

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT PAPER
PAKISTAN - PROJECT DESIGN FUND
391-0470

MARCH 1982

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A - Add
 C - Change
 D - Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/TERRITORY

Pakistan

3. PROJECT NUMBER

391-0470

4. REGION

Asia

04

5. PROJECT TITLE (maximum 40 characters)

Project Design Fund

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 09 30 87

7. ESTIMATED DATE OF OBLIGATION

(Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 82

B. Quarter 2

C. Final FY 84

8. COSTS (\$000 OR EQUIVALENT \$1 = Rs 10.43)

A. FUNDING SOURCE	FIRST FY 82			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	3,000	-	3,000	8,800	1,200	10,000
(Grant)	(3,000)	(-)	(3,000)	(8,800)	(1,200)	(10,000)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S. 1. Mondale Rupees	-	2,848	2,848	-	2,848	2,848
2. Host Country	-	-	-	-	-	-
Other Donor(s)	-	-	-	-	-	-
TOTALS	3,000	2,848	5,848	8,800	4,048	12,848

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROXIMATE PERIOD	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
1. FY	791	710	-	-	-	10,000	-	10,000	-
2.									
3.									
4.									
TOTALS						10,000		10,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

600 100 200 500 700 800

11. SECONDARY PURPOSE CODE

792

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code
 B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To assist Pakistan to develop and design high priority development projects which will promote economic stability and self-sustaining growth.

14. PERIOD OF EVALUATION

From MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

700 941 Local Other (Specify)

16. AMENDMENTS NATURE OF CHANGE PROPOSED (List on page 1 of a _____ page PP Amendment)

17. APPROVED

Signature

Donor M. Lion

Title

Director, USAID/Pakistan

Date Signed

MM DD YY
 09 29 87

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/AMENDMENTS, DATE OF DISTRIBUTION

MM DD YY
 09 27 87

PROJECT AGREEMENT

Project Design Fund
Project No. 391-0470

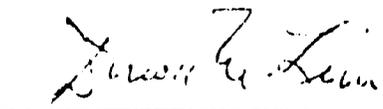
Pakistan

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Project Design Fund for the Government of the Islamic Republic of Pakistan (hereinafter "Cooperating Country") involving planned obligations of not to exceed Ten Million United States Dollars (\$10,000,000) and Twenty-Nine Million, Seven Hundred Thousand United States Owned Pakistani Rupees (Rs 29,700,000) in grant funds over a five 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 costs and local currency costs for the project.
2. This Project is directed to efforts to assist the Cooperating Country to develop and design high priority development projects which will promote economic stability and self-sustaining growth. The Project Design Fund will finance both the foreign exchange and local currency costs of technical and related assistance needed to prepare projects to be financed as part of the renewed economic and development program between the U.S. and Pakistan and to prepare the Mission's development strategy.
3. The Project Agreement(s) which may be negotiated and executed by the officer(s) 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 Goods and Services

Goods, services and shipping financed by A.I.D. under the project shall have their source and origin in the Cooperating Country or the United States, except as A.I.D. may otherwise agree in writing.

Signature



Donor M. Lion
Director
USAID/Pakistan

Date March 27, 1982

PROJECT DESIGN FUND

TABLE OF CONTENTS

	<u>Page</u>
Title Page	i
Project Data Sheet	ii
Project Authorization	iii
Table of Contents	iv
List of Tables	vi
I. SUMMARY AND RECOMMENDATIONS	
A. Recommendations	1
B. Summary Project Description	1
C. Summary Findings	1
D. Statutory Criteria and Mission Director's Certification	1
E. Project Issues	2
F. Contributors to the Project Paper	2
II. BACKGROUND	
A. USG-GOP Negotiations	3
B. Strategy	3
III. DETAILED PROJECT DESCRIPTION	
A. Description of Activities	5
B. Implementation Plan	15
C. Financial Plan	15
D. Evaluation Plan	19
IV. CONDITIONS, COVENANTS AND NEGOTIATING STATUS	20
V. ANNEXES	
A. Cable Authorizing Mission Director to Approve Project	
B. Cable to AID/Washington Requesting a Mondale Rupee Grant	
C. Cable on APAC Review	
D. Cable on ESF Economic Assistance Program for Pakistan - APAC Meeting	

E. Statutory Checklists

1. Country Checklist
2. Project Checklist

F. FAA Section 612(b) Certification

G. Statement on "U.S. Assistance to Pakistan,"
"Department of State Bulletin," August 1981

H. Government of Pakistan's Request for Dollar
and Rupee Assistance

I. Limited Scope Grant Project Agreement

LIST OF TABLES

<u>Table No.</u>	<u>Title</u>	<u>Page</u>
1	Summary of Project Design Assistance for FY 1982, FY 1983 and FY 1984 Projects	9
2	Summary of Development Strategy Assistance	14
3	Cost Estimates for Project Design Fund Project	16
4	Summary of Project Costs by Project Component and Source of Funding	17
5	Summary of Project Costs by Fiscal Year and Source of Funding	18
6	Summary of A.I.D. Funding by Foreign Exchange (FX) and Local Costs (LC)	19

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

1. Funding

It is recommended that a \$10 million ESF grant-funded project be authorized, of which \$3.0 million will be obligated in FY 82 with the remainder to be incrementally provided over a period of up to five years to finance the activities described herein.

2. Source and Origin of Goods and Services

a. The project authorization should specify that except as A.I.D. may otherwise agree in writing, all goods and services financed by A.I.D. under this project shall have their source and origin in countries included in A.I.D. Geographic Code 000. (the United States) or Pakistan.

b. Ocean shipping for all commodities financed by A.I.D. under this Project shall be only on flag vessels of the United States or Pakistan.

B. Summary Project Description

The Project Design Fund will assist Pakistan to develop and design high priority development projects which will promote economic stability and self-sustaining growth. The project will finance the foreign exchange and local costs of technical and related assistance needed to: (1) prepare projects to be financed as part of the renewed economic and development assistance program between the U.S. and Pakistan; and (2) contribute to the preparation of the Mission's development strategy.

C. Summary Findings

The Mission Project Design Team has reviewed this project and finds that it is technically and administratively sound and ready for implementation.

D. Statutory Criteria and Mission Director's Certification

All applicable statutory criteria have been satisfied. Appropriate checklists are included in Annex E. The Mission Director has signed a FAA 612(b) certification to permit the disbursement of dollars in lieu of U.S.-owned rupees to finance local costs (Annex F).

E. Project Issues

The issues raised during the APAC review of this project (Annex C) include: (1) that the Project Design Fund be submitted as a Project Paper instead of a Program Assistance Approval Document (PAAD); and (2) that a number of activities proposed by the Mission in the PID for inclusion under the Project Design Fund be funded under other projects.

These issues have been resolved by submitting the Project Design Fund as a Project Paper rather than a PAAD, and by excluding from the project all those items identified by the APAC as inappropriate for financing under this project.

F. Contributors to the Project Paper

The following individuals contributed to the development of this project:

- | | |
|--------------------------|---|
| Mr. Mohammad Hafiz Ahmad | - Supervisor, Office of Financial Management, USAID/Pakistan |
| Dr. Ronald V. Curtis | - Chief, Office of Agriculture and Rural Development, USAID/Pakistan |
| Mr. Leslie A. Dean | - Chief, Office of Program, USAID/Pakistan |
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| Dr. Donor M. Lion | - Director, USAID/Pakistan |
| Dr. Linda N. Lion | - Chief, Office of Project Development and Monitoring, USAID/Pakistan |
| Ms. Patricia Matheson | - Project Development Officer, ASIA/PD, AID/Washington |
| Mr. Stephen Spielman | - Regional Legal Advisor, USAID/Pakistan |
| Mr. Eugene J. Szepesy | - Deputy Program Officer, Office of Program, USAID/Pakistan |

II. BACKGROUND

A. USG-GOP Negotiations

The governments of the United States and Pakistan are embarked on a renewed and strengthened effort to increase their economic and development cooperation. This effort was marked by high level USG-GOP consultations in 1981 which culminated in the negotiation of a \$3.2 billion package of military and economic assistance which the U.S. will seek to provide to Pakistan between FY 1982 and FY 1987.

The economic assistance component was designed not only to maximize its development impact but also to produce as favorable a balance of payments impact as possible. The balance of payments objective reflects two critical purposes of the agreed upon economic assistance: (1) to ameliorate the burden created by Pakistan's increased defense expenditures; and, (2) to reduce the constraints on development which balance of payments strains generate. In this manner, the interrelated economic, development, and security interests of both nations are supported.

The USG Economic Assistance Negotiating Team, headed by the A.I.D. Administrator, visited Pakistan in August 1981 to discuss the details of the economic portion of the military/economic assistance package with the Government of Pakistan. These negotiations were successfully completed, and agreement was reached on the composition of the FY 1982 ESF program and on areas of concentration for the FY 1982 through FY 1987 period.

B. Strategy

The assistance package is one of the strategic elements of the renewed and expanded USG-GOP relationship. (See Annex G for an official statement on "U.S. Assistance to Pakistan".) It is one of the instruments required to achieve the USG and GOP's mutual goals with respect to security and economic development. The assistance package is seen as an indispensable contribution to the shaping and implementation of a new U.S.-Pakistan relationship and to the critical role in the region which the U.S. Government seeks to assist Pakistan to play. The military-security-political position of Pakistan, including the burden of a massive refugee influx, accentuates the development problem to which the proposed U.S. economic assistance package responds.

The economic assistance program is designed to help Pakistan, one of the world's largest and poorest nations, fulfill the basic human needs of its people. At the same time, it is designed to address the country's foreign exchange needs through quick disbursing activities while laying the foundation for more rapid economic growth. The program is shaped to assure the widest possible distribution of benefits. The program agreed to by the GOP and USG negotiating teams will:

1. Reactivate a long-term development assistance relationship, which the U.S. views as important because of Pakistan's size, poverty, strategic location, and other multi-faceted U.S. interests;

2. Provide balance of payments support to help address short and medium-term foreign exchange short-falls, thereby reducing development constraints and strengthening the economy;

3. Address key economic problems, which will help Pakistan to achieve self-sustaining growth and manage its debt burden;

4. Complement and support IMF and IBRD assisted programs, and improve their overall impact; and,

5. Expand resource availability for local cost financing.

Each of the objectives and purposes of the economic package cannot be achieved simultaneously. Nevertheless, it is the express intention of the governments to initiate as many of the proposed activities as possible within the early months of 1982. In view of the recent status of the bilateral relationship and program, and given the magnitude and urgency of the proposed efforts, a carefully designed strategy and approach are required.

In the first year, FY 1982, the balance of payments objective is given primary emphasis. In later years, as program levels are elevated, the balance of payments focus is retained while the long-term development strategy is given more attention.

As a result of the suspension of assistance prior to the August 1981 GOP-USG negotiations, USAID/Pakistan staffing levels were substantially curtailed, and project development activities were not undertaken. Given this situation, the required extraordinary project development and design work calls for special efforts and instruments. Substantial outside assistance will be employed to supplement USAID/Pakistan staff. Steps to expedite project approval or arrange for additional resources for on-going projects

will be undertaken -- for example, additional or expanded delegations of authority to approve new projects and project amendments. USAID/Pakistan staff will be modestly increased. This project will provide resources to be used to accelerate the entire programing and project development process.

III. DETAILED PROJECT DESCRIPTION

A. Description of Activities

The purpose of the Project Design Fund is to assist Pakistan to develop and design high priority development projects which will promote economic stability and self-sustaining growth.

The economic assistance program calls for the commencement of ten new dollar-funded projects in FY 1982 as well as major amendments to two dollar-funded projects. In addition, the PL 480 program will continue with a new \$50 million PL 480 Title I Agreement in FY 1982. Four or five new dollar-funded projects and PL 480 Title I/III activities will also be initiated each year in FY 1983, FY 1984 and future years.

This project will finance the costs of technical and related assistance needed to prepare projects to be financed as part of the renewed economic and development assistance program between the U.S. and Pakistan, and to contribute to the preparation of the Mission's development strategy. Foreign exchange costs will be financed with dollar assistance and local currency costs with both Mondale rupees and dollars. The following types of activities will be funded under this project:

1. Technical and related assistance needed to develop and design projects which will be carried out as part of the renewed economic development relationship with Pakistan: and,

2. Technical assistance and studies needed to prepare the Mission's development strategy and assistance activities, such as a definitive study on the desirability and means of increasing Pakistan's production of oilseeds to reduce its heavy dependence on edible oil imports.

The specific activities shown in sections 1 and 2 below have been tentatively identified for funding under this project. Section 3 gives a brief description of the additional types of activities which are likely to be financed under the project.

1. Project Design Assistance

The \$1.625 billion economic assistance package calls for initiation of the 26 projects/programs listed below in FY 1982, FY 1983 and FY 1984. Most of these projects/programs will require considerable funding for technical and related assistance in project development and design, at both the PID and PP stages of development.

<u>Project Number</u>		<u>Project Title</u>
<u>New FY 1982 Projects/Programs</u>		
391-0296	--	Agricultural Research (Amendment)
391-0413	--	On-Farm Water Management (Amendment)
391-0452	--	Strengthening Water Management Activities (Amendment)
391-0467	--	Irrigation System Management
391-0468	--	Agricultural Commodities and Equipment
391-0469	--	Population Welfare Planning
391-0470	--	Project Design Fund
391-0471	--	Tribal Area Development
391-0472	--	Malaria Control II
391-0473	--	Rural Electrification
391-0474	--	Development Support Training
391-0475	--	Primary Health Care
391-0484	--	Pakistan Contraceptive Retail Sales
		PL 480 Title I

New FY 1983 Projects/Programs

391-0468	--	Agricultural Commodities and Equipment (Amendment)
391-0476	--	Agricultural Production, Distribution and Storage
391-0477	--	Agricultural Education, Research and Extension

<u>Project Number</u>		<u>Project Title</u>
391-0478	--	Energy Planning and Development
391-0482	--	Private Sector Mobilization
		PL 480 Title I/III

New FY 1984 Projects/Programs

391-0468	--	Agricultural Commodities and Equipment (Amendment)
391-0479	--	Baluchistan Area Development
391-0480	--	Farm to Market Roads
391-0481	--	Reforestation
391-0483	--	Nutrition
		PL 480 Title I/III

Six projects or project amendments, namely Agricultural Research, On-Farm Water Management, Project Design Fund, Population Welfare Planning, Agricultural Commodities and Equipment, and Malaria Control II, were largely developed by the end of January 1982 with the assistance of either A.I.D. direct-hire personnel or personnel funded by the Asia Bureau or other bureaus. Depending on when the Project Agreement for this project is signed (USAID/Pakistan anticipates sometime in March), several additional activities may be largely completed using A.I.D. direct-hire personnel or personnel funded by the Asia Bureau or other bureaus. However, after funds become available from the Project Design Fund, USAID/Pakistan and AID/W shall make appropriate adjustments to take into account the funds which were advanced to finance program development costs for Pakistan.

The amount of technical assistance required for the up to 20 remaining FY 1982, FY 1983 and FY 1984 projects/programs which will require funding for design work will vary significantly, depending on the complexity of the project, the number and type of consultants required, and the time needed for design work. The Development Support Training Project, for example, is estimated to require only about 4 person-months of technical assistance while a more complex and difficult project such as the Baluchistan Area Development Project is expected to require 18 person-months of technical assistance. The Agricultural Education, Research and Extension Project,

an even more complex project, is anticipated to require 24 person-months of technical assistance.

A total of 141 person-months are projected for design efforts on already identified projects to be funded in FY 1982, FY 1983 and FY 1984. Based upon estimates of the source of technical assistance which will probably be used (i.e., private firms, IQCs, universities, PSCs, or PASAs), total projected costs for those efforts are \$2,054,000 in dollar funding and Rs 8,522,000 in Mondale rupee funding. 1/ Table 1 summarizes the projects to be funded by probable type and person-months of assistance. Table 3, Cost Estimates for Project Design Fund, presented in the Financial Plan section, provides more detailed information on the projected dollar and Mondale rupee funding requirements.

2. Development Strategy Assistance

"Development Strategy Assistance" is the second component of activities to be financed under the Project Design Fund. This component includes technical and related assistance necessary to complete a variety of studies, surveys and analyses needed to prepare the Mission's development strategy in Pakistan. Studies, analyses, and surveys that have been identified to be undertaken under the Development Strategy Assistance component fall into three categories: (1) agriculture and rural development, (2) energy, and (3) other. The following is a brief description of some of the activities currently projected in these three categories:

a. Agriculture and Rural Development

1. Edible Oil Study

An edible oil study and food production strategy analysis will review: previous work on oilseeds; agronomic analysis of oilseed crop production options; major crop substitution options; domestic market studies to determine price and income elasticity of demand for edible oil; inter-dependence of poultry and dairy industries with domestic edible oil production; and, foreign supply and demand linkages to the domestic market for edible oil and its by-products (\$961,000 and Rs 4,256,000).

1/ At an exchange rate of U.S. \$1.00 = Rs 10.43 as of January 26, 1982, this equals \$817,000.

TABLE 1

SUMMARY OF PROJECT DESIGN ASSISTANCE
FOR FY 1982, FY 1983 AND FY 1984 PROJECTS

	<u>Probable Type</u> <u>of Assistance</u>	<u>Person</u> <u>Months</u>
<u>FY 1982 Projects</u>		
Malaria Control II	PSC	2
Irrigation System Management	IOC/PASA	12
Tribal Area Development	IOC	12
Rural Electrification	Private Firm	7
Development Support Training	Priv. Firm/Univ.	4
Primary Health Care	IOC	3
Pakistan Contraceptive Retail Sales	IOC	3
	Sub-Total	<hr/> 43
<u>FY 1983 Projects</u>		
Agricultural Commodities & Equipment	Private Firm	9
Agricultural Production, Distribution and Storage	IOC/PASA	12
Agricultural Education, Research and Extension	University	24
Energy Planning and Develop- ment	Private Firm	7
Private Sector Mobilization	Private Firm	7
	Sub-Total	<hr/> 59
<u>FY 1984 Projects</u>		
Baluchistan Area Development	IOC	18
Farm to Market Roads	IOC	7
Reforestation	University	7
Nutrition	IOC	7
	Sub-Total	<hr/> 39
	TOTAL	<hr/> 141

ii. Food Security Study

This study will investigate Pakistan's wheat rationing system, the wheat production base, procurement operations, stock policies, consumers' subsidies and beneficiaries. The study will also address the possibility of using GOP wheat stocks as an instrument to dampen wheat price fluctuations (\$615,000 and Rs 2,321,000).

iii. Fertilizer Studies

The fertilizer sub-sector suffers from deficiencies ranging from farm level application practices to the delivery mechanism. At least two studies on fertilizer are envisaged. One will be a study to investigate increased private sector participation in marketing and to suggest an appropriate mix of public and private sector activities for the fertilizer market. The other study will examine the long range options for increased domestic production of fertilizer, identify constraints to increased private participation, and develop a strategy for possible U.S. participation in plant construction and/or modernization of existing plants (\$266,000 and Rs 1,658,000).

iv. Resource Mobilization Study

A critical issue presently facing policy planners is the formulation of pricing and trade policies for agriculture commodities and inputs consistent with the objectives of both increased farm productivity and equitable income distribution as well as the need to generate sufficient financial resources for large-scale public sector investment programs. Since resource mobilization in agriculture is necessary for the needed infrastructural and other investments, research is required to identify potential alternatives that may improve the financial contribution of agriculture to government revenues without adversely affecting production and income distribution. Studies are also needed to develop ways to improve private capital formation in agriculture (\$309,000 and Rs 1,658,000).

v. Mechanization Study

Use of machines on farms is a complex and controversial issue. It is complex because it is hard to identify a unique package of machines most suitable for increased efficiency on all types of farms, and controversial because machines can adversely affect employment, tenancy relations, and income distribution without necessarily bringing about increased efficiency.

A study will help to provide the necessary empirical evidence to develop an appropriate mechanization program. Areas likely to be covered are: the impact of mechanization on employment, production and income distribution; types of machinery suitable for small holdings; and domestic manufacturing and maintenance of capacities and potentials (\$176,000 and Rs 663,000).

vi. Agricultural Commodities and Equipment Evaluations

Evaluations of the Agricultural Commodities and Equipment Program will be funded out of this project (\$134,000 and Rs 808,000).

b. Energy

i. Energy Resources Survey

This study would update a 1975 National Energy Resources Survey and broaden it to include an assessment of energy demand as well as the supply of both commercial and non-commercial energy (\$332,000 and Rs 1,369,000).

ii. Studies of Coal and Railroad Electrification

Illustrative studies in the energy sector include: (a) chemical analysis of lignite coal deposits in Baluchistan; (b) a study of the feasibility of coal-fired electric generators; and, (c) a review of the feasibility of railroad electrification (\$185,000 and Rs 718,000).

c. Other

i. Economic Analyses

Technical assistance will be funded to undertake various economic analyses, e.g., the macro-economic analyses required for the Country Development Strategy Statement (\$47,000 and Rs 159,000).

ii. Narcotics Studies

The Mission will build into its development program, to the maximum extent, provisions to help reduce opium poppy production in Pakistan. Studies and analyses will be financed to ascertain effective interventions which discourage opium poppy cultivation. One study will assist the Pakistan Agricultural Research Council and other GOP and provincial entities to employ

a task force approach to raise dramatically agricultural yields of conventional crops. This approach, if successful, could open significant opportunities for effective interventions which would provide development alternatives to poppy cultivation in Pakistan (\$369,000 and Rs 1,392,000).

iii. Education Sector Assessment

Many of the constraints to more rapid development in Pakistan can be directly related to the low level of education. The Mission plans an assessment of the education sector to determine the current status, what the problems are, what the GOP and other donors are doing to address the problems, and what A.I.D. can and should do, if anything, to assist Pakistan in the education sector (\$47,000 and Rs 159,000).

iv. Private Sector Constraints Analysis

The Mission plans to fund an analysis of the constraints that are inhibiting the private sector from playing a more dynamic role in the development of Pakistan's economy. Such an analysis is an indispensable part of the project design work for the Private Sector Mobilization Project Paper (\$94,000 and Rs 342,000).

v. Shelter Assessment

Karachi, one of the largest cities in the world, has a sizable slum population with a very low level of housing and social services available to it. This is a possible area of A.I.D. intervention, e.g., through a Housing Investment Guarantee (HIG) Program. Prior to such an intervention, a study would have to be completed to examine the parameters of the problem, what the GOP and other donors are doing, and what, if anything, A.I.D. can and should do to assist in this sector (\$47,000 and Rs 188,000).

vi. Mandate Studies

In developing the \$1.625 billion economic assistance package, the Mission needs to keep in mind and try to build into projects mandates and guidance from both the U.S. Congress and the A.I.D. Administrator. Studies will be necessary to properly focus on these concerns. Such studies include: an examination of ways of increasing the participation of women and other target groups in Pakistan's development, such as through income-generating projects for women; determination of the operational capacity of voluntary agencies to conduct programs in Pakistan; identification of means of effectively strengthening development institutions in Pakistan; and a profile of the "rural poor" (\$95,000 and Rs 404,000).

vii. Recurrent Cost Analysis

Recurrent cost considerations must be closely reviewed on every project the Mission implements, since recurrent costs are a real constraint to what the GOP can and will continue to fund after donor assistance terminates. An analysis of recurrent costs, including an identification of the problems and constraints which affect the GOP, can help to improve overall project design (\$26,000 and Rs. 100,000).

A total of 258 person-months is projected for activities under the "Development Strategy Assistance" component of this project. Based upon estimates for the type of assistance which will be used, total projected costs are \$3,793,000 in dollar funding and Rs 16,195,000 2/ in Mondale rupee funding. Table 2 summarizes the projected development strategy studies to be funded by probable type and person-months of assistance.

3. Reserve (including Contingency)

The remainder of the project's funds will be utilized as a reserve for as yet unidentified future requirements and to cover contingencies. Likely future requirements include technical assistance for the design of projects to be funded in FY 1985, FY 1986 and FY 1987. Technical assistance will also be required to prepare, review and evaluate the PL 480 Title I/III program and to develop basic planning documents such as the Country Development Strategy Statement and sectoral studies. The Mission anticipates that a significant number of studies will be required during the FY 1982 to FY 1987 period to help address policy questions and to design specific projects and the Mission's overall program. The Government of Pakistan will undoubtedly request studies and technical assistance relevant to A.I.D.'s program in Pakistan which we cannot specifically forecast at this time.

Funding available for the "Reserve" component is \$4,243,000 in dollar and Rs 4,983,000 3/ in Mondale rupee funding.

2/ Equal to \$1,551,000 at the exchange rate of U.S. \$1.00 = Rs 10.43 as of January 26, 1982.

3/ Equal to \$478,000 at the exchange rate of U.S. \$1.00 = Rs 10.43 as of January 26, 1982.

TABLE 2

SUMMARY OF DEVELOPMENT STRATEGY ASSISTANCE

<u>Activity</u>	<u>Probable Type of Assistance</u>	<u>Person Months</u>
<u>Agriculture and Rural Development</u>		
Edible Oil Study	University/IQC	70
Food Security Study	IQC	35
Fertilizer Studies	PASA	25
Resource Mobilization Study	University	25
Mechanization Study	IQC	10
Agricultural Commodities and Equipment Evaluations	PASA	12
Sub-total		<u>177</u>
<u>Energy</u>		
Energy Resources Survey	Private Firm	24
Studies of Coal and Railroad Electrification	Private Firm	12
Sub-total		<u>36</u>
<u>Other</u>		
Economic Analyses	IQC	3
Narcotics Studies	IQC	22
Education Assessment	IQC	3
Private Sector Constraints Analysis	IQC	6
Shelter Assessment	Private Firm	3
Mandate Studies	Private Firm	6
Recurrent Cost Analysis	IQC	2
Sub-total		<u>45</u>
Total		258

B. Implementation Plan

Technical assistance will be obtained from a variety of sources such as: PASAs (Participating Agency Services Agreements), e.g., with the U.S. Department of Agriculture; IQCs (Indefinite Quantity Contracts); private firms; universities; and, PSCs (Personal Services Contracts).

Flexibility and speed must be built into this project in order to assure that the technical assistance can be quickly and readily contracted. In order to help assure this, A.I.D. will undertake direct contracting for technical assistance. Considerable assistance from AID/Washington and regional offices (e.g., the Regional Contracts Officer and the Regional Commodity Management Advisor) is anticipated and will be requested as needed.

C. Financial Plan

The total funding for this project consists of \$10.0 million in ESF grant funding and Rs 29.7 million in U.S.-owned excess rupees provided through a Mondale rupee grant under the provisions of Section 104 of the Agricultural Trade Development and Assistance Act (PL 480).

The \$10.0 million will be used to pay for foreign exchange costs for technical assistance and related assistance such as salaries, fringe benefits, overhead charges, and international per diem. The Rs 29.7 million Mondale rupee grant component of this project and a portion of the dollar component will be used to pay the rupee costs of activities such as locally contracted technical and related assistance and local support costs such as in-country travel and per diem, and international transportation for U.S. and other non-Pakistani technical and related assistance that can be paid for with rupees.

The Rs 29.7 million Mondale rupee funded component of this project is sufficient to pay the entirety of the projected local currency costs in section 1 (Project Design Assistance) and section 2 (Development Strategy Assistance). Dollars will be utilized to fund the majority of local currency costs in section 3 (Reserve). Dollars will be disbursed to pay for those local currency costs that cannot be covered with Mondale rupees. The Mission Director's certification to disburse dollars in lieu of U.S.-owned excess rupees is provided as Annex F.

Table 3 summarizes the activities to be funded under this project by probable source and person-months of assistance, and dollar and rupee requirements.

TABLE 3

COST ESTIMATES FOR PROJECT DESIGN FUND PROJECT

	Probable Source of Assistance	Person Months	Dollars (Thousands)	Rupees (Thousands)
1. PROJECT DESIGN ASSISTANCE				
<u>FY 1982 Projects</u>				
Malaria Control II	PSC	2	29	120
Irrigation System Management	IQC/PASA	12	135	685
Tribal Area Development	IQC	12	192	685
Rural Electrification	Private Firm	7	103	404
Development Support Training	Private Firm/Univ.	4	49	240
Primary Health Care	IQC	3	48	184
Pakistan Contraceptive Retail Sales	IQC	3	48	184
Sub-total		43	604	2,510
<u>FY 1983 Projects</u>				
Agricultural Commodities & Equipment	Private Firm	9	132	501
Agricultural Production, Distribution and Storage	IQC/PASA	12	192	685
Agricultural Education, Research and Extension	University	24	270	1,369
Energy Planning and Development	Private Firm	7	103	404
Private Sector Mobilization	Private Firm	7	103	404
Sub-total		59	800	3,363
<u>FY 1984 Projects</u>				
Baluchistan Area Development	IQC	18	317	1,215
Farm to Market Roads	IQC	7	123	478
Reforestation	University	7	87	478
Nutrition	IQC	7	123	478
Sub-total		39	650	2,649
Sub-total 1		141	2,054	8,522
2. DEVELOPMENT STRATEGY ASSISTANCE				
<u>Agriculture and Rural Development</u>				
Edible Oil Study	University/IQC	70	961	4,256
Food Security Study	IQC	35	615	2,321
Fertilizer Studies	PASA	25	266	1,658
Resource Mobilization Study	University	25	309	1,658
Mechanization Study	IQC	10	176	663
Agricultural Commodities and Equipment Evaluations	PASA	12	134	808
Sub-total		177	2,461	11,364
<u>Energy</u>				
Energy Resources Survey	Private Firm	24	332	1,369
Studies of Coal, Railroad Electrification, etc.	Private Firm	12	185	718
Sub-total		36	517	2,087
<u>Other</u>				
Economic Analyses	IQC	3	47	159
Narcotics Studies	IQC	22	369	1,392
Education Assessment	IQC	3	47	159
Private Sector Constraints Analysis	IQC	6	94	342
Shelter Assessment	Private Firm	3	47	188
Mandate Studies	Private Firm	6	95	404
Recurrent Cost Analysis	IQC	2	26	100
Sub-total		45	725	2,744
Sub-total 2		258	3,703	16,195
3. RESERVE (including contingency)				
Sub-total 3			4,243	4,983
GRAND TOTAL			10,000	29,700

Table 4 provides a summary of project costs by project component and source of funding. Firm plans, such as detailed scopes of work, will be developed before FfOs or commitment documents are prepared. Additional activities to be funded will be identified as additional needs for technical assistance and studies become apparent.

TABLE 4
SUMMARY OF PROJECT COSTS
BY PROJECT COMPONENT AND SOURCE OF FUNDING^{a/}
(Dollar 000s)

<u>Project Components</u> ^{b/}	<u>Life of Project Funding</u> ^{c/}	
	<u>AID Grant Dollars</u>	<u>Mondale Rupees (\$ equivalent)</u> ^{d/}
<u>1. Project Design Assistance</u>		
a. FY 1982 Activities	604	241
b. FY 1983 Activities	800	322
c. FY 1984 Activities	650	254
Sub-Total	2,054	817
<u>2. Development Strategy Assistance</u>		
a. Agriculture and Rural Development	2,461	1,090
b. Energy	517	200
c. Other	725	263
Sub-Total	3,703	1,553
<u>3. Reserve (including contingency)</u>		
Sub-Total	4,243	478
TOTAL	10,000	2,848

^{a/} Due to the nature of this project, the GOP is not providing any funding.

^{b/} The project components consist of technical assistance and commodities necessary to that assistance.

^{c/} Projected inflationary adjustments are included in the project component costs (U.S. technical assistance, 10% p.a.; international transportation, 15% p.a.; and local costs, 20% p.a.).

^{d/} Expressed as dollar equivalents at exchange rate of U.S. \$1.00=Rs 10.43 as of January 26, 1982.

As shown in Table 5, \$3 million in dollar funding is proposed for obligation in FY 1982. This reflects the considerable amount of project design work for both PIDs and PPs and development strategy studies that will be completed, initiated or contracted for in FY 1982. All of the project design assistance for FY 1982 activities will be completed in FY 1982, and much of the project design assistance for FY 1983 projects will be initiated in FY 1982. Some major development strategy studies will also be initiated in FY 1982, such as the edible oil study and possibly the energy resources survey. Several of the other agricultural studies (e.g., the food security study and a fertilizer study) may also be initiated in FY 1982. Approximately \$1,275,000 in Mondale rupees will also be required in FY 1982. However, the Mission plans to obligate in FY 1982 the full amount of Rs 29.7 million in Mondale rupees available under the project, thus forward funding Mondale rupees and minimizing future work that would be necessary if Mondale rupees were obligated in tranches.

TABLE 5
SUMMARY OF PROJECT COSTS^{a/}
BY FISCAL YEAR AND SOURCE OF FUNDING
(Dollar 000s)

<u>Source of Funding</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84- FY 87</u>	<u>Total</u>
1. A.I.D. Grant (ESF)	3,000	2,700	4,300	10,000
2. Mondale Rupees ^{b/}	1,275	1,000	573	2,848
Total	4,275	3,700	4,873	12,848

^{a/} Project "costs" are defined as sub-obligations or commitments of funds, for example, through PIOs, contracts, or local purchase orders.

^{b/} Expressed as dollar equivalents at exchange rate of U.S. \$1.00 = Rs 10.43 as of January 26, 1982.

In addition to the Rs 29.7 million in Mondale rupees, it is anticipated that as much as \$1.2 million will also be used to finance local costs. Table 6 summarizes the dollar funding by foreign exchange (FX) and local costs (LC).

TABLE 6
SUMMARY OF A.I.D. FUNDING
BY FOREIGN EXCHANGE (FX) AND LOCAL COSTS (LC)
(Dollar 000s)

<u>Component</u>	<u>AID Dollar Grant</u>		<u>Mondale Rupees a/ LC</u>	<u>Total</u>
	<u>FX</u>	<u>LC</u>		
Project Design Assistance	2,054	-0-	817	2,871
Development Strategy Assistance	3,703	-0-	1,553	5,256
Reserve <u>b/</u>	3,043	1,200	478	4,721
Total	8,800	1,200	2,848	12,848

a/ Expressed as dollar equivalents at exchange rate of U.S. \$1.00 = 10.43 as of January 26, 1982.

b/ Includes unidentified future requirements and contingency. Likely future requirements are: technical assistance for the design of projects to be funded in FY 1985-FY 1987; preparation, review and planning of the PL 480 Title I/III program; preparation of basic planning documents (e.g., CDS and sectoral studies); and other studies.

Cost estimates for the various studies, analyses and surveys are based on costs for U.S. consultants. The Mission, however, anticipates using Pakistani firms and consultants where the appropriate skills are available on a timely basis. To the extent that Pakistani resources are contracted, corresponding adjustments will be made in the project budget.

D. Evaluation Plan

The Project Design Fund is an activity which is not subject to evaluation within the Agency's definition of evaluation. Nevertheless, this project will be monitored and reviewed periodically to assure effectiveness and to make any adjustments which would strengthen the achievement

of project goals. Evaluations, of course, will be inter-taken on the projects which have been developed utilizing funding from the Project Design Fund.

IV. CONDITIONS, COVENANTS AND NEGOTIATING STATUS

The Government of Pakistan is fully familiar with this project and has sent a letter (Annex I) requesting the dollar and Mondale rupee funding to be provided under this project.

There are no further actions necessary by the Government of Pakistan prior to signature of the Project Agreement.

There are no Conditions Precedent to disbursement after signing of the Project Agreement.

V. ANNEXES



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FM SECSTATE WASHDC
TO AMEMBASSY ISLAMABAD PRIORITY 4630
BT
UNCLAS STATE 330380

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E.O. 12958: N/A

TAGS:
SUBJECT: PROJECT AUTHORIZATIONS

REF: ISLAMABAD 15484

1. CONCUR MISSION REQUESTS FOR DELEGATION OF AUTHORITY
TO APPROVE AUTHORIZATIONS FOR:

- (A) DEVELOPMENT SUPPORT TRAINING (391-0474)
- (B) PROJECT DESIGN FUND (391-0470)

2. REQUESTS FOR SIMILAR DELEGATION AGRICULTURAL RESEARCH
AND ON-FARM WATER PROJECTS BEING REVIEWED AND MISSION
WILL BE ADVISED BY SEPTELS. HAIG

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FM AMEMBASSY ISLAMAPAD
TO SECSTATE WASHDC PRIORITY 0422
BT
UNCLAS SECTION 01 OF ISLAMAPAD 00168

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F.O. 12065 N/A
SUBJECT: MONDALE RUPEE GRANT PROPOSALS -- PAKISTAN

REFERENCE: (A) ISLAMAPAD 17319 (E) ISLAMAPAD 15484
- (C) STATE 330380

BEGIN SUMMARY: THIS CABLE TRANSMITS PROPOSALS FOR THREE MONDALE RUPEE GRANTS: AGRICULTURAL RESEARCH, STRENGTHENING WATER MANAGEMENT ACTIVITIES, AND PROJECT DESIGN FUND. MISSION REQUESTS EXPEDITIOUS APPROVALS AND ALLOCATIONS OF FUNDS IN ORDER THAT RUPEE FUNDS FOR PROJECT DESIGN FUND AND AGRICULTURAL RESEARCH MAY BE INCLUDED IN PROJECT AGREEMENTS TO BE SIGNED LATE THIS MONTH. MISSION ALSO HOPES TO SIGN PROJECT AGREEMENT AMENDMENTS FOR STRENGTHENING WATER MANAGEMENT ACTIVITIES AND ON-FARM WATER MANAGEMENT SHORTLY THEREAFTER. ENL SUMMARY.

1. MISSION HAS ONE NEW PROJECT AND TWO PROJECT AMENDMENTS WHICH WE HOPE TO APPROVE WITHIN THE MISSION IN JANUARY. THESE ARE: PROJECT DESIGN FUND PROJECT, 391-0470; AGRICULTURAL RESEARCH PROJECT AMENDMENT, 391-2296; AND ON-FARM WATER MANAGEMENT PROJECT AMENDMENT, 391-0413. (PER HEFF F ANT G, MISSION HAS REQUESTED AUTHORITY FOR THE MISSION TO APPROVE ALL THREE; MISSION HAS RECEIVED AUTHORITY FOR DIRECTOR TO APPROVE PROJECT DESIGN FUND AND IS STILL HOPING TO RECEIVE FROM AID/W SHORTLY AUTHORITY FOR DIRECTOR TO APPROVE AGRICULTURAL RESEARCH AND OFWM AMENDMENTS.) EACH OF THESE THREE PROJECTS/PROJECT AMENDMENTS HAS AN ASSOCIATED MONDALE RUPEE GRANT COMPONENT: IN THE CASE OF AGRICULTURAL RESEARCH AND PROJECT DESIGN FUND THE ASSOCIATED MONDALE RUPEES ARE INCLUDED AS RUPEE COMPONENTS OF THE PROJECTS' FUNDING; WITH OFWM, THE ASSOCIATED MONDALE RUPEES ARE NOT INCLUDED WITHIN THE OFWM PROJECT, BUT WILL BE ADDED, THROUGH AN AMENDMENT, TO THE STRENGTHENING WATER MANAGEMENT ACTIVITIES PROJECT, 391-0452 (A CLOSELY RELATED PROJECT THAT WAS DESIGNED TO HELP THE GOP'S ON-FARM WATER MANAGEMENT PROGRAM). THE PURPOSE OF THIS CABLE IS TO REQUEST THAT AID/W INITIATE THE PROCESS FOR APPROVAL OF THESE THREE MONDALE RUPEE GRANTS, UNDER PROVISIONS OF SECTION 104(F) OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT (PL 480), AND PROVIDE APPROVAL AND ALLOTMENT OF FUNDS BY OMB AT THE EARLIEST POSSIBLE DATE. THE MISSION BELIEVES THESE THREE MONDALE RUPEE PROPOSALS WOULD BE EFFECTIVE AND APPROPRIATE NEWS OF U.S.-OWNED WATER AND ENERGY DEVELOPMENT. WASHINGTON APPROVAL. FOLLOWING IS INFORMATION ON EACH OF THE THREE PROJECTS:

2. AGRICULTURAL RESEARCH PROJECT AMENDMENT, 391-0296

A. INFORMATION ON THE PURPOSE OF THIS PROJECT, DOLLAR FUNDING, PROJECT DESCRIPTION, RELATIONSHIP OF PROJECT TO AID COUNTRY STRATEGY, AND HOST COUNTRY AND OTHER DONORS ROLES HAS BEEN PROVIDED IN REF A (WHICH PROVIDED DATA FOR CONGRESSIONAL NOTIFICATIONS).

B. THE MONDALE RUPEE GRANT PROPOSAL IS FOR RS. 29.7 MILLION (DOLS. 3.0 MILLION AT RS. 9.9 PER DOLS. 1). THIS RS. 29.7 MILLION WOULD SUPPLEMENT THE DOLS. 3,200,000 ALREADY UNDER THIS AMENDMENT AND THE DOLS. 8,031,000 IN DOLLAR FUNDING AND THE RS. 113,500,000 IN RUPEE FUNDING ALREADY OBLIGATED UNDER THIS PROJECT.

C. THE ADDITIONAL RS. 29.7 MILLION MONDALE RUPEE GRANT WILL BE USED TO FUND LOCAL SUPPORT AND INTERNATIONAL TRANSPORTATION COSTS OF TECHNICAL ADVISORS, EQUIPMENT AND OFFICE FURNITURE FOR THE NATIONAL AGRICULTURAL RESEARCH CENTER, AND COSTS RESULTING FROM INFLATION AND DESIGN CHANGES IN CONSTRUCTION.

3. STRENGTHENING WATER MANAGEMENT ACTIVITIES PROJECT AMENDMENT, 391-0452

A. THIS PROJECT WAS ORIGINALLY DEVELOPED TO IMPROVE THE OVERSIGHT CAPACITY OF THE GOVERNMENT OF PAKISTAN'S FEDERAL CELL FOR ON-FARM WATER MANAGEMENT IN THE IMPLEMENTATION OF THE OFWM PROGRAM. FUNDS PROVIDED UNDER THIS PROJECT ENABLED THE FEDERAL CELL TO ADD A SOCIOLOGIST TO THE TECHNICAL STAFF, CONTRACT FOR A COMPREHENSIVE AND CONTINUOUS MONITORING AND EVALUATION OF PROJECT ACTIVITIES, PROVIDE SUPPORT FOR RESEARCH AND DEVELOPMENT ACTIVITIES, AND COVER SOME LOCAL COSTS OF TECHNICAL ADVISORS.

B. THE MONDALE RUPEE GRANT PROPOSAL IS FOR RS. 9.9 MILLION (DOLS. 1.2 MILLION). THIS RS. 9.9 MILLION WOULD SUPPLEMENT THE RS. 16,500,000 IN RUPEE FUNDING ALREADY OBLIGATED UNDER THE STRENGTHENING WATER MANAGEMENT ACTIVITIES PROJECT IN THE SEPTEMBER 1987 PROJECT AGREEMENT. THE PROJECT ASSISTANCE COMPLETION DATE (PACD) WOULD BE

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EXTENDED FROM FY 1985 TO FY 1986 TO PARALLEL THE NEW
FY 1986 PACT FOR THE OFWM PROJECT.

D. THE RS. 9.0 MILLION PROVIDED UNDER THIS AMENDMENT
WILL ENABLE THE FEDERAL CELL FOR OFWM TO BROADEN ITS
OVERSIGHT CAPABILITY AND ADDRESS IMPLEMENTATION NEEDS OF
THE DOLS. 10 MILLION AMENDMENT TO THE OFWM PROJECT. THE
GRANT WILL FINANCE CONTRACTS FOR CONSTRUCTION INSPECTIONS,
LOCAL SUPPORT AND INTERNATIONAL TRANSPORTATION COSTS OF
TECHNICAL ADVISORS, EXPANSION OF THE MONITORING AND
EVALUATION ACTIVITY, AND AN EXPANDED PROGRAM IN RESEARCH
AND DEVELOPMENT OF TECHNICAL AND SOCIAL ISSUES RELATED TO
THE PROGRAM.

4. PROJECT DESIGN FUND PROJECT, 391-0470

A. INFORMATION ON THE PURPOSE OF THIS NEW PROJECT,
DOLLAR FUNDING, PROJECT DESCRIPTION, RELATIONSHIP OF
PROJECT TO AID COUNTRY STRATEGY, AND HOST COUNTRY AND
OTHER DONORS ROLES HAS BEEN PROVIDED IN REF A.

F. THE MONDALE RUPEE GRANT PROPOSAL IS FOR RS. 29.7
MILLION (DOLS. 3.0 MILLION) TO SUPPLEMENT THE DOLS. 10
MILLION IN DOLLAR FUNDING TO BE PROVIDED BY THIS NEW
PROJECT.

G. THE RS. 29.7 MILLION WOULD HELP TO FINANCE THE LOCAL
RUPEE COSTS OF ACTIVITIES PLANNED UNDER THIS PROJECT:
LOCALLY CONTRACTED TECHNICAL AND RELATED ASSISTANCE NEEDED
TO DEVELOP AND DESIGN PROJECTS; LOCALLY CONTRACTED
TECHNICAL ASSISTANCE AND STUDIES NEEDED TO PREPARE THE
MISSION'S DEVELOPMENT STRATEGIES AND ASSISTANCE ACTIVITIES;
AND U.S. AND OTHER NON-PAKISTANI TECHNICAL AND RELATED
ASSISTANCE THAT CAN BE PAID FOR WITH RUPEES (E.G., LOCAL
SUPPORT COSTS SUCH AS IN-COUNTRY TRAVEL AND PER DIEM, AND
INTERNATIONAL TRANSPORTATION).

H. AFTER ALLOCATION BY ONE OF MONDALE RUPEES FOR THESE
PROJECTS, THE ENTIRE AMOUNTS WILL BE OBLIGATED BY PROJECT
AGREEMENTS BETWEEN AID AND THE GOP. THESE THREE ALLOCA-
TIONS SHOULD REMAIN AVAILABLE FOR OBLIGATION THROUGH
SEPTEMBER 30, 1982.

I. MISSION RECOGNIZES THAT MANY ACTIONS ARE REQUIRED
TO OBTAIN MONDALE GRANT APPROVALS AND ALLOTMENT OF FUNDS,
BUT REQUESTS THAT AID/W EXPEDITE THIS PROCESS AS MUCH AS
POSSIBLE. IF AT ALL POSSIBLE, WE WOULD LIKE TO SIGN
A PROJECT AGREEMENT AND A PROJECT AGREEMENT AMENDMENT WITH
THE GOP ON THE PROJECT DESIGN FUND AND AGRICULTURAL
RESEARCH THAT CONTAIN BOTH THE DOLLAR AND MONDALE RUPEE
COMPONENTS. WE ALSO HOPE TO SIGN THE PROJECT AGREEMENT
AMENDMENT ON THE STRENGTHENING WATER MANAGEMENT ACTIVI-
TIES AT THE SAME TIME THAT WE SIGN THE OFWM PROJECT
AGREEMENT AMENDMENT. THUS, THE MONDALE RUPEE ALLOCATIONS
WOULD NEED TO BE MADE THIS MONTH (I.E., JANUARY).

J. BECAUSE OF THE IMPORTANCE OF THE PROJECT DESIGN FUND
TO PROJECT DEVELOPMENT AND DESIGN ACTIVITIES, MISSION

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ANNEX B
Page 4

BE LIEVES IT IS IN AID/W'S AS WELL AS MISSION'S INTEREST FOR PROJECT DESIGN FUND TO BE OPERATIVE ASAP. MISSION HOPES TO SIGN PROJECT DESIGN FUND PROJECT AGREEMENT SHORTLY AFTER 15 DAY WAITING PERIOD FOR CONGRESSIONAL NOTIFICATION (REF A) IS COMPLETED. ACCORDINGLY, REQUEST AID/W MAKE SPECIAL EFFORT TO EXPEDITE MONDALE RUPPE APPROVAL/ALLOTMENT FOR THAT PROJECT.

8. THE MISSION AND THE GOP HAVE DISCUSSED THESE MONDALE RUPPE COMPONENTS IN THE PROCESS OF DEVELOPING OUR PROJECTS AND THE GOP HAS CONCURRED IN PRINCIPLE IN THESE RUPPE PROPOSALS.

9. PLEASE ADVISE OF ANY QUESTIONS/COMMENTS ON THESE MONDALE PROPOSALS. GREATLY APPRECIATE AID/W ASSISTANCE ON THIS MATTER. SPIERS
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TO AMEMBASSY ISLAMABAD PRIORITY 3663
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F.O. 12065: N/A

TACS:

SUBJECT: PROJECT DESIGN FUND - APAC REVIEW

1. APAC REVIEWED AND APPROVED THIS PROJECT ON OCTOBER 15, 1981. IT DECIDED THAT A PROJECT PAPER WAS MORE APPROPRIATE THAN A PAAD FOR NON-PROJECT ASSISTANCE. AID/W AGREED TO MAKE NECESSARY CHANGES IN MISSION SUBMISSION. ASIA BUREAU WILL PROCESS DOCUMENTATION FOR AUTHORIZATION IN AID/W SO THAT OBLIGATION IN PAKISTAN CAN BE ACCOMPLISHED JUST AS SOON AS CONGRESSIONAL APPROVAL RECEIVED. HOWEVER, STATUTORY CHECKLIST AS PROVIDED IN HP 3, SECTION 5C(1-4); COUNTRY CHECKLIST AND PROJECT CHECKLIST WHEN USING ESF (HP 5C2-5) MUST BE PREPARED BY MISSION PRIOR TO AUTHORIZATION. PLEASE TRANSMIT WHEN AVAILABLE.

2. WHILE LIFE OF PROJECT AUTHORIZATION WILL REMAIN AT MISSION'S SUGGESTED FIGURE OF DOLS 10 MILLION, WE ENVISION ONLY INCREMENTAL FUNDING EACH YEAR AS THE MISSION IS ABLE TO MORE CLEARLY DEFINE CURRENT NEEDS.

3. APAC BELIEVES THAT SOME ACTIVITIES, LISTED AS POTENTIAL FUNDING ITEMS, WILL PROBABLY BE BEST FUNDED ELSEWHERE. WE REALIZE THAT FINAL DECISION CANNOT BE MADE AT THIS TIME BUT UNLESS THERE ARE OTHER OVER-RIDING CONSIDERATIONS APAC DIRECTED:

(A) COMPLETION OF THE NATIONAL AGRICULTURAL RESEARCH CENTER AS AN AMENDMENT TO THE EXISTING PROJECT;

(B) PROCUREMENT AGENT ACTIVITIES TO BE FUNDED BY EACH RELEVANT PROJECT, UNLESS OF MOST GENERAL NATURE AND CLEARLY NOT RELATED TO ANY SPECIFIC PROJECT;

(C) PRE-PROJECT ACTIVITIES (ITEM 7, P. 51) SUCH AS PURCHASE OF VEHICLES, FURNITURE, ETC., BE FUNDED OUT OF EACH INDIVIDUAL PROJECT. PRE-PROJECT TECHNICAL ASSISTANCE, HOWEVER, COULD BE FUNDED FROM THE PROJECT DESIGN FUND; AND

D) TRAINING BE CONSOLIDATED UNDER THE MISSION'S
PROPOSED DEVELOPMENT SUPPORT TRAINING PROJECT.

1. COPIES OF REVISED PP WILL BE DELIVERED TO
MISSION AS SOON AS AVAILABLE. ANTICIPATE COMPLETION
DATE OF CIRCA 1 NOVEMBER 1981.

5. MISSION SHOULD CABLE PROPOSED ANNUAL OBLIGATION
SCHEDULE AND ESTIMATED BREAKDOWN BETWEEN LOCAL
~~COST AND FX COSTS.~~ IF FY 82 NEEDS INCREASE AFTER
INITIAL OBLIGATION, WE COULD SUPPLEMENT IT LATER
AS APPROPRIATE PLACEMENT OF ABOVE ELEMENTS BECOMES
CLEARER. RAIG

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TAGS.

SUPJ: FY 1982 ESF ECONOMIC ASSISTANCE PROGRAM FOR
PAKISTAN - APAC MEETING

1. THE FY 1982 ESF PROGRAM FOR PAKISTAN WAS REVIEWED AND APPROVED DURING THE OCTOBER 15 APAC MEETING CHAIRED BY AA/ASIA. SUBMISSION IS CONSIDERED FULLY IN ACCORD WITH PROGRAM WHICH WAS NEGOTIATED IN AUGUST 1981 BY THE U.S. ECONOMIC ASSISTANCE TEAM HEADED BY THE AID ADMINISTRATOR. PROGRAM FULFILLS POLICY NEEDS OF BOTH THE U.S. AND PAKISTANI GOVERNMENTS.

2. APAC RECOGNIZED DEGREE OF EXTRAORDINARY EFFORT REQUIRED ON THE PART OF THE USAID MISSION TO COMPLETE AND SUBMIT THE NECESSARY DOCUMENTATION ON SUCH SHORT NOTICE. THE MISSION IS TO BE COMMENDED FOR A JOB WELL DONE.

3. A NUMBER OF GENERAL CONCERNS WERE RAISED BY APAC WHICH NEED TO BE HIGHLIGHTED:

(A) STAFFING: IN ADDITION TO THE TEN ACTIVITIES IN FY 1982, FOUR NEW PROJECTS ARE PLANNED IN FY 1983 AND FOUR MORE IN FY 1984. MISSION WILL ALSO BE REQUIRED TO

SUBMIT A COUNTRY DEVELOPMENT STRATEGY STATEMENT IN JANUARY 1983. IN VIEW OF THIS WORKLOAD, CURRENT MISSION STAFFING OF 16 USDB AND 37 FSN WAS CONSIDERED INSUFFICIENT. APAC CONCURRED IN REQUESTED IMMEDIATE INCREASE OF NINE USDB AND 13 FSN POSITIONS, WHICH WOULD BRING THE NEW STAFF TOTALS TO 25 AND 50 RESPECTIVELY DURING FY 1982. ASIA BUREAU IS REQUESTING THESE ADDITIONAL C fillings OF THE AID/W CONTROLLER, AND HOPES TO BE ABLE TO ALLOCATE SOME TO THE MISSION SHORTLY. IT WOULD BE HELPFUL IN TERMS OF OVERALL TIMING IF EMBASSY COULD SEND IN APPROPRIATE MOTE CABLE, APPROVING NEW LEVELS.

(B) NARCOTICS: ALL PROJECTS SHOULD BE EXAMINED FOR OPPORTUNITY TO POSITIVELY AFFECT NARCOTICS PROBLEM GIVEN RECENT CONGRESSIONAL CONCERNS AND AGENCY COMMITMENT TO NARCOTICS EFFORT. AT A MINIMUM, PROJECTS SHOULD NOT BE SUSCEPTIBLE TO BEING USED TO ASSIST IN POPPY PRODUCTION. WHENEVER POSSIBLE, PROJECTS SHOULD

IDENTIFY ANTI-POPPY ASPECTS OF THE ACTIVITY TO BE UNDERTAKEN AND, IF CONSIDERED ADVISABLE, SHOULD UTILIZE AN APPROPRIATE CITE POPPY CLAUSE UNQUOTE IN PROJECT AGREEMENT.

(C) NEW POLICY EMPHASES: ALL PROJECTS SHOULD BE EXAMINED IN LIGHT OF NEW AID POLICY EMPHASES ON INSTITUTIONAL DEVELOPMENT, PRIVATE SECTOR INVOLVEMENT, TECHNOLOGY TRANSFER, HUMAN RESOURCES DEVELOPMENT AND HOST GOVERNMENT POLICY CHANGE RECEPTIVITY. COMPONENTS RELATING TO THESE EMPHASES SHOULD BE SPECIFICALLY IDENTIFIED IN EACH PROJECT PAPER.

(D) HOST COUNTRY CONTRIBUTION: IN CASES WHERE PROJECTS COMBINE ESF AND IA FUNDS, 25 PERCENTUM HOST COUNTRY CONTRIBUTION MAY REPEAT MAY HAVE TO BE MET FOR THE ENTIRE PROJECT. USAID SHOULD, AT THIS TIME, IDENTIFY AND QUANTIFY AS POSSIBLE ANTICIPATED HOST COUNTRY EXPENDITURES RELATED TO EACH PROJECT OR AMENDMENT TO PROJECT. IF 25 PERCENTUM HOST COUNTRY CONTRIBUTION FOR EACH PROJECT IS NOT ATTAINABLE, PLEASE ADVISE GC/ASIA AS TO (1) PROJECT NAME, (2) AMOUNT OF SHORTFALL AND (3) REASON. IN IDENTIFYING AND QUANTIFYING ANTICIPATED HOST COUNTRY CONTRIBUTIONS, KEEP IN MIND THAT CONTRIBUTION MAY BE QTE IN KIND UNQUOTE AND GUIDANCE FOUND IN HANDBOOK 3-APPENDIX 3D.

(E) PROGRAMMING OF COUNTERPART: WHERE ESF GRANT REPEAT GRANT FUNDS ARE USED TO FINANCE COMMODITIES AND LOCAL CURRENCY GENERATIONS RESULT, SECTION 629 OF THE FAA REQUIRES AID TO APPROVE THE HOST COUNTRY PROGRAMMING OF SUCH GENERATIONS. UNDER SECTION 629 SUCH COUNTERPART CAN BE USED FOR EITHER USG ADMINISTRATIVE REQUIREMENTS OR ANY OTHER PURPOSE JUSTIFIABLE UNDER FAA.

(F) SOURCE/ORIGIN: AUTHORIZED SOURCE/ORIGIN IS U.S. PLUS HOST COUNTRY FOR ESF FUNDED GRANT REPEAT GRANT ACTIVITIES. ANY PROCUREMENT FROM CODE 941 COUNTRIES WOULD HAVE TO BE JUSTIFIED THROUGH WAIVER PROCESS.

(G) ENVIRONMENT: PROJECTS 391-0462; 2469; 2472; 2474; AND 2475 DO NOT REQUIRE IEE'S OR IA'S. PROJECT 2413 HAS PREVIOUSLY BEEN GIVEN A NEGATIVE DETERMINATION WHICH REMAINS VALID. FOR MALARIA AND RURAL ELECTRIFICATION, EXISTING FA'S SHOULD BE EXAMINED FOR ANY NEW ISSUES. NEW IEE'S ARE REQUIRED FOR 391-0457 (IRRIGATION SYSTEM - REHABILITATION) AND 391-0471 (TRIBAL AREA DEVELOPMENT). A MEMO WITH ADDITIONAL GUIDELINES HAS BEEN FORWARDED VIA BUREAU BY BUREAU ENVIRONMENTAL OFFICER TO MISSION.

(H) PROCUREMENT: A SPECIFIC PROCUREMENT PLAN, WITH STAFFING/TOT REQUIREMENTS, SHOULD BE DEVELOPED FOR EACH PROJECT.

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ANNEX D
Page 3

SPECIFIC COMMENTS ON PIDS FOR ACTIVITIES TO BE
INITIATED IN FY 1982 ALONG WITH GUIDANCE FOR THE
DEVELOPMENT OF PIDS FOLLOW BY SEPTELS. HAIG

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COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. General Criteria for Country Eligibility

- | | |
|---|------------------------|
| 1. <u>FAA Sec. 116.</u> Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? | Applicable to DA only. |
| 2. <u>FAA Sec. 113.</u> Has particular attention been given those programs, projects, and activities which tend to integrate women into the national economies of developing countries, thus improving their status and assisting the total development effort? | Yes |
| 3. <u>FAA Sec. 481.</u> Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotics, drugs, and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported thru such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? | No |
| 4. <u>FAA Sec. 620 (b).</u> Deleted | |
| 5. <u>FAA Sec. 620 (c).</u> If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? | No |

6. FAA Sec. 620 (e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations towards such citizens or entities? No
7. FAA Sec. 620(a), 620(f), 620D; Continuing Resolution Sec. 511, 512 and 513; ISDCA of 1980 Secs. 717 and 721. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos or Vietnam? (Food and humanitarian assistance distributed directly to the people of Cambodia are excepted). Will assistance be provided to Afghanistan or Mozambique without a waiver? Are funds for El Salvador to be used for Planning for compensation, or for the purpose, for the confiscation nationalization, acquisition or expropriation of any agricultural or banking enterprise, or property or stock thereof? No
8. FAA Sec. 620(i). Deleted
9. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent the damage or destruction, by mob action, of U.S. property? At the present ti the GOP is taking adequate measures
10. FAA Sec. 620(k). Does the program furnish assistance in excess of \$100,000,000 for the construction of a productive enterprise, except for productive enterprises in Egypt that were described in the Congressional Presentation materials for FY 1977, FY 1980 or FY 1981? No
11. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? N/A

12. FAA Sec. 620(m). Deleted
13. FAA Sec. 620(o); Fisherman's Protective Act of 1967, as amended, Sec. 5. If country has seized or imposed any penalty or sanction against any U.S. fishing activities in international waters, N/A
- a. has any deduction required by the men's Protective Act been made?
- b. has complete denial of assistance been considered by AID Administrator?
14. FAA Sec. 620(q); Continuing Resolution Sec. 518. (a) Is the government of the recipient country in default for more than six months on interest or principal of AID loan to the country? (b) Is the country in default exceeding one year on interest or principal on any U.S. loan under a program for which the Continuing Resolution appropriates funds? No
15. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems? Yes
16. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No
17. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? The U.N. does not consider Pakistan to be in arrears in accordance with article 19 of the U.N. Charter as of January 13, 1982.

18. FAA Sec. 620A; Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? No
19. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No
20. Sec. 720 (a). (a) Was the country represented at the meeting of the Ministers of Foreign Affairs and heads of delegations of the non-aligned countries to the 36th General Session of the Assembly of the United Nations on September 25 and 28, 1981? (b) If the answer is in the affirmative did the country disassociate itself from the communique following that meeting? a. Yes
b. Yes
21. Sec. 620 (e), 669. (a) Has Pakistan after August 3, 1977, delivered to or received from any other country nuclear enrichment equipment, materials or technology without specified arrangements or safeguards? (b) If the answer to (a) is in the affirmative, has the President waived the prohibitions of FAA Section 620(e) to allow for the providing of assistance to Pakistan. (a) & (b)
The necessary Presidential action has been taken.
22. Sec. 670. (a) Has Pakistan, after August 3, 1977 delivered to or received from any other country nuclear reprocessing equipment, material or technology other than under circumstances specified in FAA 670? (b) If the answer to (a) is in the affirmative, has the President certified to allow for providing assistance to Pakistan and has that certification not been disapproved by Congress as provided for in FAA Section 670? (c) Has Pakistan, after August 3, 1977 (1) transferred a nuclear explosive device to a non-nuclear weapon state, or (2) is a non-nuclear (c) No

weapon state and received a nuclear explosive device or detonated a nuclear explosive device? (d) If the answer to (c) is in the affirmative, has the President certified to allow for providing assistance to Pakistan and has that certification not been disapproved by Congress as provided for in FAA Sec. 670?

(d) N/A

B. Funding Source Criteria for Country Eligibility

1. Development Assistance Country Criteria

N/A. ESF Funding

2. Economic Support Fund Country Criteria

a. FAA Sec. 520B. Has the country (a) engaged in a consistent pattern of gross violations of internationally recognized human rights or (b) made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No to (a)

b. FAA Sec. 532 (f). Will ESF assistance be provided to Syria?

N/A

c. 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?

Special account arrangements will be made for the sales proceeds of ESF financed commodities

d. FAA Sec. 620B. Will ESF be furnished to Argentina.

N/A

PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST
UP TO DATE? Yes

HAS STANDARD ITEM
CHECKLIST BEEN REVIEWED
FOR THIS PROJECT? Yes

A. GENERAL CRITERIA FOR PROJECT

1. Continuing Resolution

Unnumbered; 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) Congressional notification and special committee hearings.

(b) Yes

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

Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N/A

4. FAA Sec. 611(b); 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? N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A
6. FAA Sec. 209. Is project susceptible of 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. No
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and, (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
- (a) Project may marginally encourage international trade.
- (b) Project is directed in part to foster private initiatives.
- (c) Project will not encourage cooperative institutions.
- (d) Project may have a marginal effect on monopolistic practices.
- (e) Project will benefit industry, agriculture and commerce.
- (f) Project will not encourage free trade unions.
8. FAA Sec. 601(b). Information and conclusion 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).
- Project is intended to explore possibilities for private sector investment in foreign assistance program.

9. FAA Sec. 612(b), 636(h); Continuing Resolution Sec. 508.
Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so what arrangements have been made for its release?
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
12. 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?
13. FA Appropriation Sec. 525. Will the funds for this project be used to lobby for abortion?

DA funds will not be used to finance more than 75% of the overall program. Obligation and implementation documents will provide for appropriate disbursement of U.S. owned foreign currency in light of program objectives.

Yes. U.S. owned excess currency will be considered as appropriate.

Yes

N/A

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

N/A

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

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (including only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration of programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to

which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, (i) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and (ii) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106; ISDCA of 1980, Sec. 304] for energy, private voluntary organizations, and selected development activities; if so, extent to which activity is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of

energy production; (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves; and (c) a cooperative program in energy production and conservation through research and development and use of small scale, decentralized, renewable energy sources for rural areas;

(ii) technical cooperation and development, especially with U.S. private and voluntary or regional and international development organizations;

(iii) research into, and evaluation of, economic development process and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] is appropriate effort placed 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.)

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 has the latter

cost-sharing requirement been waived for a "relatively least developed" country)?

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

f. 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.

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

2. Development Assistance Project
Criteria (Loans Only)

N/A

a. FAA Sec. 122(b). Information and 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. Project Criteria Solely for
Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

Yes

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

No



**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO PAKISTAN**

Cable : USAIDPAK

**HEADQUARTERS OFFICE
ISLAMABAD**

THE DIRECTOR

PROJECT DESIGN FUND, (391-0470)

FAA SECTION 612 (b) CERTIFICATION

A major purpose of the \$1.625 billion economic assistance program negotiated between the governments of the U.S. and Pakistan, acknowledged by both governments and a primary reason for both governments having decided to develop an economic assistance package, is to provide balance of payments assistance to Pakistan.

I have carefully reviewed the advisability of disbursing U.S. dollars in lieu of U.S.-owned excess foreign currency to pay for local costs of projects being implemented in Pakistan. In light of the U.S. Government's objectives concerning the program, I have determined that it would be prejudicial to U.S. interests and goals to pay for all local currency costs with U.S.-owned rupees. Such a procedure would prevent the U.S. from providing the maximum amount of balance of payments support under the economic assistance package, and consequently would undercut one of the basic objectives of the program. The objective of providing balance of payments assistance to Pakistan can best be achieved by disbursing U.S. dollars to pay for local costs of the program. Section 612(b) of the Foreign Assistance Act of 1961, as amended, authorizes the administrative official approving the voucher to determine that local costs will be funded with direct payment of dollars for the program. Pursuant to this provision, Handbook 19 requires that the Mission Director (or his designee) make a determination as to the reason in any instance where U.S. dollars are used (disbursed) when U.S.-owned foreign currency is available. Where dollars are used for local cost financing, therefore, USAID/Pakistan will make disbursements to the GOP in U.S. currency.

FAA Section 612 (b) Certification (Continued)

In addition to disbursing dollars for local costs, USAID/Pakistan plans to use the U.S.-owned excess rupees, known as "Mondale rupees," which are available under the provisions of Section 104 of the Agricultural Trade Development and Assistance Act of 1954, as amended, to finance some of the local costs associated with U.S. dollar-financed activities, thereby increasing the overall development impact of the proposed \$1.625 billion economic assistance program.

In view of the above rationale, I, Donor M. Lion, principal officer of the Agency for International Development in Pakistan, pursuant to Section 612(b) of the Foreign Assistance Act of 1961, as amended, do hereby certify the need to disburse dollars to cover local currency costs in lieu of using U.S.-owned excess rupees under the Project Design Fund.

Donor M. Lion

Donor M. Lion
Director
USAID/Pakistan

March 29, 1982

Date

SOUTH ASIA

U.S. Assistance to Pakistan

August 1981

JOINT STATEMENT.
JUNE 16, 1981¹

James L. Buckley, Under Secretary of State for Security Assistance (Science, and Technology), and a team of U.S. officials from Washington, concluded their 5-day visit to Pakistan today and will fly back to the United States from Karachi early on the morning of June 16. During his visit, Mr. Buckley met for 2 days of talks with senior Pakistan leaders and officials including President (Mohammad) Zia-ul-Haq, Foreign Minister Agha Shahi; Finance Minister Ghulam Ishaq Khan; the Secretaries General of the Foreign and Defense Ministries, S. Shah Nawaz and Maj. Gen. (retired) M. Rahim Khan; Foreign Secretary Ruz Piracha; Lt. Gen. Ejaz Azim; Ambassador-designate to Washington, Lt. Gen. K. M. Arif; Chief of Staff to the President; and others. Mr. Buckley also visited Murree and refugee camps in the northwest frontier province and Baluchistan.

Mr. Buckley's visit, at the invitation of the Government of Pakistan, was part of the continuing dialogue established between the Pakistan Government and the U.S. Government during the last 4 months and aimed at finding ways for the United States to assist Pakistan in meeting the unprecedented threats it faces to its independence and sovereignty as a consequence of the developments in the region. The previous round in these talks had taken place in April when Foreign Minister Agha Shahi headed a team of senior Pakistani officials for talks with Secretaries Haig and Weinberger (Secretary of Defense Caspar W. Weinberger) in Washington, D.C.

Mr. Buckley's official talks in Islamabad, which took place on June 13 and 14, centered on U.S. proposals to provide economic assistance and to facilitate sales of military equipment to Pakistan. Detailed discussion took place on various levels of assistance and the composition of assistance required by Pakistan. The talks also provided an opportunity for discussions of urgent Pakistani military requirements which the United States has agreed to look into with a view toward determining which ones the United States might be able to satisfy through its foreign military sales program.

During the talks, the two sides discussed the serious threat to the

region posed by the presence of foreign troops in neighboring Afghanistan. Both sides agreed that a strong and independent Pakistan is in the mutual interest of the United States and Pakistan, as well as of the entire world. Mr. Buckley affirmed American determination to assist Pakistan and to support Pakistan's sovereignty and territorial integrity.

The Pakistani side explained Pakistani policies, especially Pakistan's commitment to the principles and purposes of the nonaligned movement and the Organization of the Islamic Conference. Both sides agreed that U.S. assistance as proposed is consistent with these principles and with Pakistan's nonaligned status. Mr. Buckley specifically disclaimed any American interest in military bases or in establishing any new alliances.

The United States and Pakistan discussed the dimensions of an overall framework for American efforts to assist Pakistan over the next 6 years. This includes a program of cash military sales during this year. It also includes a 5-year program of economic support funds, development assistance, and loans for foreign military sales—the total value of which is expected to be approximately \$3 billion, subject to annual approval by the U.S. Congress.

The multiyear approach is in response to the seriousness and immediacy of the threat to Pakistan's security. The United States has agreed to the sale of F-16 aircraft to Pakistan to assist Pakistan to improve its air defense capabilities; terms, timing, and numbers will be determined in a later meeting, likely to take place in Washington, between Pakistani and American military representatives. The United States agreed, also, to the early delivery of selected defense equipment urgently needed by Pakistan defense forces to meet the threats Pakistan faces.

Mr. Buckley invited the Government of Pakistan to send a team of military and defense officials to Washington to discuss military equipment needs and availabilities in detail. This visit is expected to take place before the end of June.

¹ Made available to news correspondents by acting Department spokesman David Passage.



No 1(1)CM-VI/82.
Government of Pakistan
MINISTRY OF FINANCE AND
ECONOMIC AFFAIRS
(ECONOMIC AFFAIRS DIVISION)

Dated: 31st Jan., 1982.

Telegram : ECONOMIC
Telex : ECDIV No 05-634

SECRETARY
PHONE: 22783

Dear Dr. Lion,

As part of our two Governments' agreement on a six year \$ 1.625 billion economic assistance program, the Government of Pakistan formally requests from USAID/Pakistan ten million dollars (\$ 10,000,000) in United States assistance and twenty-nine million seven hundred thousand rupees (Rs. 29,700,000) of Mondale rupees to fund a Project Design Fund.

2. The Project Design Fund is to assist Pakistan to develop and design high priority development projects which will promote economic stability and self-sustaining growth.

3. Subject to the availability of funds, approximately \$ 10 million in ESF grant funds will be provided over a six year period. The project will also have a Mondale rupee component to help finance the local costs of technical and related assistance required for project and program design and development. The following types of activities will be funded under this project:

- (a) Technical and related assistance needed to develop and design the projects which will be carried out as part of the renewed economic development relationship with Pakistan;
- (b) Technical assistance and studies needed to prepare development strategies and assistance activities.

4. The Government of Pakistan assures the United States Government of its full cooperation in carrying out the Project Design Fund. The

- 2 -

manpower, financial, and other inputs required of us will be provided in an expeditious manner.

5. We look forward to a continued, combined effort by both our governments to yield a productive and beneficial program for the people of Pakistan.

Yours sincerely,



(Ejaz Ahmad Naik)

Dr. Donor M. Lion,
Director,
USAID Mission
Islamabad.

LIMITED SCOPE GRANT PROJECT AGREEMENT

Between the United States of America, acting through the Agency for International Development (A.I.D.)

AND

The President of the Islamic Republic of Pakistan, acting through the Economic Affairs Division, Ministry of Finance and Economic Affairs, Government of Pakistan (Islamabad)

(GRANTEE)

1. Project Title: Project Design Fund	2. A.I.D. Project Number: 391-0470
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The above-named parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including any annexes attached hereto, and (2) any general agreement between the two governments regarding economic or technical cooperation.

3. Amount of AID Grant: \$ 3,000,000	4. Grantee Contribution to the Project: Not applicable - ESF funding	5. Project Assistance Completion Date: September 30, 1987
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6. This Agreement consists of this title page and three Annexes. Annex A is the Project Description and Listing of Special Provisions. Annex B is the Implementation Plan and Proposed Project Budget. The "Project Agreement Standard Provisions Annex" completes this Agreement.

7. For the Grantee: Typed Name EJAZ A. HAIK	8. For the Agency for International Development: Typed Name DONOR M. LION
Signature	Signature
Title: Secretary, Economic Affairs Division	Title: Director, USAID/Pakistan
Date March 29, 1982	Date March 29, 1982

PROJECT AGREEMENT

ANNEX A

PROJECT DESCRIPTION

1. Project Title: Project Design Fund 2. AID Project Number: 391-0470
3. This project is intended to assist Pakistan to develop and design high priority development projects which will promote economic stability and self-sustaining growth. In FY 1982, this Agreement provides Three Million United States Dollars (\$ 3,000,000) to finance the foreign exchange and local costs of technical and related assistance needed to (a) prepare projects to be financed as part of the renewed economic and development assistance program between the U.S. and Pakistan; and (b) contribute to the preparation of USAID/Pakistan's development strategy.

The following types of activities will be funded under this Project:

- a. Technical and related assistance and goods needed to develop and design projects which will be carried out as part of the renewed economic development relationship with Pakistan; and
 - b. Technical and related assistance, commodities and studies required to prepare the Mission's development strategy and assistance activities. Examples of possible areas of study are edible oil, food security, fertilizer, resource mobilization, mechanization, agricultural commodities and equipment evaluation, energy-resources, coal, railroad electrification, narcotic strategy, macro-economic analyses, education sector assessment, private sector constraints, shelter and recurrent costs.
4. Special Provisions:
- a. Disbursements pursuant to this Project Agreement will be used exclusively to finance the costs of goods, services and shipping required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code as in effect at the time orders are placed or contracts entered into for such goods or services) or Pakistan, except as A.I.D. may otherwise agree in writing.
 - b. Under this Project, A.I.D. will direct contract for all goods and services.
 - c. It is anticipated that A.I.D. will provide further funding increments totalling Seven Million United States Dollars (\$ 7,000,000) during FY 1983 through FY 1987 and Twenty-Nine Million, Seven Hundred Thousand Pakistani Rupees (Rs 29,700,000) in FY 1982. This further funding is subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

ANNEX B

IMPLEMENTATION PLAN AND PROPOSED PROJECT BUDGET

All technical assistance, commodity procurement and related assistance will be conducted through A.I.D. direct contracting. Technical assistance will be obtained through a variety of sources such as U.S. Government agencies, private firms, universities and individuals. Considerable assistance from A.I.D./Washington and A.I.D. regional offices, e.g., the Regional Contracts Officer and the Regional Commodity Management Advisor, is anticipated and will be requested as needed.

The following is a summary of the proposed project budget:

PROPOSED PROJECT BUDGET
(in 000's)

<u>Component</u>	<u>FY 1982</u>		<u>Life of Project</u>	
	<u>AID Dollar Grant</u>	<u>Mondale Rupees</u>	<u>AID Dollar Grant</u>	<u>Mondale Rupees</u>
Project Design Assistance	\$ 1,400	Rs 8,522	\$ 2,054	Rs 8,522
Development Strategy Assistance	\$ 1,600	Rs 16,195	\$ 3,703	Rs 16,195
Reserve	\$ - 0 -	Rs 4,983	\$ 4,243	Rs 4,983
Total	<u>\$ 3,000</u>	<u>Rs 29,700</u>	<u>\$10,000</u>	<u>Rs 29,700</u>

PROJECT AGREEMENT

ANNEX I
Page 4

PROAG STANDARD PROVISIONS ANNEX

- A. Reference to 'this Agreement' means the original Project Agreement as modified by any revisions which have entered into effect. Reference to 'cooperating country' means the country or territory of the Grantee.
- B. (1) AID will make available the amount specified in Block 3 of this Agreement, as necessary for the Project, as may be further described in Annex A.
- (2) The Grantee will make available the amount specified in Block 4 of this Agreement, as necessary for the Project, as may further be described in Annex A. The Grantee will also make, or arrange to have made, additional contributions of property, services, facilities and funds required for carrying out the Project as specified in Annex A.
- C. AID and the Grantee may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Agreement. The two parties may agree to accept contributions of property, services, facilities and funds for purposes of this Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Agreement.
- D. Except as otherwise specified herein or subsequently agreed by the parties, all contributions of the parties pursuant to this Agreement shall be made on or before the Project Assistance Completion Date, or amended date. A contribution of goods or services shall be considered to have been made when the services have been performed and the goods furnished as contemplated in this Agreement. Disbursement of funds may take place after final contributions have been made, but AID shall not be required to disburse funds hereunder after the expiration of nine months following the estimated Project Assistance Completion Date (Block 5 of this Agreement) or any amended Project Assistance Completion Date specified.
- E. The procurement of commodities and services to be financed in whole or in part by AID may (where so required by AID procedures) be undertaken only pursuant to Project Implementation Orders (PIOs) issued by AID.
- F. Unless otherwise specified in the applicable PIO or Project Implementation Letter (PIL), the procurement of commodities imported specifically for the Project and financed with the AID contribution referred to in Block 3 of this Agreement shall be subject to the provisions of AID Handbook 15 Chapter 3.
- G. Unless otherwise agreed by the parties or otherwise specified in the applicable PIO, title to all property procured through financing by AID pursuant to Block 3 of this Agreement shall be in the Grantee, or such public or private agency as it may authorize.
- H. (1) Any property furnished to either party through financing by the other party pursuant to this Agreement shall, unless otherwise agreed by the party which financed the procurement, be used effectively for the purposes of the Project in accordance with this Agreement, and upon completion of the Project, will be used so as to further the objectives sought in carrying out the Project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through

cing by the other party pursuant to this Agreement which is not used in accordance with the preceding sentence.

(2) Any funds provided to either party pursuant to this Agreement which are not used in accordance with this Agreement, shall be refunded to the party providing the funds.

(3) Any interest or other earnings on funds provided by AID to the Grantee under this Agreement will be returned to AID by the Grantee.

I. (1) If AID and any public or private organization furnishing commodities through AID financing for operations hereunder in the cooperating country, is, under the laws, regulations or administrative procedures of the cooperating country, liable for customs, duties and import taxes on commodities imported into the cooperating country for purposes of carrying out this Agreement, the Grantee will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement.

(2) If any personnel (other than citizens and residents of the cooperating country), whether United States Government employees, or employees of public or private organizations under contract with, or individuals under contract with AID, the Grantee or any agency authorized by the Grantee, who are present in the cooperating country to provide services which AID has agreed to furnish or finance under this Agreement, are under the laws, regulations or administrative procedures of the cooperating country, liable for income and social security taxes with respect to income which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes on personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the cooperating country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by any such personnel in the cooperating country) or if any firm, not normally resident in the cooperating country, is liable for income, receipts, or other taxes on work financed by AID hereunder, the grantee will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. If funds provided by AID are introduced into the cooperating country by AID or any public or private agency for purposes of carrying out obligations of AID hereunder, the Grantee will make such arrangements as may be necessary so that such funds shall be convertible into currency of the cooperating country at the highest rate which, at the time the conversion is made, is not unlawful in the cooperating country.

K. AID shall expend funds and carry on operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States Government.

L. The two parties shall have the right at any time to observe operations carried out under this Agreement. Either party during the term of the Project and for three years after the completion of the Project shall further have the right (1) to examine any property procured through financing by that party under this Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

.3.

M. AID and the Grantee shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

N. The present Agreement shall enter into force when signed. Either party may terminate this Agreement by giving the other party thirty (30) days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 3 and 4 of this Agreement, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Agreement. It is expressly understood that the obligations under paragraph H relating to the use of property or funds shall remain in force after such termination. In addition, upon such termination AID may, at AID's expense, direct that title to goods financed under the Grant be transferred to AID if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of the Grantee's country.

O. To assist in the implementation of the Project, AID from time to time, may issue PIAs that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon PIAs to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

P. The Grantee agrees, upon request, to execute an assignment to AID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with AID financed in whole or in part out of funds granted by AID under this Agreement.