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UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

BELIZE

PROJECT PAPER

ECONOMIC SUPPORT PROJECT
COUNTER PART FUND IV
(Amendment #1)

AID/LAC/P-310 &
AID/LAC/P-211

Project Number: 505-0012/A
Loan Number: 505-K004C

UNCLASSIFIED

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number	505-0012(A)
		2. Country	BELIZE
		3. Category	Cash Transfer
		4. Date	July 10, 1986
5. To	AA/LAC, Dwight Ink	6. OYB Change Number	
7. From	USAID/Belize, Nebovsha R. Brashich	8. OYB Increase	To be taken from: Economic Support Funds (ESF)
9. Approval Requested for Commitment of	\$ 1,500,000 Loan	10. Appropriation Budget Plan Code	72-1161037 LESA-86-35505-KL-31
11. Type Funding	<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period	14. Transaction Eligibility Date
12. Local Currency Arrangement			
15. Commodities Financed	Not applicable		

16. Permitted Source	17. Estimated Source
U.S. only	U.S. \$1,500,000
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$1,500,000	Other

18. Summary Description

The principal focus of this amendment to the current ESF Program is to support the Government of Belize (GOB) in the implementation of selected structural adjustment measures via a loan cash transfer of US\$1.5 million. Secondly, the disbursement will complete the current program of balance-of-payments support by helping to maintain net international reserves of the Central Bank of Belize (CBB) at an adequate level. The local currency equivalent to the cash transfer will be deposited in a special account at the CBB, disbursements from which will be at the authorization of the AID Representative for allocation to a Mission Trust Fund and for expenditures under the GOB Capital II budget and selected private sector development activities.

The GOB will agree to a number of covenants and conditions precedent to disbursement, including evidence of: (1) a reduction in the number of items requiring import licenses by at least 50 percent; (2) a reduction in the number of items subject to price controls by at least 50 percent; (3) change in the export licensing system into a simpler export registration procedure; (4) improved capability of the Office of Economic Development to plan, develop and implement the Public Sector Investment Program; and (5) importing and causing to be imported within 12 months from disbursement an equivalent amount of raw materials, intermediate and capital goods from the United States. A companion program of grant-funded technical assistance will be utilized to assist the GOB in upgrading the GOB's system of programming and monitoring public sector investments, coordinating foreign donor assistance and developing activities for private sector growth.

19. Clearances	Date	20. Action
LAC/DR EZallman	8/22	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED Authorized Signature: <i>Dwight Ink</i> Date: <i>Aug 26, 1986</i> Assistant Administrator, LAC
LAC/DR TJBrown	8/25/86	
LAC/DP JClary	8/22/86	
GC/LAC PJohnson	8/21	
LAC/CAR RHechtman	8/22	
ARA/ECP RBeckham	8/25	
M/FM CChristensen	8/25/86	

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

PROJECT AUTHORIZATION
(Amendment No. 1)

Name of Country: Belize
Name of Project: Economic Support Program
Number of Project: 505-0012a

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Economic Support project for Belize was authorized on February 25, 1985 (the "Authorization"). The Authorization is hereby amended to add US \$414,000 in Grant funds, and to amend the Project Authorization description of the Project, as follows:

a. Section 1 is amended by substituting in lieu of the present amount a new Grant amount as follows:

"One Million Four Hundred Fourteen Thousand United States Dollars (US \$1,414,000)"

b. Section 2 is deleted in its entirety and the following substituted therefor:

"2. The project ("Project") will consist of long-term technical assistance to the Office of Economic Development ("OED") of the Government of Belize ("GOB") to assist in improving the GOB's capability to plan, formulate and manage the public sector investment program, develop a coherent long-term economic development plan, and promote economic policies fostering private sector growth; short-term technical assistance to the Ministry of Finance ("MOF") and Central Statistical Office ("CSO") for improving the administration of the budget process and data processing related to public investments, respectively; short-term training to OED staff; and procurement of priority equipment for OED, MOF and CSO which is necessary for planning, developing, monitoring and evaluating public investments."

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2. Except as expressly modified or amended hereby, the Authorization remains in full force and effect.

Dwight Ink
Dwight Ink
Assistant Administrator
Bureau for Latin America and
the Caribbean

Date: Aug 26, 1986

Clearances:

GC/LAC, GADavidson, JR. <u>mkj</u>	Date	<u>8/22/86</u>
LAC/DR, TBrown <u>TB</u>	Date	<u>8/25/86</u>
LAC/DR, ILevy <u>IL</u>	Date	<u>8/25</u>
LAC/DR, MJune <u>MJ</u>	Date	<u>8/22</u>
LAC/CAR, ECampbell <u>EC</u>	Date	<u>8-22-86</u>

GC/LAC, PGJohnson/tim:647-9182:8-21-86:0478B

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

BELIZE

3. PROJECT NUMBER

505-0012(A)

4. BUREAU/OFFICE

Latin America and the Caribbean (LAC)

3. PROJECT TITLE (maximum 40 characters)

Economic Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
08 30 88

7. ESTIMATED DATE OF OBLIGATION

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

A. Initial FY 816

B. Quarter 4

C. Final FY 816

8. COSTS (3000 OR EQUIVALENT \$) =

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
Grant	414		414	414		414
Loan						
Other						
U.S.						
Host Country		150	150		150	150
Other Donors						
TOTALS	414	150	564	414	150	564

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROXIMATE RELATIONSHIP	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE 1. Grant / 2. Loan	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) ESF		910 930			414		414	
(2)								
(3)								
(4)								
TOTALS					414		414	

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

11. SECONDARY PURPOSE CODE

730

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

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To assist the Government of Belize in improving its capability to develop and manage a coherent public sector investment program, to coordinate international donor assistance to the country, and to determine the nature of economic policies essential for efficient utilization of economic resources, private sector development, and long-term growth.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
08 87

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

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

17. APPROVED BY

Signature

Neboysa R. Brashich

Title

A.I.D. Representative

Date Signed

MM DD YY

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

MM DD YY

08 30 88

C

BELIZE
ECONOMIC SUPPORT PROGRAM
FY 1986 AMENDMENT

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I. SUMMARY AND RECOMMENDATIONS

A. RECOMMENDATIONS

USAID/Belize recommends the authorization of \$1.914 million of Economic Support Funds to be divided into a \$1.5 million loan and a \$414 thousand grant. The dollar loan will be repaid in 25 years, including a 10 year grace period. The interest rate will be 2% during the grace period, and 3% thereafter.

The borrower and grantee will be the Government of Belize (GOB) acting through the Minister of Finance. The Central Bank of Belize (CBB) will administer the program.

B. PROGRAM SUMMARY

The principal focus of the disbursement covered under this Amendment to the 1985/86 ESF Program is to support the GOB in the implementation of selected structural adjustment measures. Secondly, the disbursement will complete the current program of balance-of-payments support by helping to maintain net international reserves of the Central Bank at an adequate level. Based on two studies funded by USAID/Belize during the past year, a review of the internal and external trade regimes and a review of fiscal performance under the present stabilization program, a set of proposed structural reforms has been placed before the GOB. USAID/Belize considers the present political environment ideally receptive to their implementation. The ESF program will provide the needed leverage to push the changes through.

At present, the balance-of-payments need is not as pressing due to the successes achieved by the stabilization program and to windfalls enjoyed by the economy early this year. However, the cash transfer will strengthen reserves at an appropriate level and the covenant included in this Amendment will put the GOB on notice that continued stabilization will be necessary at least through 1987 and 1988.

Grant funds will be utilized to provide: a.) long-term technical assistance to the Office of Economic Development (OED) and short-term staff training in the United States in order to improve OED's capability to plan, formulate, and coordinate among GOB ministries and assistance donors the development of the Public Sector Investment Program (PSIP); (b) short-term technical assistance to help OED in determining the nature and form of policy changes necessary to fostering economic efficiency and private sector growth; c.) short-term technical assistance to the Ministry of Finance (MOF) in

administering the budget process related to public investment projects, and to the Central Statistical Office (CSO) in improving data collection and processing for developing and measuring the impact of major investment projects; and, d.) priority equipment items to the OED, MOF and CSO necessary in planning, developing, monitoring and evaluating public investment projects.

In addition to standard conditions precedent to disbursement, involving a legal opinion and borrower representation, the GOB will agree to a number of covenants and conditions precedent to disbursement including: a.) reduction in the number of items requiring import licenses by at least fifty percent; b.) reduction in the number of items subject to price controls by at least fifty percent; c.) conversion of the export licensing system to a simpler, more efficient export registration procedure; d.) an improved OED capability to plan, develop and implement the Public Sector Investment Program; and, e.) importing or causing to be imported within twelve months from disbursement an equivalent amount of raw materials, intermediate goods, spare parts, agricultural inputs, and capital goods from the U.S. for the private sector.

C. COVENANTS AND CONDITIONS

1. Covenants

Recent analyses project a deterioration in the performance of the consolidated non-financial public sector during the last half of Belize Fiscal Year 1986/87.^{1/} If this trend continues, the savings of the public sector will fall to levels that will threaten the fiscal/financial stability achieved by the GOB during the current stabilization program. Accordingly, the GOB shall covenant that it will take all necessary measures to restore consolidated non-financial public sector savings to the levels that were originally targeted under the Agreement for Economic Stabilization executed by the USG and the GOB in February 1985.

The GOB further covenants that it:

- a. recognizes the benefits to be derived from free trade and market determined domestic prices and agrees to adopt new measures to liberalize trade and deregulate domestic prices.

^{1/} The GOB's fiscal year runs from April 1 to March 31.

b. recognizes the long-term importance of planning the proper use of limited resources to support its development programs and agrees to improve the GOB system for programming and monitoring public sector investments. This is to be achieved by improving the capability of the Office of Economic Development to plan, formulate, implement and evaluate the Public Sector Investment Program and to take charge of formulating the long-term economic development plan, with technical assistance from a senior economic advisor for a period of no less than one year.

c. recognizes the support of foreign donors in promoting Belize's economic development, and agrees to improve the coordination among ministries and public enterprises and with the donors in identifying worthwhile projects and potential external funding.

d. recognizes the importance of maintaining the viability of the Belize Electricity Board (BEB), and agrees to continue implementing the management and financial reforms being supported under the current ESF program.

e. recognizes the need for the Belize Marketing Board to be an entity concerned exclusively with commodity price stabilization, and agrees to take necessary legislative/legal steps to implement this.

2. Conditions Precedent to Disbursement

Prior to any disbursements or the issuance of any commitment documents under the Program Agreement Amendment, the GOB shall, except as the Parties may otherwise agree in writing, furnish AID in form and substance satisfactory to AID:

a. Evidence that the GOB has taken steps to liberalize trade and deregulate prices which shall require:

(1). evidence that the list of items requiring import licenses has been reduced by at least fifty percent;

(2). evidence that the system of export licenses has been converted to a simpler, more efficient export registration system; and,

(3). evidence that the number of items subject to price controls has been reduced by at least fifty percent.

b. Evidence of improved capability of OED to plan, implement, coordinate and evaluate the PSIP, which shall require:

- (1). a project/program development "data bank" and planning cycle in place as a regular function of OED;
- (2). a donor assistance coordination system in place within OED to improve the administration, monitoring and evaluation of foreign-assisted projects; and,
- (3). OED being allocated sufficient human and physical resources to carry out these functions.

II. ECONOMIC JUSTIFICATION

Due to the favorable situation that is likely to be encountered in the external accounts of Belize during 1986, a focus on structural adjustment will be more appropriate than one on stabilization. The GOB has been very successful in its stabilization program. Marked improvement has been noted in both the fiscal and in the external accounts of the economy. This and several foreign exchange windfalls experienced early in 1986 have left Belize with a healthy level of gross international reserves.

The Mission is now in an ideal position to assist the GOB in improving the foreign trade regime and domestic pricing policy in Belize, and the Government's process for planning and programming public investments. The achievement of these structural reforms are important in promoting private-sector-led development in Belize, as will be discussed below. Two studies ^{1/} in these topics were undertaken to meet conditions of the current ESF program. The studies recommended structural reform measures which the Mission encourages the Belizean Government to take. The Mission believes that the political climate is particularly appropriate for implementing these measures. The present Government is dedicated to examining economic policies and introducing reforms to bring about a greater degree of efficiency in the economy and a market environment conducive to private sector growth. The changes will lead to greater diversification of the productive sectors of the economy, encourage competition and eliminate inefficient industries. This is necessary both for increasing Belize's economic welfare and its ability to compete in exports.

For this reason, this Amendment is primarily focused on encouraging the GOB to pursue structural adjustment measures. However, this is not to mean that the Mission will ignore the stabilization program. The Mission will continue to monitor the GOB's performance under stabilization, particularly with regard to the potential worsening of the fiscal accounts. Under our continuing policy dialogue with the Government, we will encourage the GOB to continue stabilization negotiations with a possible eye to a new International Monetary Fund (IMF) arrangement.

1/ These studies are: Loehr, William, Pricing in Belize: Price Controls, Foreign Trade and Exchange Regimes, 1986; and, Booz, Allen and Hamilton Inc., Evaluation of Public Sector Fiscal Performance in Belize, March 31, 1986.

A. BACKGROUND

1. The 1985/86 ESF Program

In September 1984, GOB negotiated a stand-by arrangement with the IMF to support the GOB's economic stabilization program. The objective of this program was to improve public sector finances to permit a reduction in the overall fiscal deficit to 5% of GDP by FY 1985/86. The reduction in the budgetary deficit would lower excess demand in the economy and allow an improvement in Belize's external position. This would improve the Central Bank's net international reserves, eliminate external arrears by year-end 1985, improve the maturity structure of public external debt, and liberalize trade policies.

The 1985/86 ESF economic stabilization program was designed to add a second level of support for the GOB stabilization efforts. Dollar cash transfers were to provide foreign exchange to the Central Bank to meet its serious balance of payments problems. The local currency equivalent of the dollar transfers were to provide capital budget support while the GOB implemented a comprehensive structural reform of public finances. The budget support was to enable the GOB to meet obligations in the public sector capital account until such time as public sector savings were adequate to finance capital formation.

The conditionality of the 1985/86 ESF assistance required the GOB to achieve the public sector savings target agreed upon under the stabilization program, and to effect reform in two parastatals (i.e., the Belize Electricity Board (BEB) and the Belize Marketing Board (BMB)) which caused the heaviest drain on government finances among all public enterprises. Moreover, it also required the GOB to begin to make structural adjustments by reviewing the foreign trade regime and domestic pricing policies, items of the policy matrix which may not have directly affected public sector finances, but which could have proven to be major impediments to efficient resource allocation and private sector development.

2. GOB Performance under the Stabilization Program

a. Fiscal Sector. The Government was able to make considerable progress in reducing the budget deficit and achieve the fiscal targets under the stabilization program during FY 1984/85 and FY 1985/86. Higher revenue collections

and lower expenditures by the central government, along with current operating surpluses in public corporations, resulted in public sector savings equivalent to 3.5% of GDP in FY 1984/85 and 5.8% of GDP in FY 1985/86. The GOB stabilization program had earlier targeted the public sector to achieve savings equivalent to 2.5% and 3.5% of GDP in FY 1984/85 and FY 1985/1986, respectively. The overall public sector deficit declined from over 7% of GDP in FY 1983/84 to 3.9% and 3.7% of GDP in FY 1984/85 and FY 1985/86, respectively. (See Table 1)

b. External Sector. The reduction in the fiscal deficit in 1985 was accompanied by a marked improvement in Belize's balance of payments (BOP) situation. The country was able to turn around a BOP deficit amounting to US \$7.2 million (4.0% of GDP) in CY 1984 to a surplus of some US \$6.3 million (3.4% of GDP) in CY 1985. This was achieved mainly through a reduced current account deficit and a large surplus in the capital account. Substantial net capital inflows to the public sector, arising mainly from increased concessional loans from multilateral and bilateral institutions, produced the large capital account surplus. Although the trade deficit increased slightly by US \$1.7 million, this was offset by a US \$6.5 million increase in net transfers. (See Table 2)

The GOP was also successful in eliminating all its external payment arrears in CY 1985. The improved BOP position allowed the Central Bank's net international reserves to reach a positive BZE. \$7.5 million by year-end 1985 compared to a negative BZE. \$5.0 million in end-1984.

B. STRUCTURAL ADJUSTMENTS

Being a small open economy, Belize relies on international trade to a much greater degree than most other Central American countries which have large domestic markets. With total trade transactions amounting to over 100% of GDP, it is inevitable that Belize's economic growth is heavily dependent on developments in the world economy. It is thus imperative that its domestic economy be efficient to remain competitive in the international market.

As part of the conditionality of the current ESF program, a study was undertaken to review the government's foreign trade and exchange regime and domestic pricing policies. The study (referred to as the Loehr report) is particularly timely for Belize. The country gained its independence from Britain only in September 1981, and many of the economic policies still in place are designed for a colony of the U.K. and may not be well suited to the current needs of an independent developing

nation. Furthermore, world economic conditions have changed dramatically in the past five years. The high inflation of the early 1980s and the serious external debt problems of many developing countries have brought with it a general worldwide slowdown in economic activities. As a result, Belize, like most other developing countries, has suffered serious balance of payments and debt problems, revenue shortfalls and economic contraction.

The Loehr report pointed out the need for a major restructuring of the existing trade and domestic pricing policies to improve the efficiency of the local economy. The current quantitative trade restrictions and price controls are fostering an environment within which permanent inefficiency can exist to the detriment of both the Belizean consumers and the development of export industries that could be competitive in the international market. The study's major findings are briefly discussed below.

1. Foreign Trade Regime. Many goods face quantitative restrictions in Belize. Import licenses are required for some fifty general classes of items, including many consumer goods such as beans, rice, flour, etc. The importation of twenty-one other items are prohibited. While quantitative restrictions are often justified to protect domestic infant industries during their initial phases to allow them to be competitive with the world market over a reasonable period of time, the restrictions as applied in Belize do not appear to have helped these industries to become efficient. Import licenses are given or withdrawn for reasons that have nothing to do with the economic interests of Belize. The arbitrary manner in which import licenses are granted provide great uncertainty to producers and discourage private investments in potentially productive areas. It unduly provides high protection to the few import-substituting industries and bestows monopoly rights to certain individuals and firms fortunate to have obtained licenses. Moreover, the prices of most locally-produced goods protected by the restrictions have remained well above world market levels and are generally of inferior quality. The current system of import licenses and prohibitions has thus damaged rather than helped the country's economic performance.

There are few taxes or restrictions which affect Belize's exports directly. However, exporters are required to get a license from the government to ensure that all exports are properly registered and appropriate amounts of foreign exchange are delivered to the Central Bank. Such licensing implies that permission must first have to be granted to export, and the right to export may be withheld. This creates some uncertainty and can be a disincentive to would-be exporters.

There is reason to believe that the removal of import licenses on the categories of goods that USAID Belize has targeted under the conditionality for this Amendment will result in an increase in imports. Precise estimates of the increase are unavailable, for the Mission has neither the data to make price comparisons between the domestic products and their imported equivalents, nor estimates on the relevant elasticities.

The licenses in question cover approximately US\$15 million in imports excluding, of course, those items whose importation has been prohibited. It is reasonable to expect this amount to increase by at least 10% over the next several years due to the removal of the import prohibitions and due generally to increased competition among importers spurred by the abolition of the licensing system. In this regard, our ESF cash transfer could be viewed as compensation to assist the GOB in undertaking the structural adjustment measure.

2. Domestic Pricing. The GOB imposes price ceilings on a long list of imported and locally-produced goods. However, the GOB has very limited staff to effectively enforce controls. The ceilings are set rather arbitrarily and do little to control prices. Most local goods whose prices are regulated are basic items sold in rather competitive markets which prevent unreasonable price increases to occur. Most imported items under price controls are not necessities so that merchants who charge unreasonably high prices will lose sales.

Price controls are a major disincentive for producers. This has led to periodic shortages of price-controlled goods in the local market. This consideration must be weighed against the benefits received by consumers from the lower prices on the goods that they do consume. Furthermore, there are substantial monetary costs associated with price control for both the government (i.e., for enforcement and legal processes) and the private sector. The costs for compliance for the entrepreneurs are high, especially for those engaged in wholesaling/retailing and importing, since the system requires a lot of legal paperwork and red tape. Under these circumstances, price controls in Belize serve as a constraint to private enterprise development. By interfering in the market, the GOB, in effect, discourages investments in industries, particularly agricultural activities, where Belize may have a comparative advantage. On the other hand, controls can only have negative effects on consumer welfare since they do not constrain price but can constrain supply, quality and consumer choice.

3. Major Recommendations. Given these findings, the report presented the following recommendations:

- a. Quantitative restrictions on imports should be entirely removed. If protection is warranted for certain infant industries for really sound economic reasons, these activities can be better protected with an appropriate temporary tariff rather than a quantitative restriction.
- b. Price controls should be entirely removed. If total elimination is not possible over the short-term, price controls should be limited to only very few goods where an overriding case can be made that controls are necessary and can be enforced. In this case, there must be a systematic process in place to allow prices to adjust to changing economic conditions and to eventually eliminate the need for further controls.
- c. The export licensing requirement should be discontinued and replaced by a simpler export registration procedure.

One of the conditions of the present ESF assistance program is the elimination of the entire import prohibition list. The GOB has already implemented this condition. Under this proposed Amendment, the Mission will encourage and support GOB's efforts to relax the import licensing and price control regulations and replace the export licensing system by a simpler export registration process. This will be the initial phase towards further trade and domestic price liberalization in the coming years.

4. Improvement of the Public Sector Investment Program. The mid-term review conducted in early 1986 by Booz-Allen and Hamilton, Inc. on fiscal sector performance under the current economic stabilization program indicated that the GOB is making slow but steady progress in reducing the public sector deficit. The targetted net surplus on public sector current operations for FY 1984/85 and 1985/86 have been surpassed by the GOB. However, the study noted that improvements are needed in the Government's system of programming and monitoring public sector capital expenditures. In particular, there is a need to improve the GOB's process for developing and implementing the Public Sector Investment Program. Evidently, there is no reliable and consistent planning process in formulating the PSIP, and increased coordination among government entities is needed to identify worthwhile projects and potential external funding sources, and to resolve administrative and contractual problems. The present PSIP merely contains a list of potential investments deemed important by the GOB but which apparently has not been subject to rigorous planning or review.

Public sector investment plays an important role in Belize and represents about 60% of total domestic investment and almost 10% of GDP. Aside from being a major influence on the level of economic activity in the country, public investments are important in developing markets and encouraging private sector activities. The increasing availability of essential infrastructure has attracted a growing number of private investments, particularly in agriculture. The construction of access and major roads, the improvement and expansion of the airport facilities, and the expansion of the telecommunications network have facilitated greater private sector interest in the country. Together with an improved economic policy environment and political stability, Belize should be able to attract more new investments, from both the domestic and foreign private sector, with improved infrastructure facilities and basic public services.

Both AID and the World Bank have found this inadequate public investment planning process to be a serious problem. This shortcoming may even lead to a diminution of external funding for public sector investment. It is noted that most of the major donors, including the British, Canadian and the World Bank, with the exception of USAID, are phasing out their infrastructure activities in Belize. This is unfortunate since the need for more infrastructure will require that capital investments by the public sector remain at high levels, at least during the next five years. Until such time that the GOB has achieved an adequate level of savings, external funding is needed to continue financing a significant portion of public investment. A more rigorous process of developing a coherent public sector investment program should encourage the present major donors to continue to provide external assistance to Belize, and attract potential new donors such as the Japanese, Israeli, and Korean governments.

Moreover, while foreign assistance plays a key role in the execution of public investment, coordination among foreign donors is deficient. Donor coordination is generally on an ad hoc basis rather than a more systematic process where formal consultations and exchange of information and programs among representatives of the various donor agencies can occur under the GOB's leadership. The GOB is aware of this problem and has requested the Mission to assist the GOB to improve its capacity to coordinate the development activities amongst donors and ministries.

The Mission is therefore proposing to provide technical assistance to the GOB to strengthen the Office of Economic Development. This office is responsible for formulating both the public investment programs and the country's long-term economic development plan, coordinating foreign donor assistance programs in Belize, analyzing economic policies and its impact on the economy, and developing activities to promote private sector investments.

C. ECONOMIC PROSPECTS FOR 1986

Despite the positive improvements in the fiscal sector and the country's foreign exchange position, Belize's economic growth has remained sluggish. The latest estimates show that the GDP increased in real terms by only 1% in CY 1985 and is projected to grow by about 2% in CY 1986 due mainly to higher than expected sugar export receipts.

The country's economic recovery has been severely hampered by continued weak demand for its major exports and a weak domestic

market. The latter factor is related to the government's restrictive monetary policies associated with the stabilization efforts. Higher interest rates, which reduced credit flows to the private sector, have curtailed private investment activities. The lower public sector deficit has also caused a contraction in aggregate demand.

While the GOB has been successful in achieving considerable progress in its public sector finances, there is now increasing concern about a deterioration of the fiscal situation during the current fiscal year. As shown in Table 1, the projections for FY 1986/87 point to some decline in public sector savings. This is because the GOB, for the first time in five years, has granted a significant increase in public sector wages effective July 1986. Projected revenues of the central government for the current fiscal year will then be able to only cover its current expenditures. Further improvements in the savings performance of public enterprises, especially in the BEB, will offset this somewhat to allow overall public sector savings to remain positive. The projected savings of the consolidated non-financial public sector, however, will drop to a level equivalent to 3.4% of GDP from almost 6% of GDP in the previous fiscal year. Likewise, the ratio of overall public sector deficit to GDP will likely increase from 3.7% in FY 1985/86 to 5.4% in FY 1986/87.

Current projections put the net international reserves of the Central Bank to BZE.\$7.5 million by year-end 1986, or at the same level it was in end-1985. However, this already includes the US \$1.914 ESF (equivalent to BZE\$3.8 million) for the year. Without the ESF, the net reserves of the Central Bank would drop to BZE.\$3.7 million by the end of 1986. The lower reserve level is due to a less robust BOP situation in 1986. The weaker BOP performance is mainly attributed to the projected US\$12.0 million reduction in the capital account surplus owing to sharply reduced loans received by the public sector. The decline will offset the projected gains to be made in reducing the deficit on the current account to only US\$2.2 million, the lowest level in six years. This is due primarily to the projected 14% export growth as a result of higher sugar dollar earnings.

The Mission feels the deterioration in the fiscal account must be arrested in order to avoid serious BOP problems in 1987 and 1988. The country's long-term financial stability hinges on achieving sound fiscal and external accounts. A sharper focus on stabilization will thus be the subject of the 1987-1988 ESF program for Belize.

III. THE FY 1986 ESF AMENDMENT

A. CONDITIONALITY STRATEGY

1. Background - Review of 1985 Conditionality and Grant Assistance

Conditionality under the 1985/1986 ESF program focused on improving public sector finances; namely, on improving the finances and the management of the Belize Electricity Board and on changing the Belize Marketing Board's functions into that of an institution concerned exclusively with commodity price stabilization. In addition, there was conditionality which required improvement in Belize's foreign trade regime--specifically, the elimination of the entire prohibited import list. Compliance with the conditions was facilitated by the Grant Assistance provided under the program. The BEB was provided with a highly qualified advisor to assist it with its financial and management reforms. The Belize Marketing Board was studied extensively to determine a strategy and plan to accomplish the condition precedent. Finally, the Grant Assistance financed a comprehensive analysis of Belize's foreign trade regime and domestic pricing policy, including a review of the foreign exchange regime.

a. Belize Electricity Board

With the assistance of the Grant-financed advisor, all conditions were met. The GOB is no longer making transfers to the BEB (BEB has retired all short-term indebtedness) and the GOB has assumed BEB external debt. In addition, the BEB has begun an anti-theft campaign predicted to yield nearly US\$2.0 million in revenue per year. The transmission and distribution department is being modernized and reorganized into small working units with mechanized vehicles purchased with current revenues. Further mechanization, tools and training will take place with World Bank funding. New improved financial and budgeting systems are being implemented. The World Bank Power Project Loan Agreement was negotiated in April 1986 and is awaiting its Board approval in August.

b. Belize Marketing Board

It is anticipated that the GOB will soon begin implementing the strategies outlined by Kansas State University to change the BMB's functions into that of an institution concerned exclusively with commodity price stabilization, i.e. to divest itself of food and rice mills and uneconomical buying and selling of commodities. The Cabinet is presently reviewing the

KSU proposals with respect to concentrating the full authority and responsibility for developing national grain policy within the Ministry of Agriculture, to amend the Charter of the BMB to enable it to function exclusively as an institution for commodity price stabilization, and to encourage private sector participation in the development of a national grain system.

c. Domestic Pricing Policies and Foreign Trade Regime

The 1985/1986 program required this study because of concern that these items of the policy matrix might prove to be impediments to efficient resource allocation. The report found that existing quantitative trade restrictions and price controls were deterring economic efficiency in Belize. The quantitative import restrictions have not stimulated new economic activities, but, to the contrary, have fostered inefficiencies detrimental to the Belizean consumer and the development of exports. The arbitrary manner in which these are applied causes great uncertainty to producers. It mainly benefits the few import-substituting industries and the trading firms fortunate to have a license. It, therefore, serves to discourage investments in export-oriented activities which are important for a small country like Belize. The report also found that the system of price controls in Belize does not have much effect and that the GOB does not have adequate resources to effectively administer such controls. However, they can constrain supply, quality and consumer choice.

Given these findings, the report presented several recommendations aimed at correcting the deficiencies of the existing foreign trade and domestic pricing policies. The Mission fully supports these recommendations and is encouraging the GOB to adopt these reform measures to improve the structure and efficiency of the domestic economy.

d. Other Recommended Improvements

The mid-term review of the public sector fiscal performance found that public sector savings and deficit targets under the economic stabilization program were met. The only area found to be deficient and requiring improvement was that of the GOB's public investment planning, programming and evaluation process, known as the Public Sector Investment Program. The report found that the GOB did not have a reliable and consistent planning process in developing public sector projects. This finding has been confirmed by the World Bank and AID, which have found not only the project development and implementation process to be deficient, but also donor coordination, an integral part of that process, to be poor.

2. Conditionality Strategy - 1986 ESF Amendment

Given the accomplishments of the 1985/1986 Economic Stabilization Program and the recommendations of various reports, as described above, the 1986 ESF Amendment will focus on carrying out improvements in the foreign trade regime and domestic pricing policy and on rationalizing and improving the GOB project development and monitoring process, as well as the GOB's capacity to effectively coordinate donor assistance.

In view of major improvements in BEB finances and management, no new conditionality is required. The presence of the Grant-financed advisor and the implementation of the World Bank Power Project will ensure that reforms and improvements continue. The GOB, however, will be expected to report if satisfactory progress has been achieved in upgrading its management and financial capability under the current ESF program. Conditionality regarding continuation of improvements is appropriate.

The last disbursement of the 1985/86 program requires evidence of implementation of legal and legislative steps to change the BMB's functions into that of an institution concerned exclusively with commodity price stabilization. Under the current Agreement this will have to be accomplished and no new conditionality regarding the BMB is necessary for this Amendment.

Unlike the cases of the BEB and BMB, structural adjustments regarding the foreign trade regime and domestic pricing policy are only beginning. The elimination of the list of prohibited items is only the first step in improving the policy matrix.

The conditionality of the 1986 Amendment will concentrate on the recommendations listed above: it will require steps to be taken in the direction of total elimination of quantitative trade restrictions and price controls. Negotiations with the GOB indicate that given current policy atmosphere, the amount of assistance proposed could leverage elimination of most trade restrictions and price controls. Therefore, conditionality will require evidence that:

- the list of items requiring import licenses have been reduced by at least fifty percent;
- the number of items subject to price controls have been reduced by at least fifty percent;

-- the export licensing system has been converted to a simpler, more efficient export registration system.

In regard to the recommendation to improve the public planning process for investments, conditionality will require evidence of improved capability of the Office of Economic Development to plan, implement and coordinate the Public Sector Investment Program. Such evidence will entail that a project/program development "data bank" and planning cycle be functioning in OED; that a donor assistance coordination system be in place in order to improve the administration, monitoring and evaluation of foreign-assisted projects; and, OED be allocated sufficient human and physical resources to carry out these functions.

B. GRANT ASSISTANCE

It is anticipated that the proposed cash transfer of US \$1.5 million will be sufficient leverage to effect policy improvements in trade restrictions and price controls. However, changes in the PSIP administered by OED will require inputs financed by Grant Assistance. To enable the GOB to comply with conditions described above, the provision of technical assistance, training and equipment as described below will be necessary.

1. Technical Assistance. Two years of Technical Assistance will be provided to OED to assist in improving the OED's capability to plan, formulate and coordinate among GOB ministries and assistance donors the development of the PSIP and to monitor and evaluate the implementation of all development projects in Belize. In addition, assistance will be provided for helping the OED to improve its capability to formulate a useful long-term economic development plan, effectively analyze key economic issues and work closely with the private sector in developing economic programs. In support of this effort, short-term assistance will also be provided to the MOF and the CSO, in administering the budget process related to investment and data collection for developing and measuring the impact of investment projects, respectively.

2. Training. Short-term training in the United States, will be provided to OED, MOF and CSO staff in areas conducive to improving the PSIP. Courses will include but will not be limited to Overall Project Feasibility Analysis, Economic Analysis, Statistical Analysis, Project Design, Development and Implementation, Program Planning and Project Evaluation Methods.

3. Equipment. Highest priority equipment items to assist the OED, MOF, and CSO in planning, developing, evaluating projects and data collections are computers and peripheral equipment. Approximately six microcomputers will be required for the three entities (two each). Such standardized equipment will not only enable the analysis described above but also improve data coordination. Another top priority item, in terms of inspecting sites for project development and monitoring, is vehicles. This is especially true in the case of OED which possesses only one vehicle in poor condition to monitor projects for a staff of seven. It is anticipated that three vehicles (including one for the long-term advisor) will be required for OED and one each for MOF and CSO.

C. DETAILED BUDGET FOR USE OF GRANT

1. Technical Assistance	
-- Long Term (1.5 years at \$100,000 per year)	\$150,000
-- Short Term (7 months at \$12,000 per month)	84,000
2. Vehicles (five vehicles and parts at \$15,000 each)	75,000
3. Computer equipment (six units at \$7,500)	45,000
4. Training (12 months at \$4,000 per month)	48,000
5. Contingencies	<u>12,000</u>
TOTAL	\$414,000

D. PROGRAMMING FOR LOCAL CURRENCY

As is the standard practice in cash transfer programs, the Central Bank will maintain the special account under the control of USAID/Belize. When the disbursement for \$1.5 million is made to the account of CBB, the special account will be credited with the local currency equivalent. Disbursements in local currency from the special account will be approved by the AID Representative in Belize for expenditures associated with the development budget. Most of the local currency funds (60%) will be used as counterpart to AID projects and those of other international donors. An additional amount (32%) will be set aside for development activities of private organizations. This will begin a private sector oriented use of local currencies expected to be continued on a

more significant scale in the 1987/88 ESF program. In addition, some 8% of the local currency counterpart under the BOP program will be used to defray the local currency operating costs of the USAID Mission to Belize during the CY 1986.

E. IMPLEMENTATION ARRANGEMENTS

1. Payment Verification - The method of payment for the non-project assistance authorized under this PAAD is dollar payment through electronic fund transfer (EFT), which is a preferred method of financing under the Administrator's payment verification policy statement. The cash transfer will be conditioned on the provision of an equivalent amount of local currency counterpart funds by the GOB which will be jointly programmed and monitored by AID and the GOB as outlined above. The method of payment for the grant-funded TA program will be direct payment under direct AID contracts.
2. Contracting for Technical Assistance Program - All contracting for the TA program will be carried out by the Mission, which will, for each separate component, execute a direct AID contract. The GOB will, however, review and approve the proposed scopes of work and participate in contractor selection. Contractor supervision will be the responsibility of the Mission.
3. Monitoring of U.S. Imports - In order to monitor compliance with the covenant requiring an equivalent amount of imports of goods and services from the US within twelve months of disbursement, the Mission will request documentation from the Central Bank listing eligible imports which were purchased during each quarter. In addition, the Mission will carry out ex post spot checks with importers to verify that reported imports were in fact purchased.

BELIZE: CONSOLIDATED OPERATIONS OF THE NON-FINANCIAL PUBLIC SECTOR 1/
(in millions of Belize dollars)

	1981/82 <u>2/</u>	1982/83	1983/84	1984/85	Program <u>3/</u>	1985/86 Preliminary Actual	1986/87 Projected
<u>Total Revenue and Grants</u>	99.7	101.2	100.5	113.7	121.8	127.1	138.0
Revenue of general government	86.4	84.2	84.4	102.8	108.5	105.1	113.0
NFPE's current surplus	0.0	0.0	0.0	2.3	7.4	12.3	13.0
Grants	13.3	17.0	16.1	8.6	5.9	9.6	12.0
<u>Total Expenditure</u>	122.1	131.4	128.8	127.4	141.3	136.6	158.9
Current expenditure- general government	76.5	82.4	87.5	92.0	97.4	95.9	113.0
NFPE's current deficit	1.5	2.8	4.4	0.0	0.0	0.0	0.0
Capital expenditures	44.1	46.2	36.9	35.4	43.9	40.7	45.9
General government	31.9	27.7	24.6	27.4	34.3	28.4	30.2
NFPE	12.2	18.5	12.3	8.0	9.6	12.3	15.7
Overall Deficit (comm. basis)	-22.4	-30.2	-28.3	-13.7	-19.5	- 9.5	-20.9
Change in outstanding arrears	0.0	0.4	3.9	- 0.4	- 4.2	- 4.2	0.0
Overall deficit (cash basis)	-22.4	-29.8	-24.4	-14.1	-23.7	-13.7	-20.9
Financing (net)	22.4	29.8	24.4	14.1	23.7	13.7	20.9
External (net)	12.9	17.0	8.3	12.6	24.7	15.8	11.5
Domestic (net)	9.5	12.8	16.1	1.5	- 1.0	- 2.1	9.3
Banking system	9.6	12.4	16.1	2.7	- 1.0	- 1.8	0.0
Central Bank	13.6	0.4	14.0	13.5	- 5.0	-17.3	0.0
Commercial Banks	- 4.0	12.0	2.1	-10.8	4.0	15.6	0.0
Other	- 0.1	0.4	0.0	- 1.2	0.0	- 0.3	9.3

Table 1 (continued)

	1981/82 ^{2/}	1982/83	1983/84	1984/85	Program ^{3/}	1985/86 Preliminary Actual	1986/87 Projected
<u>Memo Items:</u>							
Public Sector Savings ^{4/} (as % of GDP)	8.4	- 1.0	- 7.5	13.1	18.5	21.5	13.0
Overall deficit (cash basis) of GDP	2.3	- 0.3	- 2.2	3.6	5.0	5.8	3.4
	6.4	9.3	7.2	3.9	6.4	3.7	5.4

^{1/} Consists of the general government, (i.e. central government, Social Security Board), and eight non-financial public enterprises (NFPE)

^{2/} GOB fiscal year runs from April 1 through March 31, 1986

^{3/} Budget program as agreed upon with the IMF

^{4/} Calculated as current revenue of the general government and NFPE's operating surplus less the general government's current expenditures and NPFE's operating deficit.

Source: IMF, Ministry of Finance

Table 2

BELIZE: BALANCE OF PAYMENTS
(in millions of US\$)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u> ^{1/}	<u>1986</u> ^{2/}
<u>Current Account</u>	- 4.7	-17.4	-12.6	-11.7	- 3.4	- 2.2
Trade Balance	-43.0	-46.2	-40.0	-39.3	-41.0	-38.5
Exports FOB	74.7	59.8	65.0	72.9	64.4	73.3
Imports CIF	117.7	106.0	105.0	112.2	105.4	111.8
Services (net)	14.1	10.5	9.3	4.1	7.6	7.8
Transfers (net)	24.2	18.3	18.1	23.5	30.0	28.6
<u>Capital Account</u>	2.7	18.1	0.0	-7.6	12.4	0.3
Public (net)	9.3	8.7	7.2	2.4	15.5	3.9
Private (net)	- 6.6	9.3	-7.2	-10.0	- 3.1	- 3.6
Errors and Omissions	0.0	- 1.2	2.9	10.9	1.0	0.0
Change in Arrears	0.0	0.0	5.1	1.2	- 3.7	0.0
Change in net official reserves (increase -)	2.0	0.5	4.6	7.2	- 6.3	1.9
Memo item:						
Net International Reserves of the Monetary Authority (end-of-period in BZE. \$)	20.4	19.2	9.6	- 5.0	7.5	3.7

^{1/} Preliminary estimates

^{2/} Based on IMF projections but excluding the \$1.914 million ESF (equivalent to to BZE.\$3.8 million) for 1986.

Source: IMF

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ANNEX B

DRAFT SCOPE OF WORK

ECONOMIC ADVISOR TO THE OFFICE OF ECONOMIC DEVELOPMENT

- Duration: 18 months, with possibility of extension
- Date Required: September 1, 1986
- Duty Station: Belmopan, Belize, CA
- Language: English
- Qualifications: A master's degree in Economics or related field from an internationally recognized institution, with specialization in international economics or development planning. At least five years work experience in a developing country, preferably in the Caribbean or Central America, with exposure to development planning, project development and feasibility analysis, and economic policy analysis.
- Duties: The Economic Advisor will be responsible for advising and assisting the Office of Economic Development (OED) of the Government of Belize (GOB), under the supervision of the Director of OED, in carrying out its mandate as the GOB's key agency responsible for formulating the public sector investment program and long-term economic development plan, coordinating foreign donor assistance and private sector investment projects, and formulating the overall economic policy framework for Belize. His duties will specifically include advising the OED in carrying out the following tasks:
- (a.) developing a systematic process for the planning, formulation, management and evaluation of the public sector investment program for Belize;

(b.) establishing standards and guidelines in identifying potential public investment projects and sources of funding;

(c.) developing a working system for coordinating donor assistance in the country;

(d.) developing project proposals and designs for private sector investments;

(e.) developing and implementing a system for monitoring and evaluating public investment projects and private sector investment projects for which concessions have been granted;

(f.) taking charge of formulating the country's long-term economic development plan;

(g.) reviewing and recommending economic policies to the Cabinet to ensure efficient resource allocation and private sector development in the economy;

(h.) determining the training needs of the staff to enable the Office to effectively accomplish its mandated functions; and,

(i.) determining short-term technical assistance needs and effectively managing provision of short-term technical assistance.

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?

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(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 toward such citizens or entities? NO
5. FAA Sec. 620(a), 620(f), 620D; FY 1986 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
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(1). Has the country failed to enter into an agreement with OPIC? NO
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?
- (b) If so, has any deduction required by the Fishermen's Protective Act been made? NO
9. FAA Sec. 620(g); 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? 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, TAKEN INTO ACCOUNT BY THE ADMINISTRATOR AT TIME OF APPROVAL OF AGENCY OYB.

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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.) CURRENT

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.)

NO

19. FY 1986 Continuing Resolution Sec. 541.

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? N/A

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

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA 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? N/A

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

5C(2) PROJECT CHECKLIST

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

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

A. GENERAL CRITERIA FOR PROJECT

I. 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.

CONGRESSIONAL NOTIFICATION
(EXPIRED IN JUNE, 1986)

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

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

3V

4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)
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?
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

N/A

N/A

N/A

THIS ESF PROGRAM WILL PROVIDE BALANCE OF PAYMENTS AND BUDGET SUPPORT TO THE GOB. IT WILL ALSO SUPPORT THE IMPLEMENTATION OF STRUCTURAL ADJUSTMENT MEASURES TO IMPROVE THE EFFICIENCY OF THE ECONOMY AND PROMOTE PRIVATE SECTOR GROWTH. REFORMS IN THE EXISTING TRADE AND DOMESTIC PRICING POLICIES WILL INCREASE THE FLOW OF INTERNATIONAL TRADE, FOSTER PRIVATE INITIATIVE AND COMPETITION, DISCOURAGE MONOPOLISTIC PRACTICES, AND IMPROVE THE TECHNICAL EFFICIENCY OF INDUSTRY, AGRICULTURE AND COMMERCE.

8. FAA Sec. 601(b): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- BORROWER SHALL IMPORT OR CAUSE TO BE IMPORTED INTO BELIZE RAW MATERIALS, INTERMEDIATE GOODS, SPARE PARTS, AGRICULTURE INPUTS AND CAPITAL GOODS FROM THE UNITED STATES FOR THE PRIVATE SECTOR IN AN AMOUNT EQUIVALENT TO THE LOAN DISBURSMENT.
9. 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.
- N/A
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?
- NO
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- N/A
12. FY 1986 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?
- NO

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests? N/A
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? N/A
15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? NO
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

- 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, (e) utilize and encourage regional cooperation by developing countries?

N/A

- b. FAA Sec. 103, 103A, 104, 105, 106. -- Does the project fit the criteria for the type of funds (functional account) being used? N/A
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? N/A
- 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? N/A

- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? N/A
- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. N/A

2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b).
Information an conclusion on
capacity of the country to
repay the loan, at a
reasonable rate of interest. N/A
- 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? N/A

3. Economic Support Fund Project
Criteria

- 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? ECONOMIC STABILITY
YES
- b. FAA Sec. 531(c). Will
assistance under this
chapter be used for
military, or paramilitary
activities? NO
- c. 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

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

N/A

5C(3) - STANDARD ITEM CHECKLIST

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

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

A. Procurement

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

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

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

5. FAA Sec. 604(q). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? YES

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

9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? N/A

B. Construction

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

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

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

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? YES
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? NO
4. Will arrangements preclude use of financing:
 - a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo

- sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion? YES
- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? YES
- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? YES
- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES
- e. FAA Sec. 662. For CIA activities? YES
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES

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- g. FY 1986 Continuing Resolution, Sec. 503.
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? YES
- h. FY 1986 Continuing Resolution, Sec. 505.
To pay U.N. assessments, arrearages or dues? YES
- i. FY 1986 Continuing Resolution, Sec. 506.
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? YES
- j. FY 1986 Continuing Resolution, Sec. 510.
To finance the export of nuclear equipment, fuel, or technology? YES
- k. FY 1986 Continuing Resolution, Sec. 511.
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES
- l. FY 1986 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? YES

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. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

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 CONGRESSIONAL NOTIFICATION WAS SUBMITTED TO CONGRESS IN EARLY JUNE 1986, WHICH FULLY DESCRIBED THE NATURE AND SCOPE OF THIS ECONOMIC SUPPORT PROGRAM. NEITHER HAS CHANGED SINCE THAT TIME.

2. - 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?

LEGISLATIVE ACTION WITHIN BELIZE IS REQUIRED TO IMPLEMENT STRUCTURAL REFORM MEASURES PROPOSED UNDER THIS ESF PROGRAM. THE PRESENT GOB IS COMMITTED TO EXAMINING ECONOMIC POLICIES AND INTRODUCING REFORM TO PROMOTE GREATER EFFICIENCY AND PRIVATE SECTOR GROWTH IN BELIZE.

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

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

NO

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.

THIS ESF PROGRAM WILL PROVIDE BALANCE OF PAYMENT AND BUDGET SUPPORT TO THE GOB. IT WILL ALSO SUPPORT THE IMPLEMENTATION OF STRUCTURAL ADJUSTMENT MEASURES TO IMPROVE THE EFFICIENCY OF THE ECONOMY AND PROMOTE PRIVATE SECTOR GROWTH. REFORMS IN EXISTING TRADE AND DOMESTIC-PRICING POLICIES WILL INCREASE THE FLOW OF INTERNATIONAL TRADE, FOSTER PRIVATE INITIATIVE AND COMPETITION, DISCOURAGE MONOPOLISTIC PRACTICES, AND IMPROVE TECHNICAL EFFICIENCY OF INDUSTRY, AGRICULTURE AND COMMERCE.

THE LIBERALIZATION OF TRADE AND DOMESTIC PRICING POLICIES WILL IMPROVE THE ENVIRONMENT FOR GREATER U.S. TRADE AND INVESTMENTS IN BELIZE BY REMOVING RESTRICTIONS INIMICAL TO PRIVATE SECTOR DEVELOPMENT.

THE GOB IS REQUIRED TO PUT UP THE LOCAL CURRENCY EQUIVALENT OF THE ESF DOLLAR CASH TRANSFER IN A SPECIAL ACCOUNT IN THE CENTRAL BANK OF BELIZE. DISBURSEMENTS FROM THIS LOCAL CURRENCY ACCOUNT WILL BE AT THE AUTHORIZATION OF THE AID REPRESENTATIVE FOR ALLOCATIONS TO A MISSION TRUST FUND AND FOR EXPENDITURES UNDER THE GOB CAPITAL II BUDGET AND SELECTED DEVELOPMENT ACTIVITIES OF PRIVATE ORGANIZATIONS.

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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? NO

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? ECONOMIC STABILITY 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?

YES.
THE ESF DOLLAR CASH TRANSFER WILL GENERATE AN EQUIVALENT AMOUNT IN LOCAL CURRENCIES WHICH WILL BE USED FOR EXPENDITURES FOR THE GOB CAPITAL II BUDGET, AND SELECTED DEVELOPMENT ACTIVITIES OF PRIVATE ORGANIZATIONS AND TO DEFRAY THE LOCAL CURRENCY OPERATING COSTS OF THE MISSION. THESE USES ARE CONSISTENT WITH THE OBJECTIVES OF FAA SECTIONS 103 THROUGH 106.

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?

N/A

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

(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;

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

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;

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

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

(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

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.

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 American (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?

N/A

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?

N/A

b. FAA Sec. 103, 103A, 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.)

N/A

(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.

(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.

(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.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent 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; 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.

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

(iii) research into, and evaluation of, economic development processes 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 special development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

(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.)

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?

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.

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?