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R. Ashton

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)

FIJI: Commodity Financing STD Procedures
(882-0001)

September 24, 1986

UNCLASSIFIED

CLASSIFICATION:

AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. 882-0001
		2. COUNTRY FIJI
		3. CATEGORY COMMODITY FINANCING STD PROCEDURES
		4. DATE SEPTEMBER 30, 1986
5. TO: CHARLES W. GREENLEAF, ASST. ADMINISTRATOR, ANE	6. OYB CHANGE NO.	
7. FROM: WILLIAM E. PAUPE REGIONAL DIRECTOR		
8. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 5,000,000		9. OYB INCREASE NONE TO BE TAKEN FROM: ESF AND HEALTH ACCT
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input checked="" type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD MARCH 1987 - 1988
14. COMMODITIES FINANCED		10. TRANSACTION SCHEDULE DATE SEPTEMBER 30, 1986

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only: \$1,357,000	U.S.: \$1,357,000
Limited F.W.:	Industrialized Countries:
Free World:	Local:
Cash:	Other:

18. SUMMARY DESCRIPTION

This PAAD authorizes \$1.357 million in Grant funds, subject to availability in accordance with the AID OYB/allotment process, to finance the foreign exchange and local costs of importing commodities for public sector agencies responsible for: data processing for public policy and economic planning; urban water supply services; rural health and hospital services; and weather surveillance services, including early hurricane warning services. This document describes the proposed one-year program designed to increase the productivity of public sector agencies and provide balance of payment support. Fiji's export earnings are heavily concentrated in sugar, the demand and price for which have been weak since the late 1970s. At the same time, wage and salary increases in the public and private sectors in the 1980s have generated increased demand for imported goods. Together, these factors have resulted in a significant deterioration in Fiji's balance of payments and its foreign debt and related servicing requirements. Under its recently released Ninth Development Plan (1985-1990), the GOF has outlined policy changes to diversify and increase exports and curtail imports of non-essential commodities.

19. CLEARANCES	20. ACTION
R. Shoemaker _____ 9/24/86	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
J. Schill <i>an</i> _____ 9/24/86	<i>W. E. Paupe</i> _____ 9/25/86
Kuhn <i>A</i> _____ 9/24/86	WILLIAM E. PAUPE Regional Director
_____	TITLE

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I. SUMMARY AND RECOMMENDATIONS

- A. Title: Fiji FY 1986 Commodity Import Program
- B. Amount: US\$1,357,000 (One Million Three Hundred and Fifty Seven Thousand U.S. Dollars)
- C. Type of Funding: Economic Support Fund Grant and Health D.A.
- D. Term of the Program: Eighteen Months
- E. Executing Agency: GOF Ministry of Finance
- F. Program Justification:

The justification for the Fiji Commodity Import program is based on several factors. First, the CIP addresses one of Fiji's most urgent macro-economic problems, the lack of foreign exchange due to the persistent deficits in the balance of payments current account. Second, the CIP will directly contribute to enhancing the public sector's capacity to plan and implement economic development programs led by the private sector, particularly in the agriculture, tourism and health sectors. Third, it will assist Fiji, a moderate and pro-U.S. force in the South Pacific, to maintain an influential role in the region.

G. Program Description:

The CIP will provide balance of payment support to the GOF by supplying foreign exchange to finance imports of capital equipment and materials as well as related services for the public sector from the United States. This will permit the GOF to increase the efficiency and effectiveness of its development support efforts in key sectors of the Fijian economy. Persistent budget deficits and foreign exchange shortages have resulted in significant reductions in public sector investment in capital equipment and materials essential to the maintenance and improvement of public infrastructure and services. Investment reductions have occurred in the transport, planning, agriculture, (including fisheries), health, and tourism sectors, thus jeopardizing Fiji's long term economic development.

H. Program Implementation:

1) Institutions. The institutional relationships for the FY 1986 CIP are:

(a) The Minister of Finance will sign the grant on behalf of the GOF and have primary responsibility for program monitoring and reporting requirements, as well as be responsible for programming any counterpart funds in coordination with other GOF ministries and the USAID;

(b) The USAID/SPRDO will have primary responsibility for AID's implementation responsibilities under the CIP. The Mission backstop officer is James Schill, PDO, who will be assisted by the Regional Commodity Management Officer, Bangkok and the Legal Advisor, Indonesia, as required. It is anticipated that as an incidental service, the services of a procurement services agent will be financed under the CIP, particularly for the items in support of the Health Sector.

2) Waivers. No waivers are required at this time.

3) Initial Environmental Examination. An IEE has not been prepared because a commodity import program is categorically excluded per Section 216.2(c)(2)(ix) of AID Regulation 16.

4) Statutory Checklist. A Statutory Checklist has been prepared and is included as Annex B.

I. Recommendation:

AA/ANE has delegated to the Regional Director, USAID/SPRDO authority to authorize this PAAD. Accordingly, it is recommended that the US\$1.357 million grant to the Government of Fiji be executed for the purposes of financing a Commodity Import Program to purchase commodities from the United States.

II. RATIONALE FOR CONTINUED U.S. ASSISTANCE

A. U.S. Interests and Objectives:

Our primary foreign policy objective is to maintain Fiji's role as a moderate and influential pro-U.S. force in the South Pacific. This objective is derived from a number of core U.S. interests: (1) preventing the Soviet Union from gaining a permanent foothold in the South Pacific; (2) maintaining access to the region's ports for U.S. warships and aircraft; (3) preserving access to the region's fisheries resources; and (4) ensuring continued support for U.S. positions in regional and international fora.

Fiji consistently has been the strongest and most influential island state advocate of U.S. interests in the region and globally. On issues ranging from the KAL tragedy to the rescue operation in Grenada, Fiji has spoken out publicly in support of U.S. positions and urged its island neighbors to do likewise. The government of Prime Minister Mara has opposed Soviet efforts to penetrate the region and refused a financially attractive Soviet fisheries agreement offer. Fiji welcomes U.S. warships to its ports and has questioned the wisdom of New Zealand's anti-nuclear policies in regional fora. The Mara Government provides combat battalions to UNIFIL (Lebanon) and the MFO (Sinai) in support of U.S. Mid-East peace initiatives.

B. Macro-Economic Problems and Policy Issues:

1) Economic Setting

Fiji consists of a group of over 300 islands in the South Pacific, with a population of 670,000. It gained independence from Great Britain in 1970. Although Fiji's reported 1985 per capita Gross National Product (in constant 1977 prices) of \$1,033 is high, this figure is skewed by the presence of a rather large, well-paid, urban-based, partly-expatriate population, and does not accurately reflect actual rural population income status. Fiji continues to rely heavily on agricultural production to promote economic growth and to provide a livelihood for significant segments of its population. Over 60 percent of the population is rural, with about 45% of the labor force engaged in farming (much of it is subsistence), forestry and fishing. Sugar continues to account for half of Fiji's agricultural output, a third of industrial output, and two-thirds of merchandise exports. Thus, Fiji relies heavily on sugar exports to hold down its trade deficit (\$200 million in 1985). But with declining world sugar prices over the past four years, foreign exchange and real incomes earned from sugar in 1984 were half of their 1977 levels. In 1984, the United States reduced its sugar quota to Fiji by almost one-third. Tourism is also an important source of foreign exchange and income. However more than 50% of the tourism dollar finances imports.

The world wide economic decline that began in 1977 has resulted in significant deterioration in Fiji's balance of payments, with the average annual current accounts deficit increasing from F\$24.4 million during the 1971 - 78 period to nearly F\$60 million during the 1979 - 85 period.

2) Progress Since Independence.

Between 1970 and 1978, the Fiji economy performed well, as real GDP grew by some 4.6% per annum in spite of the first oil price shock and the ensuing international economic recession. This is mainly because prices for sugar were favorable during this period. A public investment in sugar production and in basic infrastructure and private investments in tourism and related construction and distribution sectors supported the major impetus for Fiji's economic growth.

In 1979, however, Fiji's economic situation began to deteriorate; the terms of trade declined by about 24% compared to their level in 1977 as a result of the second oil price shock and the subsequent decline in non-oil commodity prices; a prolonged drought in 1981-1983 had an adverse impact on the production of sugar; tourist arrivals, which had been between 1974 and 1978, stagnated between 1979 and 1983, mainly because of the world-wide economic recession. Thus, real GDP stagnated during the 1979-1983 period, implying a 2% per annum decline in real GDP per capita. In 1984, economic activity revived with real GDP growth estimated at 5.1%, as sugar production and tourist arrivals recovered from the slump in the previous years.

The Fijian economy went into a downturn in 1985, largely due to the depressed world market price for sugar and two severe hurricanes. The production of sugar, which contributes 25% of GDP, was cut by 29%, drastically reducing the country's foreign exchange earnings and raising unemployment. Real GDP declined by 2.9% and per capita GDP by 4.7%.

The country's current account deficit improved significantly over 1984, but the overall balance of payments and terms of trade deteriorated. The debt service ratio increased to 11.8% of goods and services, a relatively high servicing ratio for the country.

The domestic savings rate in 1985 was 18.4% of GDP. On the investment side, public investment reached only 5.7% of GDP and the private sector contributed 9%, up slightly from 1984. The government's budgetary deficit has been increasing to meet the increased cost of the civil service, subsidized parastatal agencies, raising domestic debt and increasing foreign debt and servicing requirements. In June 1986, a 5% devaluation in Fijian currency was imposed, a move that was taken by the GOF to boost export earnings, encourage tourism and attract foreign investment.

The GOF and Embassy reporting forecasts a slight upturn in the economy during 1986 as exports expand through new liberalized provisions under U.S. Generalized System of Preferences for Third World Countries (GSP), E.E.C. - Lome III (LDC Sugar Convention with E.E.C.), and regional Pacific trading agreements which are due to take effect later in the year. Clearly, an expansion in exports is considered the key to new growth.

3) Balance of Payments

The reduction in the current account deficit from a high of 13.6% of GDP in 1981 to less than 3% in 1984 reflected fluctuations in the terms of trade and foreign demand and the impact of climatic conditions on exports. However, caution must be used in interpreting the data for several reasons. First, the average level (6.5% of GDP) of the current account deficit for the period 1979 to 1984 is high by historic standards. Second, the adjustment to adverse external demand and domestic supply conditions was achieved by drastically reducing public investment activity, reducing associated capital goods import and commercial financing capital inflows, rather than generating increased domestic savings and/or increasing exports. Third, the impact of the adjustments was cushioned by (1) Fiji's higher (than world market) price for sugar which benefited from ongoing long term contracts and large sugar stocks, and (2) lower import prices that were made possible by the world-wide recession and associated low inflation.

On the other hand, the adjustment process was complicated by other factors, including the rapid increase in wages and salaries and the rapid credit expansion. These changes in turn stimulated a surge in consumer goods imports.

Although the adjustment was successful in reducing the current account deficit, it avoided important structural problems in the Fiji economy, namely the need to: (a) limit public sector wage and salary escalation, (b) to develop greater long term balance of payments stability through diversification of the export sector, and (c) channel scarce concessional capital inflows into growth and employment generating investment projects.

4) Public Finance.

With total domestic revenues averaging about 23% of GDP in the 1979 - 1985., the GOF's performance in this area has been commendable. However, due to relatively sluggish economic growth and the more rapid growth of expenditures during the period, which

1/ to reduce pressure on reserves, Fiji borrowed about F\$20 million on the commercial market

averaged about 2.8% of GDP, the overall budget deficit rose to an average level of 6% of GDP in the 1979 - 1985 period. This is about double the average for the 1970's. This increase is accounted for largely by the increase in public sector wages and salaries, increasing claims on budgetary resources by public enterprises and mounting debt servicing payments. The budgetary deficits would have been much higher had the GOF not drastically reduced public development expenditures during the entire period but particularly, beginning in 1982. By 1985, the traditional recurrent surpluses that partially financed development expenditures were wiped out. It is important to note that the worsening budgetary deficit occurred in spite of the severe cut in development expenditures. Furthermore, the content of public expenditure shifted to items that are more difficult to cut such as wages and salaries, interest on public debt, subsidies and current transfers. In effect, reductions in development expenditures have thus financed the bulk of wage and salary increase in the public sector, ironically at the expense of employment growth, which virtually stagnated when a hiring freeze was imposed in the public sector beginning in 1982.

5) Prospects and Policies.

Based on World Bank commodity price projections for sugar and other primary products grown in Fiji, as well as expected growth in tourism, a moderate growth outlook is projected for the next five years. According to somewhat conservative Bank projections, economic growth could average 3% per annum between 1986 to 1990. The recently released Fiji Ninth Development Plan 1986 to 1990 (DP9) projects a significantly more optimistic growth pattern averaging 5% per annum over the same period.

Both the DP9 and Bank growth scenarios emphasize the need for a cautious approach toward the management of balance of payments and external indebtedness. Both also recognize that Fiji's long term growth prospects are directly linked to the GOF's success in strengthening its financial position while undertaking an investment program geared to position the economy on a more diversified and flexible growth path i.e. one that is designed to better insulate the economy from wide fluctuations in the terms of trade and foreign demand. Balancing these sometimes conflicting objectives represents a formidable challenge to the GOF.

(a) Managing the Current Account Deficit:

Both the World Bank and DP9 growth projections assume significantly increased public and private sector investment levels. For example, DP9 projects total public and private investment (gross capital formation) of F\$1.68 billion during the plan period. This represents an average annual increase of 6.8%.

At the same time both the IBRD report and DP9 underline the need to minimize foreign borrowing to finance the investment expansion to avoid further deterioration in the balance of payments. In particular, there is considerable pressure to avoid increasing the foreign debt and the related debt servicing levels. In response to this pressure the GOF will pursue a two pronged strategy. First as discussed in the following section on the budget, it plans to finance most of the investment program (about 86% or F\$1.446 billion) worth domestic savings. Second, the GOF will take steps to increase net foreign exchange earnings to finance the import requirements of the program.

To increase net foreign exchange earnings, the GOF will adjust existing policies and promulgate new policies aimed at increasing the attractiveness of Fiji's exports, encouraging foreign private investment, and reducing imports of non essential goods and services.

Efforts to increase the attractiveness of Fijian exports will focus on improving the price, quality and timely availability of Fijian goods and services. These efforts will emphasize: (1) increasing production efficiency, especially of state enterprises, through improved data collection, analysis and monitoring, establishing sector-specific standards and measures, training and consciousness raising for managers and labor, and improved infrastructure development and support services; (2) establishing and adopting internationally accepted quality and safety standards and measures and expanding their application through legislative and institutional mechanisms and training managers and technicians in quality control systems and techniques; and (3) maintaining price competitiveness through periodic exchange rate adjustments. In addition, preferential treatment available to Fijian exports under the SPARTECA, EEC and Lome III agreements will be fully exploited.

Tourism will also receive greater emphasis. In particular, actions will be directed at ensuring early implementation of some major new hotel construction projects now in the pipeline. In addition, efforts to strengthen tourism's foreign exchange impact will aim at increasing local value-added components.

Credit policy will focus on reducing imports of non-essential goods and increasing imports of development-related goods. Import substitution will be encouraged in part through a combination of production, and consumption, incentives and disincentives aimed at increasing the attractiveness to Fijians of locally-produced goods.

Notwithstanding these policy changes under DP9, the current accounts deficit is expected to improve only marginally during the plan period.

(b) Reducing the Budget Deficit:

If the relatively high levels of investment envisaged during the plan period are to be achieved without further determination in the budgetary situation and by extension the balance of payments situation, private and public consumption must be held in check - particularly in the short term. With this objective in mind, DP9 calls for domestic financing of 86% of planned investments. Toward this end, the GOF will implement policy changes aimed at increasing the savings rate from 16.6% of GDP in 1985 to 19.2% in 1990. Clearly, generating an increase in saving of this magnitude will require the introduction of measures to restrict consumption by both the public and private sectors. Given the significant salary and wage increases that have been gained by public and private sector workers over the past few years, this will be a difficult task and indeed represents a major thrust of DP9. Under the Plan, Government operating costs are targeted to grow at only 3.2% per annum in real terms. This will likely require a continuation of the freeze on public wages, salaries and employment. In addition, expenditures on social services will be reduced.

The Plan also calls for selective increases in indirect taxes (targeting in particular non-essential imports). Improvements in tax administration should result in increased revenue and dampen consumption. At the same time, selective tax concessions and other fiscal incentives will be used to stimulate and channel private investment in the priority sectors of the economy.

In addition, the Plan calls for a review of subsidies to local industries to make them more performance-related and to ensure real, price competitiveness of local products with foreign products and to ensure that the level of protection does not escalate over time. Further, the operation of public enterprises will be monitored to reduce reliance on government subsidies, particularly for operations. Fees for services of government and public enterprise bodies will also be reviewed and revised upward to at least cover costs.

Clearly, achieving expenditure reductions outlined in the plan will prove very difficult, particularly given the sensitive nature of the cuts envisaged. In recognition of this fact, the Plan calls for a modest reduction of the budget deficit from 5.5% of GDP in 1985 to 3.4% in 1990. Thus, even if the GOF is successful in meeting its target, the budget will likely continue to place pressure on the balance of payments.

C. AID Economic Assistance Program

In February 1984, AID established a task force to recommend a revised development assistance strategy in the South Pacific. The task force sent a study team to the area in October 1984 to assess development needs and alternative assistance options. In its report, the team suggested inter alia, a strong political rationale and a developmental rationale for a bilateral assistance program for Fiji.

Based in part on the recommendations of the task force, negotiation on a bilateral assistance agreement is being formulated with the GOF. It is anticipated that the agreement will be executed in 1987. In the interim, the SPRDO is negotiating the terms and conditions for the commodity assistance program described herein. In addition, Fiji has and will likely continue to benefit from the USAID South Pacific regional assistance program.

That program's strategy is centered on agriculture (including fisheries), health and development administration sectors. Training and private enterprise development are primary themes in all project assistance. Alternative and renewable energy sources are a secondary program interest.

The proposed FY 1986 CIP will provide the Fiji public sector agencies with improved tools, equipment and supplies which will enable them to increase the efficiency and effectiveness of the development services they provide in sectors identified above as well as others.

III. PROGRAM DESCRIPTION

A. Proposed Assistance:

This Program Assistance Authorization Document (PAAD) proposes to provide a US\$1.357 million grant from FY 1986 ESF and Health funds for the purpose of financing a Commodity Import Program for the Government of Fiji.

The purpose for the FY 1986 CIP Program is to provide balance of payments support to the GOF by supplying foreign exchange to finance imports of capital equipment, intermediate goods, and raw materials. This program will stimulate increased efficiency and effectiveness of public sector investments and service delivery, which in turn should stimulate increased investment, output and employment by the economy as a whole.

The decision to provide assistance through the structure of a CIP is based upon a clear case for balance of payments support and the ability of the GOF to plan and implement its own development programs.

B. Commodity Procurement:

The proposed Commodity Import Program will respond principally to the foreign exchange requirements of Fiji's public sector. As discussed in the preceding sections, foreign exchange shortages continue to restrict domestic investment production and employment levels. Although a wide range of commodities are eligible under the proposed CIP, (see Section IV B.), the four general categories listed below provide an indicative list of the commodities which are expected to be financed. This list includes the views of the Ministries of Home Affairs, Health, Information and Finance.

TABLE 1

Categories of Illustrative CIP Financed Commodities

1. Services: (Currently under consideration by GOF)	Medical education, rural health and hospital supplies, equipment and spare parts. Data Processing Equipment and Spares. Weather surveillance equipment and spares. Generators and spare parts.
2. Agriculture and Fisheries	Tractors, harvesters, food processing equipment, capstans, vessels, engines, fishing gear and equipment, cold storage equipment, and spare parts for each category.
3. Manufacturing and Industry	Industrial machines, tools and industrial raw materials.
4. Heavy Construction	Earthmoving equipment, roadbuilding equipment, forklift trucks, cranes, and spare parts.

The allocation of funds and selection of commodities under the proposed CIP will utilize the existing Fiji mechanism.

C. Import Market Analysis:

1) Composition of Imports

The final composition of commodities to be imported under the FY 1986 CIP will be decided on the basis of the GOF allocation system. Nevertheless, based on the anticipated requirements of the public sector end-users, a general picture of the composition of imports can be drawn. The public sector, including health, public works, finance and home affairs ministries will be the principal end-users of the proposed CIP.

2) Fiji's Trade with the United States

The statistics covering trade between Fiji and the U. S. prior to 1980 are sketchy and inconsistent. Based on World Bank statistics presented in the 1985 Country Economic Report, during the 1980 - 1983 period, Fiji had a favorable balance of trade with the U. S. three of the four years. However, over the entire period, Fiji's trade with the U. S. was approximately in balance at about \$26.4 million.

There was a steady and significant decline in US/Fijian trade during the period with exports to the U. S. declining from \$30.9 million to \$20.7 million and imports from \$29.9 million to \$19.1.

Embassy statistics indicate that the decline in Fiji - US trade continued in the 1984 - 85 period with imports falling to \$11.3 million and exports to \$18.3 million.

3) Absorbtive Capacity

The ongoing shortage of foreign exchange in Fiji is well-documented and the focus of considerable attention both in and outside of Fiji.

IV. PROGRAM IMPLEMENTATION

A. Implementation Responsibilities:

1) Government of Fiji

The Grant Agreement will be signed with the Ministry of Finance which will also have primary responsibility for program monitoring and reporting requirements. Allocation of funds under the program will be coordinated by the Ministry of Finance.

Disbursement of funds will be carried out under a Letter of Commitment issued to a U.S. bank.

For any local currency counterpart use, MOF will assign funds to activities mutually agreed upon between the GOF and AID in coordination with the participating action ministries.

Notwithstanding Section 201.65 of Regulation One and in accordance with the CN for this activity, grant funds may be utilized to finance Procurement Service Agent (PSA) agreements to assist the GOF in implementing the grant under Regulation One procedures. It is anticipated that one PSA with experience in Regulation One procurements will be selected.

2) A.I.D.

The Project Development Officer, USAID/SPRDO, will have primary responsibility for the administration of the CIP with support from the Regional Commodity Management Officer, Bangkok. Special assistance will be provided by the Legal Advisor, Jakarta, as necessary.

B. Applicable AID Regulations and Procedures:

1) AID Regulation 1

AID's standard financing procedures, applying AID Regulation 1 in its entirety, will be applicable to all foreign exchange transactions under the program. After having reviewed the GOF's foreign exchange allocation and import licensing procedures, it is not expected that these AID procedures will place an undue burden on the system.

2) Eligible Commodities

All items listed as eligible in the AID Commodity Eligibility Listing - 1986 Edition will be eligible for financing under the program. Foreign exchange costs for transportation, marine insurance and banking charges on letters of credit will also be eligible for financing.

3) Authorized Sources of Procurement

In accordance with the policy set forth in the AID Handbook 1, Supplement B, for Economic Support Fund and Development Support Fund Grants to CIP's, the authorized source of procurement for commodities and services will be the AID Geographic Code 000 (U.S. only).

4) Method of Financing

The Letter of Credit/bank letter of commitment method of financing will be used for public and possibly, some private sector imports. All commercial and merchant banks operating in Fiji will be designated approved applicants by the GOF.

5) Disbursement Period

The GOF should be given eighteen (18) months from the date of signing the agreement to complete disbursement of the Grant. Additionally, the GOF should be allowed up to 12 months after signing the agreement to request disbursing authorizations.

C. Implementation Schedule:

	<u>Date</u>	<u>Activity</u>
1.	07/30/86	PAIP Reviewed in AID/W.
2.	8/15/86	AID/W Approval sent to Mission to prepare/sign PAAD and negotiate and sign non-project grant agreement.
3.	09/15/86	Non-project grant agreement negotiated and signed.
4.	09/30/86	Implementation Letter giving eligible commodities sent to Ministry of Finance.
5.	10/15/86	Procurement agent offers are evaluated and PSA is selected
6.	11/30/86	Conditions Precedent for Grant Agreement satisfied.
7.	10/30/86	Contract for procurement agent signed.
8.	11/15/86	Bangkok RCMO reviews and approved contract and list of commodities and specifications sent to procurement agent.
9.	12/15/86	Procurements are advertised.
10.	01/31/86	Bid awards are approved by GOF.
11.	02/15/87	Purchase of Commodities started.
12.	03/30/87	First commodities arrive in Fiji.
13.	05/30/87	Last commodities arrive in Fiji.
14.	06/30/87	AID/SPRDO conducts end use and accountability check
15.	09/30/87	Procurement agent contract ends.
16.	09/31/87	End of procurement activity.

D. Program Monitoring:

AID will monitor the progress of drawdowns on the CIP through financial reports containing the following information, as will be more specifically described in an Implementation Letter.

1) Commodity Import Program

(i) Monthly report on allocations made and letters of credit opened;

(ii) Monthly report on disbursements;

2) Local Currency Generations (if any)

(i) Quarterly and cumulative disbursements by the Treasury from the Special Account;

(ii) For each program or activity funded from the Special Account, the amount budgeted for the activity, disbursements made during the quarter and cumulative disbursements; and

(iii) A general description of activities, goods, services, structures and/or facilities, etc., financed under the quarter.

AID will, of course, retain the right to audit and inspect activities financed under the CIP.

E. Program Evaluation:

The FY 1986 CIP will be evaluated in calendar year 1987 in accordance with the legislative requirements of Congress.

V. OTHER CONSIDERATIONS

A. Impact on U.S. Balance of Payments:

We anticipate that the net impact of this program will be favorable. Over the short term, the outflow of U.S. resources will be matched by the procurement of commodities under the CIP, all of which will have their source and origin in the U.S. Over the longer term, however, the favorable impact on the U.S. Balance of Payment is not likely to be significant. Repeat orders and procurement of spare parts will stimulate additional trade with the U.S. In addition, the availability of U.S. goods under this program will strengthen the market position of distributors and suppliers of U.S. goods vis a vis dealers handling commodities from other traditional sources of imports, i.e., Australia, New Zealand and more recently, Japan.

B. Use of U.S. Government Excess Property:

Given the nature of the items Fiji is interested in purchasing, it is unlikely that U.S. government excess property would be appropriate for financing under this program. However, AID will review the possibilities for financing such items where appropriate.

C. Environmental Statement:

The assistance herein provided is in the form of a Commodity Import Program grant under which AID will not have prior knowledge of the specific commodities to be financed. Additionally, the objective in furnishing this CIP assistance requires neither AID's knowledge at the time of the authorization, nor its control during implementation, of the commodities or their use in the host country. Accordingly, the Mission Director and design team have determined that this project is categorically excluded from the requirement for an Initial Environmental Examination, EA or EIS, in accordance with section 216.2(c)(2)(ix) of AID Regulation 16. This decision has been cleared by the Bureau Environmental Officer.

VI. NEGOTIATING STATUS

The Mission has had discussions with the Government of Fiji officials, concerning the design and implementation of the FY 1986 CIP. There is a clear consensus among all concerned that the proposed CIP is adequately designed and sufficiently clear to permit its immediate implementation. No problems are anticipated in negotiating the final agreement with the GOI.

The Conditions Precedent to disbursement will include: (1) a legal opinion that the agreement has been duly authorized and/or ratified by the Grantee and that it constitutes a valid and legally binding obligation of the Grantee; and (2) a statement that the named persons, including specimen signatures, have the authority to act as the representative of the Grantee in implementing the agreement.

ANNEX "A"

I. Eligible Items by Schedule B Numbers* and Related Services

A. Funded from ESF (\$957,000 maximum)

1. Equipment:

- a) Weather Surveillance Radar Sch. B. Nos. 682.0520-688.4060.710.1010-724.5000
- b) Computer Hardware Sch. B. Nos. 676.0520-676.5585
- c) Emergency Generators (and other equipment) Sch. B. Nos. 660.542-661.3050
- d) Windfinding Radar Sch. B. Nos. 682.0520-688.4060, 710.1010-724.5000

2. Procurement Agent Fee:

B. Funded from DA Health Account (\$400,000 maximum)

Various medical and laboratory supplies and equipment: Sch. B. Nos 545.2910-548.0700, 661.3510-661.3588, 662.3410-662.6055, 700.0110-724.5000.

II. Detailed Discussion on Commodities Proposed

A. Commodities and Services Funded from ESF (\$957,000 maximum)

Priority No. 1: U. S. Procurement Service Agent.

The Mission and the GOF have held discussions on contracting with a U. S. Procurement Service Agent to finalize the procurement list, advertise for quotations, purchase the eligible commodities and arrange or transport the commodities to a Fijian port of entry.

Estimated U. S. Cost:

Procurement Agent Contract	\$80,000
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* Other than those ineligible by law or regulation

Priority No. 2: Weather Surveillance Radar (estimated cost \$472,500) (Consignee: Fiji Meteorological Services)

The surveillance radar locates cyclones, storms and areas of very heavy rainfall. Its main purpose is for use in monitoring and forecasting such severe weather events. The existing radar (installed in 1967) serves as both a windfinding and weather surveillance radar. Replacement of the present equipment is a priority item with the GOF.

Radar equipment designed today no longer combines windfinding and weather surveillance. Combined-use equipment is no longer practical. Given a choice, the Fiji Meteorological Services gives priority to replacing the weather surveillance capacity over the windfinding hardware. The existing radar, essential to the routine operation of Fiji weather forecasting services, is very old and is becoming increasingly difficult to maintain. Its complete failure is a definite possibility at any time. The maintenance of the equipment is carried out by the maintenance and repair personnel of the Fiji Civil Aviation Authority. This arrangement with the Weather Meteorological Office prevents duplicating services.

Many of the developed countries (e.g. U.S., UK, NZ) are installing or planning networks of powerful remote-sited radars with equally powerful computer processing of the data for weather and flood forecasting purposes. The proposed surveillance radar bridges the gap between the existing ailing radar and the time, perhaps in fifteen years, when Fiji might be able to afford a sophisticated centrally sited remote surveillance system. Replacement of both the surveillance radar and the windfinding radar was the recommendation of a feasibility study done for the Fiji Meteorological service in 1982. Since then replacement has been an item in the budget, but due to insufficient funds the equipment has not been purchased.

Siting: Ideally, the surveillance radar should be located to cover all of Fiji, i.e., should be moved to a site on an elevated centrally-located hill. Remote siting with micro-wave links, which would greatly improve the coverage of the radar field of view, would cost an additional F\$220,000, and a very desirable advanced data processing system, similar to that used with the satellite data receiver, would cost an additional F\$300,000. The proposed surveillance radar calls for a Nadi Airport site, justified on the grounds of the cost and the lack of funding for the proposal over the last three years. In order to make the equipment operational, a new tower (included in the cost estimate) would have to be installed. The GOF would provide the foundations for such a tower provided the supplier designed the tower and foundations to withstand cyclone force winds. The Mission will request the GOF to supply the soil and wind conditions necessary for tower design.

Estimated U.S. Costs:

<u>Item</u>	<u>Cost</u>
1. Basic radar system	\$300,560
2. Spares, Two year Minimum	28,285
3. Test Equipment	15,000
4. Tower	53,000
5. Training In U.S. (Two Staff)	18,000
6. Training on-site	20,000
7. Installation Materials	15,000
8. U.S. Supervision and Commissioning	12,000
Total U.S. Cost:	\$472,445 (say \$472,500)

Local installation costs, site work, building alterations, electrical wiring, etc, are estimated at F\$25,000 which will be borne by the GOF.

The estimated U.S. dollar cost is largely based on Enterprise Electronics Corporation (EEC) sales sheets and quotation of January 1986 for the WSR series C-, S-, and X-Band meteorological radars. The S-band radar is the best choice for the location and consequently, costs were estimated for only the WSR-81 S-Band model listed at the Meteorological Office at Nadi.

Priority No. 3: Emergency Generators (8) Consignee: Water and Sewerage Department (PWD): (Estimated Cost - \$200,000)

The most common emergencies in Fiji result from tropical cyclones but almost as frequently, Fiji has severe floods. In addition, emergencies have arisen from earthquakes, tsunamis and landslides. In such disasters not having a safe water supply or working sewerage system gives added distress and danger to the populations served by these systems. Although Fiji's water and sewerage systems are being developed and improved, the power supply to run them is at risk.

USAID's discussions with the GOF on these problems have prompted the government to request eight generators to meet this emergency need. Based on priority, the location and discussion on the need follows.

Location 1: Nadi (estimated cost \$28,000)

The regional water system serving 60,000 people is supplied by gravity from Nagado Treatment Plant. It is a gravity system but certain functions such as backwashing and dosing need electrical power. Previous power failures have rendered the plant inoperative for days. A permanent standby generator is required.

Estimated Cost:

Size: 100 KVA
Voltage: 415 V, 3 phase, 50 hertz

1. Basic Generator Set	US\$25,000	
2. Control Panel	3,000	
3. Wiring		F\$1,000
4. Installation		1,000
5. Miscellaneous		1,500
Totals:	US\$28,000	F\$3,500

Location 2: Deuba (estimated cost \$28,000)

This water treatment plant serving 10,000 people is supplied with raw water by gravity to the clarifier. However, the clarifier effluent is pumped through pressure filters to the reservoir on a hill behind the plant. In the event of a power failure, this plant becomes inoperative. A permanent standby generator to power at least one of the pumps is required.

Estimated Cost:

Size: 100 KVA
Voltage: 415 V, 3 phase, 50 hertz

1. Basic Generator Set	US\$25,000	
2. Control Panel	3,000	
3. Wiring		F\$1,000
4. Installation		1,000
5. Miscellaneous		1,500
Totals:	US\$28,000	F\$3,500

Location 3: Suva (estimated cost \$33,000)

An area of concern for Suva is the Nagatugatu pumping station which serves 15,000 people in high areas of Suva including the Tamavua Hospital. A standby generator is proposed which would serve the pumping station, the water treatment plant, and the workshop. The generator for emergency use would have to be permanently installed. The need for this generator was identified in the 1982-83 Suva Master Plan.

Estimated Cost:

Size: 120 KVA
Voltage: 415 V, 3 phase, 50 hertz

1. Basic Generator Set	US\$30,000	
2. Control Panel	3,000	
3. Wiring		F\$1,000
4. Installation		1,000
5. Miscellaneous		1,500
Totals:	US\$33,000	F\$3,500

Location 4: Suva (estimated cost \$23,000 x 3 = \$69,000)

In Suva there are 50 sewerage pumping stations, some of which have special overflow arrangements but are problem areas in times of disasters. It is desired by the Public Works Dept. to have three generators, one in each of the three divisions, mounted on trailers ready to be towed to any problem areas during a disaster. The units would be versatile enough to cope with various situations and include welding units, pumps and lighting facilities. Because such a unit would have to be specially designed, the PWD on receiving the generators would provide the budget funds to purchase the trailers and additional equipment and fabricate the unit in their shops.

Estimated Cost:

Size: 50 KVA
Voltage: 415 V, 3 phase, 50 hertz

1. Basic Generator Set	US\$20,000	
2. Control Panel	3,000	
3. Wiring		F\$1,000
4. Installation		1,000
5. Miscellaneous		1,500
Totals:	US\$23,000	F\$3,500

Location 5: Ba (estimated cost \$33,000)

The existing water treatment plant at Ba serves 25,000 people and consists of pressure filters on a gravity line from the headworks to the reservoir. An existing small standby generator is provided to run the chemical dosing equipment. However, the gravity feed which is inadequate to meet demand is supplemented by pumping from an alternate source into the pressure filter inlet line. A permanent standby generator is required at the pumping station to power at least one of the pumps.

Estimated Cost:

Size: 120 KVA
Voltage: 415 V, 3 phase, 50 hertz

1. Basic Generator Set	US\$30,000	
2. Control Panel	3,000	
3. Wiring		F\$1,000
4. Installation		1,000
5. Miscellaneous		1,500
Totals:	<u>US\$33,000</u>	<u>F\$3,500</u>

Location 6: Savusavu (estimated cost \$18,000)

This water system consists of a gravity supply to most of the 3,000 people served. However, a booster pumping station is provided to pump into a second reservoir serving the remainder of the area. A permanent standby generator is required to power one of the pumps.

Estimated Cost:

Size: 30 KVA
Voltage: 415 V, 3 phase, 50 hertz

1. Basic Generator Set	US\$15,000	
2. Control Panel	3,000	
3. Wiring		F\$1,000
4. Installation		1,000
5. Miscellaneous		1,500
Totals	<u>US\$18,000</u>	<u>F\$3,500</u>

Priority No. 4: Computer Hardware: (estimated cost \$97,000,
Waiver Required for EDP purchase)

A. Electronic Data Processing (EDP) Department

Current EDP policy is to centralise all computing at EDP, except word processing, which may be done locally. EDP has found that this arrangement is generally suitable for individual departments' computing needs to be satisfied at EDP with the present US manufactured Digital Vax 750 equipment, rather than through the purchase of small micro computers. EDP has standardized their computer needs using Digital equipment.

Consequently, data collection and processing at EDP has been able to fulfil individual departmental needs in the GOF in a basic type environment. For example, current systems include P&T accounts, government accounts, wages and salaries, water accounts, etc.

Due to lack of equipment, little priority has been given to another set of users, those who use processing for analytical purposes, and who wish to manipulate existing and other data into a form suitable for policy or management type decisions. The GOF is proposing that a Micro VAX II and related equipment compatible to the two newly installed Digital Vax 11/750's be purchased with part of the AID grant to satisfy this type of demand and group of users. The need for the proposed equipment rises from within the Ministry of Finance, Central Planning Office, and the Reserve Bank as the main institutions concerned with economic management, and from other departments undertaking analytical type work, i.e. Meteorology, Mineral Resources, Bureau of Statistics, etc. The Bureau of Statistics is the main source of data whose purpose is to centralize and maintain information for its users. Linking the Bureau into a central computer system where data bases are accessible to all legitimate users, is also a desirable long-term objective.

The EDP has told USAID that SAS, the firm which installed the Digital Vax 750's equipment, presently has US export approval by the US Dept. of Interior for the proposed Micro VAX II equipment to be installed in Fiji. The Mission has requested that a copy of the approval be sent from the New Zealand SAS office.

Estimated US Costs:

A. EDP Computer Equipment	
<u>Item</u>	<u>Cost</u>
1. Microvax II 1mb Memory with Floating Point	45,156
2. Additional 4mb memory	32,691
3. Disk Controller	3,693
4. Two 5 1/4" 5 1/4" Disk	18,466
5. Tape Controller	2,742

6.	95 mb steaming Tape Unit	6,876
7.	Power Cord	28
8.	VMS 8 User Licence	11,024
9.	Media + Documentation	2,756
10.	Ethernet Interface	3,169
11.	Transceiver Cable	272
12.	Ethernet Transceivers	827
13.	Country Kit	447
14.	Color Graphics Monitor	6,100
15.	Country Kit	447
	Total Estimated Cost:	<u>NZ\$140,685</u>

Note: Estimated Cost includes transportation, insurance and installation from New Zealand. Estimate will have to be recalculated and based on US purchase. (Contract Digital Equipment Corp., 146 main Street, Maynard, MA, 01754)

- B. Public Service Commission (PSC), (equipment must be IBM compatible)

<u>Item</u>	<u>Cost</u>
2 only Olivetti M24 SP Model 640 Ram, 20mb Hard Disk, Monochrome Screen, Keyboard	\$9,900
2 only DY-450 13 inch 45 cps IQ Printer	\$2,880
1 only 1KVA Sola Power Conditioner	<u>\$1,200</u>
	Total US Dollar Cost \$13,980

The total US cost for both the EDP and PSC equipment shown above is estimated at \$97,000 which would include transportation from the U.S.

Priority No. 5: Emergency Generators (5), Fiji Radio (Cost \$99,500)

Fiji Radio, Ministry of Information, has five transmitter and studio locations in Fiji which are entirely dependent on commercial power. During an emergency, electrical power is often interrupted for extended periods. The GPF proposes that part of the grant

funds be used to provide emergency generators to these locations. Fiji Radio has asked the Ministry of Finance to include in their 1987 budget the local currency cost in instal and operate these generators. The Fiji Radio has informed the Mission that maintenance and repair for this equipment can easily be handled with the existing Fiji Radio staff.

Estimated U.S. Costs:

<u>Item</u>	<u>Cost</u>
80 kw/100 KVA Package Generator Set (Includes control panel, 24V starting and various other equipment)	\$19,900

Note: Cost is based on Fiji Caterpillar dealer quotation for model 3208 NA.

Priority No. 6: Windfinding Radar (Estimated Cost \$302,000)

The windfinding radar measures the winds up through the atmosphere by tracking a rising balloon. The data are vital to tropical cyclone forecasting, aviation forecasting and to the World Weather Watch.

As noted under the weather surveillance radar, the windfinding radar presently shares obsolete equipment with the surveillance radar which is no longer designed as a combined package. Purchase of only the weather surveillance radar would mean retaining the present radar for windfinding. However, in the event of the failure of the existing radar, the long lead-time for procurement and installation of its replacement would expose Fiji to inadequate forecasting services for up to a year or more.

Siting: The present site at the Nadi airport (on top of the meteorology building) is adequate for the proposed equipment.

Equipment Proposed: Information for the windfinding radar is largely based on Enterprise Electronics Corporation (EEC) sales sheets and quotation of January 1986 to the Meteorology Dept. for the WF 100 series X-band windfinding radar. However, there are other U.S. firms making this equipment and the procurement should be advertised.

The smaller EEC model WF 100-4/82 with four foot reflector and 60kw transmitter was chosen, as Nadi (the proposed site) generally experiences only small net displacements of the balloon-bore target.

Estimated U.S. dollar Budget:

<u>Item</u>	<u>Cost</u>
1. Basic Hardware	\$193,000
2. Spares, two year minimum	47,000
3. Test Equipment	20,000
4. Installation Materials	12,020
5. U.S. Technical Assistance (Supervision and Commissioning)	9,300
6. Training in U.S. (Two staff)	20,000
Total U.S. Cost:	<u>\$302,000</u>

Local installation costs, i.e. building alterations, electrical wiring, etc, were estimated at approximately F\$15,000 which will be borne by the GOF Public Works Department

In addition to the Micro VAX II equipment, the GOF would like to purchase two PC's, printers and power conditioners for the Research and Information Unit, Public Service Commission. This equipment is included in the estimated costs.

Priority No. 7: Automatic Weather Stations (estimated cost \$74,000)

The Fiji Meteorological Service operates twelve weather observing stations throughout the Fiji Islands manned by two or more staff for routine observations 24 hours a day. Data gathered are essential for weather forecasting and cyclone forecasting. As the Fiji Group of Islands continuously are devastated by tropical cyclones and hurricanes, there is a great demand for cost effective information for preparing of forecasts and warnings.

Costs are a major constraint both in setting up new stations to improve network and in servicing existing manned stations. Staffing the many remote sites with suitably qualified staff is also a problem.

Automatic weather stations offer a partial solution. The technologies are well established and several commercial and technical options are available. Four stations costing a total of approximately \$100,000 are proposed.

The trend world-wide is towards use of automatic weather stations, mostly on the ground of costs effectiveness, but also to reduce the burden of remote location and round-the-clock operations on staff and to get more frequent data.

Several different models of automatic weather stations are manufactured in the U.S. (e.g., Sutron Company), including those by the National Weather Service.

Cost Estimate:

U.S. Grant:

Four automatic weather stations - \$74,000

Fiji Government:

Installation Costs - F\$15,000

B. Commodities and Services to be funded from the DA Account (\$400,000 maximum)

Several discussions have been held with the Ministry of Health on supplies and equipment for both the Fiji School of Medicine and the training and patient care units of the Colonial War Memorial (CWM) hospital, Suva's major hospital facility.

Mission personnel are very aware of the desperate needs for supplies and equipment for both of these facilities. A preliminary procurement list has been drafted but contained many items which would be cheaper to purchase in Suva. The HOB is revising the list to include urgently needed items from the US\$ which would be competitive or unavailable in Fiji. Because this list will take time to finalize, the costs shown in this document are the amount proposed for the grant funds. The Procurement Service Agent proposed under the ESF funds would be expected to procure any commodities funded from the DA account. Any remaining funds in the ESF account would be made available for purchases for the school or hospital.

Estimated U.S. Costs
Item

Cost

1. Supplies & Equipment	
- Fiji School of Medicine	\$130,000
- Training & Patient Care, CWM Hospital	\$130,000
2. Electrical Switchgear, CWM Hospital	\$140,000
Total	\$400,000

5C(1) - COUNTRY CHECKLIST

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

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481(h)(1); FY 1986 Continuing Resolution Sec. 527. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No.

2. FAA Sec. 481(h)(4). Has the President determined that the recipient country has not taken adequate steps to prevent (a) the processing, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers?

(a) No

(b) No.

(c) No.

3. FAA Sec. 620(c). 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.

4. FAA Sec. 620(d)(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 toward such citizens or entities? No.

5. FAA Sec. 620(a), 620(f), 620D; FY 1980 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is important to the national interests of the United States? Will assistance be provided to Angola, Cambodia, Cuba, Iraq, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan without a certification? No.
No.

6. 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? No.

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? Yes. But this was taken into consideration by A/AID in setting FY86 OYB levels.
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? No.
- (b) If so, has any deduction required by the Fishermen's Protective Act been made? No.
9. FAA Sec. 620(q); FY 1986 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds? (a) No.
(b) No.
10. FAA SEC. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) Yes. See FY86 TIC Memo.

11. 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.

12. 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? (Reference may be made to the Taking into Consideration memo.)

No country receiving AID FY86 OYB is in violation of FAA 620(u): See A/AID FY86 TIC Memo.

13. FAA Sec. 620A. Has the government of the recipient country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism?

No.

14. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No.

15. FAA Sec. 666. Does the country object, on the 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.
16. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No.
17. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported illegally (or attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device. No.

18. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

Fiji was present, did not so disassociate, but this was taken into consideration by A/AID is establishing FY86 OYB levels.

19. FY 1986 Continuing Resolution Sec. 511.

Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No.

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No.

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No.

20. FY 1986 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined as supporting or participating in the management of a program of coercive abortion on involuntary sterilization? No.

If assistance is from the population functional account, are any of the funds to be made available to family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? No.

21. FY 1986 Continuing Resolution Sec. 529. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No.

22. FY 1986 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? No.

FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FA Sec. 116. 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? No.

2. Economic Support Fund
Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No.

3(A)2 NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. Yes.
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED? Yes.

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1986 Continuing Resolution Sec. 524; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

A CN was submitted. The waiting period has expired without Congressional objection.

2. FAA Sec. 511(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?

No. further legislative action is required.

3. FAA Sec. 209 Is assistance more efficiently and effectively given through regional or multilateral organizations?

so, why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs.

4. FAA Sec. 601(a) Information and conclusions whether assistance will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, 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.
5. FAA Sec. 601(b) Information and conclusions on how assistance 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).
6. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Grant of foreign exchange will will finance key public sector development inputs, which in turn should help increase the flow of international trade, foster private initiative, and improve technical efficiency in all assisted areas.

The Grant CIP will bolster the economy in general and permit the import of U.S. goods and some related services, improving the climate for future U.S. business initiatives in Fiji.

N/A.

7. 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? No.
8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds? N/A.
10. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? No.

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund
- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA? Yes.
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? No.

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

Only public sector imports which do not generate local currency are contemplated at this time.

d. ISDCA of 1985 Sec. 205. Will ESF funds made available for commodity import programs be used for the purchase of agricultural commodities of United States-origin? If so, what percentage of the funds will be so used?

Not for this CIP. Section 205 of ISDCA of 1985 has been satisfied on a world-wide basis for FY86.

e. ISDCA of 1985 Sec. 801. If ESF funds will be used to finance imports by an African country (under a commodity import program or sector program), will the agreement require that those imports be used to meet long-term development needs in those countries in accordance with the following criteria?

N/A. Not an African CIP.

(i) spare parts and other imports shall be allocated on the basis of evaluations, by A.I.D., of the ability of likely recipients to use such spare parts and imports in a maximally productive, employment generating, and cost effective way;

N/A.

(ii) imports shall be coordinated with investments in accordance with the recipient country's plans for promoting economic development. A.I.D. shall

N/A.

assess such plans to determine whether they will effectively promote economic development;

(iii) emphasis shall be placed on imports for agricultural activities which will expand agricultural production, particularly activities which expand production for export or production to reduce reliance on imported agricultural products;

N/A.

(iv) emphasis shall also be placed on a distribution of imports having a broad development impact in terms of economic sectors and geographic regions;

N/A.

(v) in order to maximize the likelihood that the imports financed by the United States under the ESF chapter are in addition to imports which would otherwise occur, consideration shall be given to historical patterns of foreign exchange uses;

N/A.

(vi)(A) seventy-five percent of the foreign currencies generated by the sale of such imports by the government of the country shall be deposited in a special account established by that government and, except as provided in subparagraph (B), shall be available only for use in accordance with the agreement for economic development activities

N/A.

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which are consistent with the policy directions of section 102 of the FAA and which are the types of activities for which assistance may be provided under sections 103 through 106 of the FAA;

(B) the agreement shall require that the government of the country make available to the United States Government such portion of the amount deposited in the special account as may be determined by the President to be necessary for requirements of the United States Government.

N/A.

f. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the Treaty of Tlatelolco), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

No.

g. 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?

The CIP Agreement so provides, but no sales proceeds are contemplated for planned public sector imports.

2. Nonproject Criteria for Development Assistance

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

Health DA money is planned to be used for health equipment imports having no known benefits to (a),(b) or (c).

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

Health DA financed imports will satisfy fully the requirements of FAA 104(c).

(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 efforts 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 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.

N/A.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, 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.

N/A.

(3) [105] for education, public administration, or human resources development; if so, (a) 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 (b) 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.

N/A.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: (i)(a) concerned with data

N/A.

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; and (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.

N/A.

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

N/A.

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

N/A.

(iv) reconstruction after natural or manmade disaster;

N/A.

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

N/A.

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

N/A.

(5) [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.)

N/A.

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

Yes.

d. FAA Sec. 281(b) Describe extent to which the activity 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 civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Higher medical education will be fostered by the importation key health education inputs.

e. 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?

yes.