- c. Develop inventories on AID and other donor private enterprise projects to show objectives and results.
- d. Assist in information exchange to host countries and AID Missions using periodic bulletins of PE activities, innovative PE projects and experiences, and new project design suggestions.
- e. Assist with arrangements for visiting trade or investment missions, U.S. based business workshops and seminars.
- f. Assist in project evaluations.

Once the project is authorized, the following steps will be taken:

1. AFR/PRE will send a cable to the Missions describing the project fully: purpose, funding, how to submit activity proposals, proposal content, contracting options.
2. AFR/PRE plans to promote the project at the scheduling conference in September and in visits to missions for program and technical consultations. Discussions have been held with AFR/PMR concerning the requirement for \$50,000 - \$60,000 a year in operating expense funds for AFR/PRE staff travel.

D. Financial Plan (Budget)

1. Source of Funds

The authorized life-of-project funding will be \$6,000,000 with at least \$4,250,000 in DA funds, up to \$1,000,000 in ESF, and \$750,000 SDP funds. Funding levels from DA accounts are: ARDN, \$2,250,000; Health, \$500,000; EHR, \$500,000; and SDA, \$1,000,000. AID will submit a new Congressional Notification (CN) reflecting these amounts, in lieu of the CN which was sent to Congress on June 12, 1984 and cleared without objection on June 27, 1984.

ESF Sourcing: Also, in order to make project services from Economic Support Fund (ESF) sources, the Bureau will apply up to \$1,000,000 of Southern Africa Regional Program funds to the project over a four year period. For this purpose, the Southern Africa Regional Program has agreed to establish a line item amount of up to \$250,000 of ESF funds for FY 1985 for private enterprise activities under this project at the time the Congressional Presentation is prepared. Accounts for ESF-funded activities will be kept within the Southern Africa Regional Program. Under this arrangement, ESF funds may be used for regional private enterprise activities in Southern Africa.

Inclusion of ESF funds as a funding source for this project responds to advice given by AFR/DP and a decision taken by the DAA/AFR at the ECPR.

Sahel Sourcing: Agreement was reached with AFR/SWA for creating a line item activity under the Sahel Regional Development Program that would permit Sahelian countries to participate in the FUND from FY 1986 to FY 1988 in the same way that the Southern African ESF countries will participate through the Southern African Regional Program in FY 1985 to FY 1988.

Planned Obligations
((\$000))

FY 85	FY 86	FY 87	FY 88
1,500	1,800	1,500	1,200

Obligations by Type of Funds

	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY88</u>	<u>Total</u>
ARD	800	700	700	250	2,250
Health	150	100	100	150	500
EHR	150	150	100	100	500
SDA	350	350	100	200	1,000
SDP	--	250	250	250	750
ESF	250	250	250	250	1,000
TOTAL	<u>1,500</u>	<u>1,800</u>	<u>1,500</u>	<u>1,200</u>	<u>6,000</u>

2. Uses of Funds

The FUND will be used to meet dollar costs of activities such as consultant salaries, travel, overhead and benefits and, when justified, local costs such as per diem, in-country transportation, etc. Normally, Missions should propose using local currency if available in-country and obtain host government contributions to cover local costs.

Also, when possible, AAA/AFR/PRE will encourage US consultants to consider joint ventures with local consultants to draw on such host country talent as may be available. Local partners would be funded with local currency if such is available.

Opportunities may arise where two or more neighboring USAIDs could benefit from a single consultant team visit to Africa. Costs might then be shared between USAIDs. This would stretch funding and maximize the benefits obtained from consultants.

3. Funding of Documents

Following approval of a private enterprise action funding request, the PIO/T will be used as the basic document for requests to contract consultants and services. PIO/Ps will be used for visits to the U.S. USAIDs and AFR Bureau offices will be responsible for preparing and implementing PIO/Ts and PIO/Ps in the normal fashion.

USAIDs will not be required to obtain counter signatures of host country officials on PIO/Ts, particularly when services to private sector organizations are contemplated. This will allow the USAIDs to work directly with private sector groups without direct host government involvement. Naturally, an activity with any private sector group must fall within the spirit of the AID/host government relationship and be acceptable to that government.

4. Project Budget

The budget shown below is illustrative and based on necessary assumptions about the number of "ACTIVITIES" such as business climate assessments, other specialized consultancies, feasibility studies, workshops, conferences, etc. that might take place over an 18 month period. It is intended simply to give the reader a view of how the project might evolve.

The budget uses estimated costs for given activities by major cost items such as travel, person months (PM) of consultant services, etc. Major budget activities (studies, investment promotion, conferences, etc.) correspond to the major categories of activities set forth in Section III C. Funds may be shifted among principal categories not to exceed 25 percent.

The budget provides \$150,000 for evaluation. It also includes a line item of \$150,000 for AFR Bureau to contract services of an outside contractor to assist AAA/AFR/PRE, country desks and project development officers with the activities outlined in Section III C. Expenditures will only be made when the workload exceeds AFR/PRE staff capacity.

Lastly, while use of local currencies will be encouraged, no assumptions are made in the budget as to amounts of financing that will come from host government or USAID contributions to finance activities.

PROJECTED 18 MONTH ACTIVITY BUDGET

Principal Categories of Activities	Average Resources Employed (PM or) per Consultancy or Activity	Cost per each Consultancy, or Activity <u>1/</u>	Numbers of Consultancies Anticipated	Total
<u>Cost</u>				
<u>Consultant Services</u>				
<u>I. Studies/Assessments /Evaluations</u>				
a. Private Enterprise Advisory Teams	5	150,000	2	300,000
b. Policy/Sector Analyses	5	50,000	2	100,000
c. Divestiture/Privatization	5	50,000	1	50,000
d. Assessments of Business Climate, Agribusiness potential, export deve.	5	50,000	2	100,000
e. Project Evaluation (at 14 mo. point)	5	50,000	1	50,000
<u>II. Investment Promotion</u>				
a. Investment profiles; Feasibility Studies	2	20,000	5	100,000
b. Industry Surveys	2	20,000	5	100,000
c. Investor conference	2	20,000	4	80,000
<u>III. Industry and Institutional Support</u>				
. Technical Advice	2	20,000	6	120,000

b. Long-term lyr.	1	150,000	1	150,000
c. Trade Associations	1	10,000	4	40,000
d. Intermediate Credit	2	20,000	5	100,000
e. Other (Export etc.)	1	10,000	5	50,000
IV. <u>Training Program Design</u>	2	20,000	3	60,000
V. <u>Travel to U.S.</u>				
a. Trade and Investment Missions	4 person group for 4 weeks	20,000	5	100,000
b. Government Officials (banking, parastatal)	2 person team for 4 for weeks	10,000	5	50,000
c. Investment Conferences (In U.S.)	3 days	15,000	4	60,000
VI. <u>Other</u>				
AFR Bureau contract Support Services	36 PM	150,000	-	150,000
Subtotal				<u>1,760,000</u>
Contingency and Inflatations (12%)				<u>240,000</u>
Total				2,000,000

Budget uses an estimated \$10,000 per PM of short-term consultant services which includes all costs (travel, per diem, benefits). Basic cost of short-term training in U.S. is \$3,100 per month, plus

E. Methods of Implementation and Financing

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount (\$000)</u>
Technical Assistance		
Indefinite Quantity Contract (IQC)	Direct Payment	\$1,300
Personnel Services Contract (PSC)	Direct Payment	410
Cooperative Agreement	Direct Payment or LOC-TFCS*	720
Specific Support Grant	Direct Payment or LOC-TFCS*	370
Contract		850
- Competitive Negotiation	Direct Payment	
- Educational Selection	Direct Payment	
Set Aside		1,180
- Small business	Direct Payment	
- 8(a) firm	Direct Payment	
Training		450
Participant Training		
Directly Funded	LOC-TFCS*	
In-Country Training		
Contract	Direct Payment	
Commodities		40
AID Direct Procurement	Direct Payment	
- Informal Procurement (Competitive Negotiation)		
Contingency and Inflation		680
TOTAL		<u>\$6,000</u>

*LOC-TFCS is the abbreviation for Letter of Credit-Treasury Financial Communications System

VI. EVALUATION PLAN

The advisory/technical nature of activities within this project will allow for a wide variety of potential private enterprise interventions to be examined and proposed. Monitoring and evaluations of diverse activities undoubtedly will show which kinds of activities are productive, which are not and to what degree. In developing the project evaluation plan, the consultative committee will consult with PPC/CDIE/DI for prior AID experience.

Within the first 18 months of the project an evaluation of the project will be undertaken to determine, in part, whether and in what manner the remaining project funds should be spent. The budget allots \$50,000 for an evaluation of project impact at the 14 month point. The evaluation will consider whether the project has been sufficiently focused and properly managed, and whether the application of project funds has produced results of practical use. The social and economic impact of the project will also be reviewed. In addition, the evaluation should determine the level of expenditures expected and what changes in project direction and approach are needed. In this way the project will provide guidance for improved performance in AID's ability to identify, design and implement practical actions and projects for private enterprise development.

Two other evaluations, one at project mid-term and one at end of project, will also be performed. AFR/PRE shall be responsible for developing scopes of work, recruiting a team and initiating contract orders for the evaluations and disseminating the lessons learned to interested offices.

The project's LOP budget will allot a total of \$150,000 for evaluation purposes.

A. Missions

Missions will be primarily responsible for reviewing and evaluating services provided by consultants. In end-use evaluations, Missions will discuss how they used advice or services provided under the FUND.

B. AFR/PRE

The AFR/PRE office will have under continual review:

- informational materials and other documents developed by consultants on assignment under this project; and
- end of contract reports and activity evaluations made by Missions.

AFR/PD:FJohnson:byt:1441L

Logical Framework

Project Title and Number:
AFRICA PRIVATE ENTERPRISE FUND

<u>PROJECT GOAL</u>	<u>VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
Promote private enterprise development which contributes to country development goals	<p>Measures of Goal Achievement:</p> <p>Increasing share by the private sector of:</p> <p>(1) total investment (2) agribusiness income (3) manufacturing capacity (4) financial services (5) trade</p>	<p>1. Analyses of data from host country national accounts</p> <p>2. Analyses of macro-economic survey data (CDSSs, IBRD reports)</p>	<p>Assumptions for achieving goal targets:</p> <p>Host governments will encourage private sector development and growth, and policy/strategy statements in this area are not merely rhetoric.</p>
<u>PROJECT PURPOSE</u>			
Help achieve development goals in African countries by providing consultants and other technical support for private enterprise through proposals developed by Missions and AFR Offices.	<ol style="list-style-type: none"> 1. Increased AID program funds support private enterprise efforts. 2. Policy dialogue between USAID and host governments based on project funded studies. 3. New businesses established or expanded. 4. African and U.S. investment directly related to project inputs. 5. Investment promotion programs begun. 6. Privatization of some parastatals being considered or underway. 7. New intermediate credit facilities created. 8. On-going vocational, management, entrepreneurial and policy training programs. 	<ol style="list-style-type: none"> 1. AID program and project budgets. 2. Memoranda of Conversation and Memoranda of Understanding between USAIDs and host government on economic policies and administrative reform. 3. Host government foreign and domestic investment/business data. 4. Host government regulations on agricultural and industrial products. 5. Publication of new and revised legislation/regulations in official host government journals. 6. Private company records. 7. Training entity records. 	<ol style="list-style-type: none"> 1. Host governments and private sector will cooperate with USAID in developing ideas and projects. 2. Host governments adopt consultant recommendations. 3. Missions increase use of private enterprise in AID programs and projects

OUTPUTS

Feasibility studies for agribusiness and small industry (30)

National advisory reports on private enterprise (5)

Government privatization proposals (6)

Conference action proposals (6)

Designs for credit agencies (5)

Governments assisted (15)

Indigenous organizations (credit, coop, trade) assisted (30)

African business managers and workers trained (2,000)

Africans trained overseas in enterprise skills (96)

1. Consultant contracts executed and assignments completed
2. Training courses conducted
3. Substantial number of studies reports, proposals, etc. result in follow-on implementation of recommendations

1. Consultant and Mission reports
2. On site visits by PRE/APR
3. Evaluations
4. Bilateral-funded follow-on projects

1. Missions and host governments seek consultant support
2. Businesses seek training, apply for feasibility study support
3. Specific numerical targets achieved for such output

INPUTS

QUANTITY AND COST

\$000

1. Technical Assistance	1.		
a. Long-term	a.	72 PM	840
b. Short-term	b.	390 PM	3,700
2. Training	2.		
a. Long-term (72 PM)	a.	Long term	135
b. Short term (90 PM)			275
c. Conferences/workshops			
d. In-country (courses, conferences, workshops)			560
3. Commodities			40
4. Other (Evaluation; Tech Support)			450
			<u>6,000</u>

INITIAL ENVIRONMENTAL EXAMINATION
OR
CATEGORICAL EXCLUSION

Project Country: Africa Regional

Project Title: Africa Private Enterprise Fund

Funding: FY (s) 1984 - 1988 \$ 6,000,000

IEE Prepared by:

Environmental Action Recommended:

Positive Determination _____
Negative Determination _____

Categorical Exclusion:

This activity meets the criteria for Categorical Exclusion in accordance with Section 216.2(c)(2) and is excluded from further review because:

The Fund project provides only for studies, project or programs intended to develop the capability of recipient countries to engage in development planning, and does not finance construction, infrastructure or other physical works.

Concurrence: Bureau Environmental Officer

APPROVED Kevin L. D

DISAPPROVED _____

DATE June 11, 1984

Clearance: GC/AFR [Signature] Date 6/12/84

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:
 B.1. applies to all projects funded with Development Assistance loans, and
 B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A; Sec. 653(b).

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

(a) A CN was sent to Congress on November 8, 1984, and the notification period expired without objection on November 23, 1984.

(b) Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Other than services which may be provided under contract, or cooperative agreement, obligations generally are expected to be less than \$100,000 each.

The occasional obligation above this amount will entail plans and cost estimates cited in 2(a) and (b).

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
Not applicable.

4. FAA Sec. 611(b); FY 1985 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)
Not applicable.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
Not applicable.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
Project is regional in scope. Several components will allow for cooperation between Africa countries in carrying out specific activities, particularly participant training.

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- Details depend on specific activities financed. In general, the project will work especially to foster international trade, private initiative and competition; use of cooperatives, credit unions and savings and loan associations; to discourage monopolistic practices; and to improve efficiency of industry, agriculture and commerce.
- Private U.S. participation will follow from extensive use of U.S. consultants and from possible encouragement of export of U.S. goods and services in new African - American joint ventures and AID development projects.
- Missions will fund local currency costs of contractual and other services to the greatest extent possible from local currencies generated under AID or PL 480 programs. Since this technical support project normally does not entail agreements with host country governments, contribution from governments must be voluntary.
- Not applicable.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

12. FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

Not applicable.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program taken into consideration the problem of the destruction of tropical forests?

Re (c), yes.

Re (d), yes.

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

No. Sahel Development Program funds will not be made available to any foreign government.

Concerning Section 121 (d), SDP funds will finance project activities beginning in FY 1986. Prior to the obligation of SDP funds, a formal determination will be requested of the AA/AFR.

15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote

Project's primary purpose is to expand the market base of African countries by increased participation of the people (women and men) in production and market functions of the economy, from rural areas and small towns to cities; consultant design services will propose ways and means to open up economic opportunity to the poor through increasing their role in market transactions, through cooperatives and other local institutions. Proposals normally will pertain to growth of local enterprises in countries, although intra-regional trade will be encouraged.

the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

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

Yes. See page 12(b).

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Project proposals will emphasize technologies suited to relatively smaller rural and agriculture-related businesses in African economies.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement-being waived for a "relatively least developed country)?

Not applicable.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project for more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country

Not applicable.

FAA Sec. 103: About half the project will be focused on proposals for expanding rural and food-related enterprises, and business climates affecting these enterprises - the rural poor will take part in activities that increase their productivity, income and employment.

Sec. 104: Funds from the 104 account will be used to expand private sector/family planning and health delivery services to unreached elements of the population, including the rural and urban poor.

Sec. 105: Funds from the 105 account will be used in good part for on-the-job training for workers and managers in African agribusiness and other local industries, and for African entrepreneurs who have potential for expanding their enterprises, thereby employing more local workers, including the poor.

Sec. 106: Project will also address selected non-agricultural private enterprise constraints and opportunities, including policy, regulatory and administrative incentives for mobilizing individual incentive and entrepreneurship.

"relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

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

Yes. The purpose of the technical assistance will be to mobilize individual initiative and local private business growth, thereby contributing to self-sustaining economic growth.

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources-to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The "appropriateness" of enterprise approaches to be proposed is measured in terms of specific needs, desires, and capacities of indigenous entrepreneurs and managers who operate at the local level, through local institutions, including the market place. Entrepreneurs will be encouraged to identify constraints inhibiting business growth, and to bring these constraints to the attention of host country authorities who can change law, policy and administrative practices to improve the business climate.

2. Development Assistance Project
Criteria (Loans Only)

Not applicable.

- a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Economic Support Fund Project
Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?
- c. FAA Sec. 534. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

Yes. Project leads to improvements in the business climate, necessary for business growth in LDCs, and to increased sources of revenues for LDC governments, necessary for political stability.

Yes.

No.

No.

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d. FAA Sec. 609. If
commodities are to be
granted so that sale
proceeds will accrue to the
recipient country, have
Special Account
(counterpart) arrangements
been made?

Not applicable.

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5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes.

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? Yes.

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Not applicable.

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4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) Not applicable.
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which are direct aid recipients and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? No.
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? Not applicable.

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes.

Yes. If federal facilities are proposed for any portion of this project, they will be fully justified to meet Agency standards.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes.

9. FY 1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes.

B. Construction

Not applicable.

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

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

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3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

C. Other Restrictions

1. FAA Sec. 122(b). If development loan is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Not applicable.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Not applicable.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice Yes.

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abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

- b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes.

- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.

- d. FAA Sec. 662. For CIA activities? Yes.

- e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.

- f. FY 1985 Continuing Resolution, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes.

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- g. FY 1985 Continuing Resolution, Sec. 505.
To pay U.N. assessments, arrearages or dues? Yes.
- h. FY 1985 Continuing Resolution, Sec. 506.
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes.
- i. FY 1985 Continuing Resolution, Sec. 510.
To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes.
- j. FY 1985 Continuing Resolution, Sec. 511.
Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Assistance will not be provided for such purpose.
- k. FY 1985 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes.

ANNEX D

ACTION MEMORANDUM

AND

PROJECT AUTHORIZATION

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

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

THROUGH: AAA/AFR/PRE, H. I. Munson *HIM*
FROM: AFR/PD, Norman Cohen, Director
SUBJECT: Africa Private Enterprise FUND (The FUND)

I. Problem: Your approval is requested on a new project in the amount of \$6,000,000 from the FAA Section 103, 104, 105 and 106 (DA), 121 (SDP) and 531 (ESF) appropriations. The project will promote private enterprise development which contributes to development goals of African countries. It will be implemented over a five-year period from FY 1985-1989.

II. Discussion:

A. Background: Extensive AID experience in Africa and in developing countries in Latin America, Asia and the Near East shows that private enterprise must be mobilized more effectively if self-sustaining growth is to proceed at the pace desired. AID, together with the World Bank, has found that the public sector is overextended throughout Sub-Saharan Africa and that country policies, institutions and programs must be reoriented. AID and the Bank have outlined the kinds of changes that African countries must make, e.g., improved government policy-making and institutions, wider responsibility to the small-scale indigenous private sector, greater scope for decentralized cooperatives, and defining what private capital, domestic and foreign, can do. Many governments have already acted in this area. This project enables African governments to examine and introduce some of these necessary changes.

The AFR Bureau's previous Private Entrepreneurship Promotion project proposal, included in the FY 1984 Congressional Presentation, has been redesigned to reflect AID's growing experience in introducing private enterprise expansion as an integral part of AID country programs. This new project focuses on business climate improvement, policy reform, and institutional growth, and emphasizes immediate impact opportunities for indigenous and joint venture businesses.

B. Description: The project will provide economic, business and management consultants and other technical services to enable African countries to accomplish development goals, particularly increased food production, income and jobs, by mobilizing private enterprise. The FUND will give priority to proposals which lead immediately to projects, administrative change or other initiatives in which host country entities or indigenous entrepreneurs invest their own financial and

technical resources to expand profitable enterprises or improve the climate for growth of private enterprise. It primarily targets the agriculture, agribusiness (including fishing and forestry), health and small/medium enterprise sectors. Technical services will consist of country advisory teams; analyses of policy and practices, including privatization of state-owned enterprises; local industry surveys; business feasibility studies; investment and trade development advisors; advisory services to business and trade associations, credit agencies and other institutions; and participant travel and training, workshops and conferences.

Target groups will be host country counterparts who manage and allocate resources for development: policy-makers and regulators, intermediate credit institutions, cooperative associations, local and joint-venture businesses, and trade organizations--mainly those which seek help to open up economic opportunity for individual entrepreneurs and indigenous enterprises.

The AAA/AFR/PRE will be responsible for management of this project. For this purpose he will form and chair a consultative committee whose members will come from the Bureaus for Africa, Private Enterprise and Science and Technology, as stated in the project paper. The Committee will address management issues as the project evolves, including the criteria for activity selection and the nature of the evaluation process.

The AAA/AFR/PRE will also form and chair an AFR proposal review committee, as stated in the project paper. This committee will review and approve activity proposals from the field for \$100,000 or more, with the PIO/T going to the DAA for concurrence. For proposals which do not exceed \$100,000, the AAA/AFR/PRE will circulate the proposal for comment to cognizant Bureau offices, and then make a decision. The obligating documents will be contracts, grants or cooperative agreements which stem from PIO/T's.

The authorized life-of-project funding will be \$6,000,000, including \$4,250,000 in DA funds (ARDN, \$2,250,000; Health, \$500,000; EHR, \$500,000; and SDA, \$1,000,000), \$1,000,000 in ESF and \$750,000 in SDP funds. Should demand for these amounts of ESF and SDP funds not materialize during project implementation, an amendment to the authorization will be submitted to permit additional DA funds to be substituted (one-for-one) for the unused ESF and SDP funds. AID submitted a Congressional Notification (CN) reflecting these amounts to the Congress on November 8, 1984. The CN cleared without objection on November 23, 1984.

ESF Funds: Economic Support Funds (ESF) for the project will be provided from the Southern Africa Regional Program,

(690-0235), over a four-year period. For this purpose, the Southern Africa Regional Program has agreed to establish a line item amount of ESF funds of up to \$250,000 annually for FYs 1985 to 1988 for private enterprise activities under this project at the time the Congressional Presentation is prepared. Accounts for ESF-funded activities will be kept within the Southern Africa Regional Program. Under this arrangement, ESF funds may be used for regional private enterprise activities in the Southern African region.

Inclusion of ESF funds as a funding source for this project responds to advice given by AFR/DP and a decision taken by the DAA/AFR at the ECPR.

Sahel Funds: Agreement was reached with AFR/SWA for creating a line item activity under the Sahel Regional Development Program, (625-0971), that would permit Sahelian countries to participate in the FUND from FY 1986 to FY 1988 in the same way that the Southern African ESF countries will participate through the Southern African Regional Program in FY 1985 to FY 1988.

During FY 1985 AFR/SWA will handle private enterprise study and consultant requirements as a regular PM&R activity. However, since it is preferable for the Bureau to use one approach for folding both ESF and SDP funds into the Private Enterprise FUND, the Sahel Regional Program will use the approach proposed in the Southern Africa Program to provide funds (\$250,000 annually) for FYs 1986 through 1988.

Following ECPR approval of this project, the AFR/PRE cabled to all AID posts in Africa to announce the project and invite Mission participation. AAA/AFR/PRE made a presentation of the project at the Nairobi and Abidjan scheduling conferences in September and in visits to missions.

Since funds for AFR/PRE staff travel will be critical to the success of the project, a justification for \$50,000-\$60,000 a year in operating expense funds has been provided AFR/PMR/EMS (see Attachment 2).

C. Review Committee Action: The Executive Committee for Project Review (ECPR), chaired by the DAA/AFR, met on July 27, 1984 and approved the project conditioned on the revision of the project paper. The project paper has been revised and cleared by the officers listed below. Items addressed in the revision of the PP included proposal review procedures, the inclusion of funding sources other than DA, and the project's relationship to small countries.

D. Economic, Social, Technical and Environmental Description: The ECPR found the project to be economically and socially acceptable, technically sound and clear of any issues pertaining to Human Rights. The intent and requirements of Section 611(a) of the FAA have been fulfilled. Concerning

Section 121(d), Sahel Development Program funds will finance project activities beginning in FY 1986, at which time a formal determination will be requested of the AA/AFR. With regard to the environmental regulations, the recommendation of a categorical exclusion has been approved by the Bureau's Environmental Officer.

E. Waivers: Proposals under this project may require waivers to procure services from sources other than the authorized geographic codes (i.e., Codes 000 and 941 and cooperating countries). Such waivers will be considered on an ad hoc basis as needed.

III. Recommendations:

- That you authorize the \$6,000,000 Africa Private Enterprise FUND project by signing the attached Project Authorization.
- That you sign below, to approve the procedures outlined in this memorandum and described further in the project paper for management of the project by the AAA/AFR/PRE.

Approved: Mark J. Edelman

Disapproved: _____

Date: 12/5/84

Attachments:

1. Project Authorization
2. Justification for AFR/PRE Travel Funds
3. Africa Private Enterprise FUND Project Paper

^{W.E.}
Drafted: W. Elliott, AFR/PD/CCWAP, September 11, 1984:1161K
F.B. Johnson, AFR/PRE, August 22, 1984

Clearances:

AFR/RA:WSherwin (draft)
AFR/SWA:DMChandler (draft)
AFR/SA:RWrin (draft)
GC/AFR:BByrant
AFR/DP:JGovan
AFR/PD/CCWAP:HHallman
AFR/PMR/RCS:DFBrown (draft)
PRE/PPR:BBouchard (draft)
S&T/RD:CMock (draft)
PPC/PDPR:NZank (draft)
DAA/AFR:ARLove 12/14

^{W.E.}
Redraft: W. Elliott, AFR/PD/CCWAP, October 24, 1984:1161K
F.B. Johnson, AFR/PRE, October 23, 1984

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

PROJECT AUTHORIZATION

Project Name: Africa Private Enterprise Fund

Name of Entity: Africa Regional
Southern Africa Regional
Sahel Regional

Project Number: 698-0438
690-0235
625-0971

1. Pursuant to sections 103, 104, 105, 106, 121 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Africa Private Enterprise Fund Project for Africa, involving planned obligations of not to exceed \$6,000,000 in grant funds over a four-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years from the date of the initial obligation. Project funding will be charged to the cited appropriation accounts as follows:

Section 103	\$2,250,000
Section 104	\$ 500,000
Section 105	\$ 500,000
Section 106	\$1,000,000
Section 121	\$ 750,000
Section 531	\$1,000,000

2. The project will provide economic, business and management consultants and other technical services to help African countries accomplish development goals through private enterprise.

3. The project agreements which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

Source and Origin of Commodities, Nationality of Services.

(a) For Project Activities in Relatively Least Developed Countries (as defined in accordance with A.I.D. Handbook IB, chapter 5A1d): Except as A.I.D. may otherwise agree in writing:

(1) Commodities financed by A.I.D. under the project shall have their source and, except for motor vehicles, their origin in the cooperating country or in countries included in A.I.D. Geographic Code 941.

(2) Motor vehicles financed by A.I.D. under the project shall have their origin in the United States.

(3) Except for ocean shipping, the suppliers of commodities or services shall have the cooperating country or countries included in A.I.D. Geographic Code 941 as their place of nationality.

(4) Ocean shipping financed by A.I.D. under the project shall be financed only on flag vessels of the cooperating country or the United States.

(b) For Project Activities in Cooperating Countries Other Than Relatively Least Developed Countries. Except as A.I.D. may otherwise agree in writing:

(1) Commodities financed by A.I.D. under the project shall have their source and, except for motor vehicles, their origin in the cooperating country or in the United States.

(2) Motor vehicles financed by A.I.D. under the project shall have their origin in the United States.

(3) Except for ocean shipping, the suppliers of commodities or services shall have the cooperating country or the United States as their place of nationality.

(4) Ocean shipping financed by A.I.D. under the project shall be financed only on flag vessels of the United States.

Date: 12/5/94

Mark L. Edelman
Mark L. Edelman
Assistant Administrator
Africa Bureau

Clearances: As shown on action memorandum

**JUSTIFICATION FOR \$51,000 IN TRAVEL FUNDS FOR AFR/PRE
TO PROMOTE PRIVATE ENTERPRISE DEVELOPMENT IN AFRICA**

AFR/PRE estimates that \$51,000 in O.E. travel funds will be required in FY 1985 to enable three direct hire (DH) officers to work with 12 to 20 AID Missions to launch operations under the Bureau's new AFR Private Enterprise FUND. The Project Paper (PP) for this FUND is being prepared for FY 1984 approval, following AID/ECPR approval of the PID for this project in June 1984. The budget for this \$51,000 travel requirement is attached.

To get FUND operations underway, AFR/PRE officers must work directly with Missions to identify and prepare work orders for FUND-financed consultants and other services which Missions require in order to design private enterprise programs and projects:

The AFR/PRE officers will do shirt-sleeve private enterprise preparation work which will enable Missions to invest additional regular AID bilateral funds and other Mission resources in private enterprise development undertakings. Examples are use of local currencies in African credit agencies for small enterprise, industry surveys leading to company-specific investments, revisions in national investment codes, and privatization of selected government-owned and managed enterprises (fertilizer mixing and distribution industries, manufacture and distribution of tools for farming, and the marketing of agricultural crops.)

The AFR/PRE officers, in addition to counselling and working with Missions, will also help key officers in REDSO East and REDSO West plan and design enterprise initiatives for African country programs.

AFR Missions by and large do not have design officers on their staffs who can do this preparatory work. In more than 40 AID African posts, we know of no full time AID DH private enterprise officer, and only three PSC private enterprise personnel in separate Missions. This overseas presence compares with the Latin America Bureau's 45 private sector personnel, i.e., 28 DH, 14 FSN and 10 contract. At headquarters, LA has five DH private enterprise officers (see attachment 8.) Altogether, these LA personnel have developed a portfolio of \$1.5 billion in private enterprise projects. LA's level of effort far surpasses Africa Bureau private enterprise initiatives.

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The travel and per diem cost for 9 overseas and 12 domestic trips by LA OH staff during the last year is estimated at \$27,000. The cost of air travel to Caribbean posts is less than 25 percent the cost of air travel to African posts. The difference in airfare costs to Latin American and African posts to be visited accounts for the difference in total funds needed by each bureau for the purpose.

Drafter: FJohnson, AFR/PRE, June 28, 1984

Attachments: .

- A. Estimated AFR/PRE Travel Budget
- B. LAC Private Sector Personnel

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ESTIMATED AFR/PER TRAVEL BUDGET FOR FY 1984 AND FY 1985

FY 1984

<u>Number of Trips</u>	<u>TO</u>	<u>Purpose</u>	<u>Estimated Travel Cost</u>	<u>Duration (days)</u>	<u>Estimated Per Diem at \$75/day</u>	<u>Total Costs (Travel & Per Diem)</u>
One	Redso/East Redso/West	Attend "Scheduling conferences" in September.	\$4000	14 Days	\$1050	\$5050
Three	Atlanta	Attend export product market.	\$450 (150 x 3)	Two Days	\$450	\$900

FY 1984 TOTALS \$4,450 \$1,500 \$5,950

FY 1985

Six	AFR/Missions	Project design and preparation multi-country trips.	(\$4000 x 6) \$24,000	(30 x 6) 180 days	\$13,500	\$37,500
One	Not known.	Mission Directors Conference.	\$4000	21 days	\$1575	\$5575
One	Redso/East Redso/West	"Scheduling Conferences"	\$4000	14 days	\$1050	\$5050
Three	New York	Business Conferences.	\$240	3 days ea (3 x 3) = 9	\$675	\$915
Five	Other cities	Business Conferences.	\$1000	(3 x 5) = 15	\$1175	\$2175
FY 1985 TOTALS			<u>\$33,240</u>		<u>\$17,975</u>	<u>\$51,215</u>

H.

JN 27 84

MEMORANDUM

TO : DAA/PRE, Edgar Harrell
PRE/PPR, Lawrence Brown

FROM : LAC/DR, Robert O. Otto *OTO*

SUBJECT : Staffing Pattern for Private Sector Development

REF : Your Memo of May 25, 1984

I have prepared the following rack-up of LAC private sector personnel in both Missions and AID/W. I hope that this listing will aid in the Private Enterprise Liaison Council's discussions of Agency personnel requirements under backstop 21.

A much more detailed analysis will be required in order to pinpoint those officers who might soon be rotating to a new post or may be leaving their current position and returning to the Backstop 94 career cone. However, our estimate of annual recruitment needs (sourcing from both inside and outside the Agency) suggests a need to recruit approximately six mid-level officers with training and experience in private sector development over the next twelve months.

In the past, we have been fortunate to find qualified officers already onboard who were willing and able to either switch backstops or serve in a private sector capacity while under a different backstop code. However I believe that we have probably "mined" that source to the extent possible and are now needing to: (1) begin aggressive recruitment of backstop 21 midlevel and YDI personnel for backstop 21, (2) consider more long term PSCs, (3) restrict transfers back to their old backstop for personnel now serving in and found qualified for private sector development, and/or (4) slowing down the private sector initiative.

Attachment a/s

cc: AA/LAC-Designate, Victor Rivera
A-AA/LAC, Marshall Brown
LAC/DR, Dwight Johnson
LAC/DP, John Oleson
Private Sector Liaison Council (6)

LAC PRIVATE SECTOR PERSONNEL

<u>Location</u>	<u>USDH</u>	<u>FSN</u>	<u>Contractor</u>	<u>Total Onboard</u>	<u>Status</u>
Jamaica	4	3	2	7	1 each USDA, FSN not filled
Haiti	2	0	0	4	
Dom. Rep.	1	0	0	1	
RDO/C	2	0	0	2	
Guyana	0	0	0	0	Phase Down
elize	0	0	0	0	1 USDH proposed FY85
uatemala	1	0	0	1	
AP	1	0	1	2	
Honduras	4	0	3		USDH Part-time Div. Planned
El Salvador	1	2		3	1 FSN & 1 USDH
Nicaragua	0	0	0		Phase Out
Costa Rica	2	2	1	6	
Panama	3	3	2	8	
Ecuador	0	1	0		
eru	1		1	2	
olivia	1	3	0	4	
AC/DR	5		0	5	
TOTAL	28	14	10	45	

COUNTRY CATEGORIES
(as defined on Action Memo to Administrator
on AFR's Small Country Program Review)

<u>GROUP I (10)</u>	<u>GROUP II (15)</u>	<u>GROUP III (16)</u>
<u>Major Countries</u>	<u>Middle-Level Countries</u>	<u>Small Countries</u>
Sudan	Lesotho	Madagascar
Kenya	Mali	Nigeria
Liberia	Rwanda	Sierra Leone
Zimbabwe	Mauritania	Guinea
Somalia	Malawi	Mauritius
Senegal	Togo	Cape Verde
Zaire	Chad	Guinea-Bissau
Zambia	Uganda	Djibouti
Niger	Botswana	Ethiopia
Cameroon	Upper Volta	Seychelles
	Burundi	Congo
	Swaziland	Eq. Guinea
	Gambia	C.A.R.
	Ghana	Benin
	Tanzania	Comoros
		Mozambique
		Sao Tome/Prin.
		Gabon

ILLUSTRATIVE LIST OF SPECIFIC PROJECT ACTIVITIES

July 24, 1984

Memorandum to: See Distribution
 FROM : AAA/AFR/PRE, H. I. Munson
 SUBJECT : Requests for Technical Assistance Services
 under Africa Private Enterprise Fund

This memorandum should be attached as an integral part of the Africa Private Enterprise Fund Project Paper. It presents requests, primarily from Missions, for funding a number of technical assistance activities in eight countries and both REDSO's. These are initial returns. More will come in. The summary of present requests for which detail is attached, is as follows:

<u>Country</u>	<u>Activity</u>	<u>\$ Est</u>
Zaire	Investment Promotion	160,000
Uganda	Privatization/Divestiture	75,000
Congo	Investment Promotion	17,500
Guinea	Agribusiness Revolving Fund using PL 480 counterpart funds	25,000
Somalia	Examine government policy and regulatory obstacles to business development	80,000
	Determine how to increase private participation in groundwater project	20,000
	Investment Promotion	30,000
Total Somalia - \$130,000		
Gabon	Will request investment promotion assistance after government consultation	
Senegal	Investment Promotion	30,000 (AFR/PRE est)
Malawi	Investment Promotion	74,000

REDSO/E (Nairobi)	Divestiture studies and recommendations	250,000
REDSO/WA (Abidjan)	Partially fund JACC office startup in Abidjan - of \$70,000 requested by REDSO	20,000
AFR/PD	Use of PL 480 local currency funds by private enterprises to improve export oriented agribusiness systems	25,000
AFR/PRE	Fund a PE/PSC person attached to REDSO/E (Nairobi)	
	Total	\$ 806,500

TA Request Description

	<u>\$ Cost Est</u>
<u>Zaire</u>	
1. Train and assist investment commission personnel in preparation of <u>sectoral studies, investment project proposals and pre-feasibility studies</u>	60,000
One consultant for two months initially with follow-on of two weeks each at six month intervals	
2. a. Formulation and implementation of GOZ investment strategy.	60,000
b. Advise investment commission, Zaire development bank and departments of Finance, Economy and Plan on simplification and streamlining of requirements and processing of foreign private investment agreements.	
c. Organization and operations of investment promotion office	
d. How best attract U.S. investors.	
3. Analysis, translation, dissemination of new investment code.	40,000
	<u>\$160,000.</u>
<u>Uganda</u>	
Advise on revival of building materials industry:	
1. Assess management of key industries (wood, cement, clay, metal roofing (3 PM)	30,000
2. Privatization of building industry parastatals, and develop mechanisms to promote capital investment in those industries (3 PM)	30,000
3. Follow-up including evaluation, identification of further government action needed, and of additional areas for donor capital and technical assistance	15,000
	<u>\$ 75,000</u>

Guinea

Advise on establishment and implementation of a foreign investment office in the Ministry of Plan or Chamber of Commerce; publicize investment code to foreign investors; identify opportunities and match with U.S. partners. \$ 17,500
(too low)

Guinea

Advise on use of PL 480 counterpart funds to create within Agribusiness Project a revolving fund for loans to private businesses \$ 25,000
(AFR/PRE estimate)

Note: Agribusiness Project follows up U.S. Task Force recommendations to establish a promotion office, investigate TF's investment opportunity suggestions and detail a private agribusiness program for Guinea

Senalia

1. Examine regulatory obstacles to business development - FX and wage/price controls, licensing, labor laws, bureaucratic delays, tax policies, export/import impediments, etc. and economists (industrial organization and public policy) for 3 months. \$ 80,000

2. Examine and recommend increased private sector participation in Mission's groundwater project especially in drilling activities \$ 20,000
one consultant for 6 weeks

3. Feasibility study by consultant on whether foreign investment potential is sufficient to justify an investment promotion activity for agribusiness, fishing and livestock. \$ 30,000

If study positive, fund consultant to find U.S. partners dependent on feasibility

\$130,000

Yemen

Contacting government re investment promotion activity.

Senegal

Establish an investment project development program under the direction of the joint economic and commercial unit (joint AID) embassy unit that has responsibility for private enterprise activities not contained in a specific project.

\$30,000
(AFR/PRE
estimate)

Malawi

Train two Malawian officials at UNIDO North American investment promotion service for one month and one year respectively

\$74,000

REDSO/E (Nairobi)

Analyze divestiture potentials and recommend actions to accomplish. This based on .15 positive responses from queries to 18 Missions would select 3 or 4 countries after further discussion. \$250,000

Support PE/PSC officer assigned to REDSO/E. \$100,000

REDSO/WA (Abidjan)

Funding of JAC office start-up in Abidjan \$ 70,000

AFR/PD

Use of PL 480 local currency funds by private enterprises to improve export oriented agri-business systems \$ 25,000

Use of Local Currency Generations
for AID Private Enterprise Programs

Since PL 480 Title I and AID bilateral programs (ESF, DA, SDP) often generate local currencies which LDCs and USAIDs apply to development programs, the FUND will assist Missions design ways and means to use these local currencies for private enterprise development. Agency experience shows that the most common use of local currencies for private enterprise has been for developing financial systems and credit funds. Usually the funding has been made available to development banks and other financial intermediaries in developing countries for medium term financing for the private sector. However, local currencies have also been applied to other AID activities such as feasibility studies, trade fairs, management training and infrastructure.

FUND-financed experts who assist Missions program and invest local currencies will be able to draw upon a wealth of prior AID experience and "lessons learned" brought together in recent studies. These studies include the Hollander Study, First Washington Associates Report, Orsini Study, AID Program Evaluation Paper No. 14, "Private Sector Ideas and Opportunities," and results of in-depth project evaluations.

The table, "Local Currency Generations under USG Development Programs in Africa," reports that in FY 1984 \$347 million equivalent in local currencies were available for jointly agreed LDC-AID development programs (\$128 million from PL 480 Title I programs and \$219 million from AID-financed bilateral programs). In FY 1985, \$443 million (\$153 from PL 480 and \$280 from AID programs) will be available. In programming PL 480 local currencies, AID must use most of the funds for programs benefitting the poor and the needy.

LOCAL CURRENCY GENERATIONS UNDER USG DEVELOPMENT PROGRAMS IN AFRICA
(Estimates: Millions of Dollars)

COUNTRY	FY 84		FY 85	
	FY 84 Counter-Title I	FY 84 Counter-PART	FY 85 Counter-Title I	FY 85 Counter-PART
Botswana	-	0.8	-	10.0
Chad	-	3.0	-	10.0
Comoros	2.0*	-	-	-
Djibouti	-	3.0	-	3.5
Guinea	5.0	-	6.0	-
Kenya	5.0	40.0	15.0	45.0
Liberia	15.0	34.5	15.0	45.0
Madagascar	8.0	-	6.0	3.0
Mauritius	3.5*	2.0	3.5	2.0
Mozambique	-	3.0	-	10.0
Niger	-	5.0	-	7.0
		5.0	2.0 (SDP)	
Senegal	8.0	10.0	8.0	15.0
Seychelles	-	2.0	-	2.0
Sierra Leone	3.0	-	4.0	-
Swaziland	16.0	35.0	20.0	35.0
Sudan	50.0	120.0	50.0	120.0
Zaire	10.0	8.0	25.0	8.0
Zambia	10.0*	20.0	20.0	24.0
Zimbabwe	-	40.0	-	15.0
				6.5
So. Africa Reg	-	16.0	-	37.0

TOTALS:

Title I & AID	\$135.5	\$392.3	\$172.5	\$398.5
Local Currencies available for US Development (EST. DA/SDP)	\$128**	\$219	\$163	\$280

Total 1/3 for Development

- * Not approved as of 7/18/84
- ** Total 1/3 generations available from Title I agreements for development purposes after 5% has been deducted for U.S. currency use payments.

**Indefinite Quantity Contract Firms
with Private Enterprise Capabilities (Illustrative)
as of March 31, 1964
(Source: M/SEP/CM; Pre Consultation)**

<u>Functional Area</u>	<u>Contractor Name</u>
Accounting/Financial Management Service:	Coopers and Lybrand Price Waterhouse
Agriculture:	Development Altar., Inc. Rence Consulting Corp.* Cecchi & Co. Devres, Inc.** The Pragma Corp.* Experiences, Inc. ABA International** IRI Research Institute, Inc. (1) Multinational Agribusiness System** (1) Development Alfaeta. Inc. (1)
AsE Services:	Tippetts-Abbett-et al
Cooperative Development:	Agri. Coop. Dev. Int'l. Coop League of the USA
Energy:	Arthur D. Little, Inc. Louis Berger/TRW Energy
Environmental/Natural Resources:	Tippetts-Abbett-et al International Science & Technology Institute*
Health:	Triton Corp.* Westinghouse Electric Corp. The Pragma Corp.*
Management Consulting Services:	Meridian Corp.** Booz-Allen & Hamilton, Inc. Management Anal Ctry/Int Wash. Asso
Policy Development and Analysis:	Keene, Monk & Asso., Inc.**

Project Analysis/Evaluation:

Development Alter., Inc.
AST Associates, Inc.
Ronco Consulting Corp.*
Chechi & Co./Berger International
International Science and Technology
Institute*

Rural Development:

Development Alter., Inc.
Robert R. Nathan, Assc.
Devres, Inc.**
Multinational Agribusiness System**

Note: IQC firms in the above listing which are classified as Small Disadvantaged Business are:
International Science and Technology Institute;
Ronco Consulting Corp.; and
The Pragma Corp.

- * Small Disadvantaged Business
- ** Small Business
- (1) PRE IQC

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