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

ROCAP

PROJECT PAPER

SUPPORT FOR PARTNERSHIP FOR
DEMOCRACY AND DEVELOPMENT

AMENDMENT NUMBER 2

AID/LAC/P-820
CR-791

PROJECT NUMBER: 596-0177

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input checked="" type="checkbox"/> C A = Add C = Change D = Delete	Amendment Number 2	DOCUMENT CODE 3
2. COUNTRY/ENTITY IAC Regional		3. PROJECT NUMBER 596-0177		
4. BUREAU/OFFICE IAC bureau		5. PROJECT TITLE (maximum 40 characters) Support for Partnership for Democracy and Development		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06 24 97		7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY 92 B. Quarter 4 C. Final FY 93		

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 92			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID Appropriated Total	745		745	3,000		3,000
(Grant)	(745)	()	(745)	(3,000)	()	(3,000)
(Loan)	()	()	()	()	()	()
Other 1.						
U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	745		745	3,000		3,000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATION TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1 Grant	2 Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)				1,000		2,000		3,000	
(2)									
(3)									
(4)									
TOTALS				1,000		2,000		3,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	
A. Code	
B. Amount	

13. PROJECT PURPOSE (maximum 480 characters)
 To stimulate a multilateral effort to assist regional Central American trade and investment, democracy strengthening and mine clearing initiatives.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY MM YY Final MM YY 0 4 9 5	<input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ___ page PP Amendment.)
 This amendment (no. 2) authorizes an additional \$2 million for continued project implementation

17. APPROVED BY	Signature <i>[Signature]</i>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title Acting Assistant Administrator IAC bureau	



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

APR 9 1993

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM: LAC/DR, Peter Bloom
LAC/CEN, Toni Christiansen-Wagner

SUBJECT: Project Authorization Amendment for the Support for the Partnership for Democracy and Development (PDD) Project (No. 596-0177)

Action: Your approval is required to amend the authorization for the subject Project (1) to increase the life of project funding by \$2 million from the previous total of \$1 million to a new total of \$3 million and (2) to update the project purpose statement to include the already approved demining activities.

Background: The Partnership for Democracy and Development (PDD) is a major U.S. foreign policy initiative to bring together 22 OECD countries, Mexico, Venezuela, Colombia, various international organizations and the seven Central American republics for the purpose of strengthening two critical development sectors in the region--trade/investment and democracy. The subject Project, to provide support to the PDD process, was originally authorized on June 24, 1992. Subsequently, an Amendment No. 1 was authorized which added the removal of unexploded land mines in ex-conflictive areas to the project description and added \$255,000 to the project budget for this purpose, thus increasing the total LOP funding to the current total of \$1 million. This Action Memorandum will serve, in lieu of a Project Paper Supplement, to describe and justify the authorization of an additional \$2 million to finance continued project implementation. The scheduled PACD for the Project remains unchanged, June 24, 1997.

Discussion:

1. Project Rationale

The Support for the Partnership for Democracy and Development Project is an initiative to bring the Europeans, Japan and Canada together with three major Latin American countries (Mexico, Colombia, Venezuela) and the U.S. in a long-term multilateral support relationship with Central America to assist regional trade and investment and democracy initiatives. A historic opportunity is now afforded by the emergence of democratically elected Central America governments. Yet these young democracies are still fragile and strong international

support is needed to strengthen weak democratic institutions and to complete successfully the transition to open market economies. The PDD provides a multilateral framework to accomplish these processes in a way that also reinforces regional economic and political cooperation amongst the Central American countries. Thus, the PDD provides a means to achieve a major U.S. objective, to encourage co-financing - U.S. and other donor - of priority projects in the democracy and trade and investment areas.

2. Organization of Responsibilities

The PDD countries initially formed two working groups co-chaired by a Central American and non-Central American member. Canada and Japan have been the extra-regional co-chairs of the Democracy and Economic Working Groups, respectively. The Central Americans have rotated their co-chair participation; Honduras and Nicaragua currently serve as co-chairs of the Democracy and Economic Working Groups, respectively. These two Groups developed a series of working papers in the areas of trade and investment harmonization, strengthening of democratic institutions, and consolidation of peace in the region. These working papers identified eleven priority areas, five in the trade and investment category and six in the democratic strengthening/peace consolidation area.

Co-leaders (one Central American, one extra-regional) were selected for each of the eleven priority areas and assumed responsibility, within the framework of the two Working Groups, for panels to develop concrete proposals for support through donor programs of cooperation with Central America. The U.S. is co-leader of four priority areas: (1) with Nicaragua, the OAS and Inter-American Defense Board in demining; (2) with Costa Rica in administration of justice; (3) with Nicaragua in regional trade and investment information system; and, (4) with Honduras in regional investment conferences.

3. Project Implementation Progress

The PDD priority areas were established at the Second Plenary Conference in Ottawa in January 1992. At the Third Plenary Conference of the PDD, held in El Salvador in October 1992, co-leaders of several of the priority area panels put forward program and project proposals. The Plenary participants expressed satisfaction with the progress achieved under the Working Groups and directed the co-leaders of the panels to follow up on the reports and projects presented at the Plenary.

Since the San Salvador Plenary, the U.S. and the other co-leaders have pushed forward in our four areas of responsibility. The current status of these efforts is as follows:

Regional Demining: Training by the Department of Defense of the first group of 15 international trainers from South America and Central America commenced at Fort Benning's

School of the Americas on March 8. After training, these instructors will go to Nicaragua to train the Nicaraguan personnel who will perform the actual demining. The instructors will then supervise the actual mine removal operations. The \$255,000 in Project funds in the existing budget will finance the cost of the Department of Defense course and a portion of the non-lethal equipment costs. Project funds for the first phase of the Nicaraguan demining program have been supplemented by pledges totalling \$482,000 from several other PDD participants, including Japan, Sweden, The Netherlands, Germany, Spain and Guatemala. The Inter-American Defense Board has received national demining plans for El Salvador and Guatemala and is now reviewing these.

Administration of Justice: Following its identification as a priority area for joint efforts under the PDD, a task force composed of representatives from the Government of Costa Rica, ILANUD and USAID/Costa Rica traveled throughout Central America and prepared a survey report on administration of justice in the region and efforts already underway to address identified problems. The report, which highlighted some 30 areas possibly meriting attention, was circulated to PDD partners at the San Salvador Plenary.

The administration of justice task force has now entered a new round of consultations with representatives of the justice sectors of the Central American countries. The purpose of these consultations is to gain consensus on a prioritized list of national and regional project profiles developed earlier from the survey results, in order that the highest priority proposals can be brought to the attention of the PDD partners for possible inclusion in their assistance programs in the region. Consultations were held with El Salvador, Honduras and Costa Rica prior to the Tokyo special meeting. Others are being scheduled.

Regional Trade and Investment Information System: Co-leaders Nicaragua and the U.S. sponsored a regional technical seminar in Costa Rica in August 1992 attended by representatives of regional organizations, national agencies, and international donors concerned with trade and investment. At the seminar, participants formulated an action plan to integrate existing information sources on trade and investment. An integrated information network would provide more accurate and timely trade and investment data to private business persons and public sector decision makers.

The action plan called for a systematic approach to exploring information needs in the region, cataloguing existing information, covering gaps as well as expanding the

breadth and depth of overall coverage. After the PDD Plenary in San Salvador endorsed the action plan, an inter-institutional technical group met December 10-11 in Managua to take next steps to carry out the action plan. The technical team agreed to and drafted: (1) the terms of reference for an inventory of all relevant information sources and systems currently active or under development; (2) the terms of reference for an appraisal of the information needs of the potential users of an information network, and (3) guidelines for the development of an integrated regional information system, which is the final aim of the effort. The Project will fully finance the first two studies, which will form the basis for the network, as well as the network design study itself. The co-leaders will seek additional support from PDD partners for the implementation of the information network.

Regional Investment Conference: The U.S. and co-leader Honduras have set the Conference dates for June 28-July 1 in San Pedro Sula. The purpose of the conference is to manifest the new spirit of openness and competition that now characterizes Central America's regional economy and to showcase new investment opportunities in infrastructure areas. Conference preparations by the Central American task force in charge include identification of illustrative projects to demonstrate investment opportunities, review of applicable legal and regulatory provisions, and the recruitment of outside investors. Since this conference is primarily an opportunity for U.S. investors to expand international market share through infrastructure development, it should not conflict with the export of jobs provisions of Section 599 of the FAA. However, ROCAP will adhere to all policy guidelines while implementing this activity. The conference task force is headed by the Honduran Minister of Economy and includes representatives of the Central American private sector, the regional development bank (CABEI) and U.S. government agencies. In addition, a local contractor will handle logistic preparations for the conference.

To promote the Conference outside the region and to work with the Central Americans in identifying investment opportunities and making arrangements for the conference, AID's Regional Office for Central American Programs (ROCAP) has retained the services of a professional conference organizer, Smith McCabe of New York. Smith McCabe began the process of conference design on February 10.

b. Planned Future Activities

The Project will provide \$2 million in additional funding to complete the administration of justice, trade and investment and

demining activities begun, or planned to begin, with the initial authorization of \$1 million. The paragraphs below, organized by project component, present a description of planned project implementation actions to be financed with the additional project funds.

A number of administration of justice project proposals will be examined by the administration of justice task force in a series of meetings with Central American justice sector officials. The proposals are to be reviewed at the Tokyo Plenary and those which are considered high priority activities will be endorsed as candidates for project support. The pledging of Project funds will encourage commitments of complementary resources by other PDD partners. For this reason, project proposals and activities will contain substantial other donor and Central American assistance. Similarly, some Project funds are budgeted for support of other regional democracy proposals, for example, the proposal being developed by Canada and Nicaragua in the electoral area and by Sweden and Panama in the human rights area.

The consultant services required to conduct the user needs and inventory studies for the trade and investment information network will be contracted by ROCAP under a limited scope grant agreement with SIECA (Permanent Secretariat for Central American Trade and Investment). The results of these studies, together with a subsequent design study, will be used to prepare the final design for a regional trade and investment information network. Other donor support will be solicited to finance the costs of installing the system. The current plan calls for the operation of approximately 20 "information centers" in the region, one of which will be located in SIECA. Project and other donor funding will finance the costs of equipment, software and staff training. No Project funds will be expended to finance the cost of system installation. In addition, technical assistance and logistics support will be provided to the Government of Honduras to finance the Regional Trade and Investment Conference scheduled for June 18-July 1, 1993 and, possibly, for a second such conference in 1994. The Project will also help finance the next PDD Plenary Conference in Central America.

Upon completion of the Nicaragua demining effort, attention will shift to the other Central American countries with uncleared land mines, which include El Salvador, Guatemala and Costa Rica. El Salvador is exploring other demining operational and funding options, including contracting a private company. The Inter-American Defense Board, which worked with the Government of Nicaragua on its demining plan, has conducted initial site surveys in these countries.

They have received demining plans from El Salvador and Guatemala and they are in the process of reviewing these. It is expected that the El Salvador plan and budget, which at present calls for the removal of approximately 20,000 mines, or about one-third the target in Nicaragua, will be completed soon. Project funds budgeted for demining, if not already fully expended on the Nicaragua operation, will finance the training of demining instructors and the procurement of equipment for demining in El Salvador, if required, and, possibly, Guatemala. Other funding, including \$500,000 from FY 93 FMF and contributions from other PDD partners, will supplement Project funds.

3. Financial Plan

A total of \$2 million will be authorized for the Project through this amendment, thus increasing total LOF funding from \$1 million to \$3 million. Funds budgeted for the AOJ Component of the Project will be allocated to USAID/Costa Rica to be managed by the Regional Administration of Justice Office in San Jose. The funds budgeted for the Trade and Investment Component of the Project will be allocated to ROCAP. The funds budgeted for the Demining Component of the Project will be transferred to the Department of State to be obligated with the OAS in its Demining Fund. An illustrative budget of the uses of Project funds is contained in Annex 1 to this memorandum.

4. Project Management

The AA/LAC originally delegated project management responsibility as follows: LAC/CEN has overall project management responsibility consistent with its role as coordinator of PDD activities within AID; USAID/Costa Rica, through the RAJO, has project management responsibility for the AOJ Component of the Project; and, ROCAP has project management responsibility for the Trade and Investment Component of the Project. These existing delegations of project management responsibility will continue. The Department of State PDD Coordinator in the ARA Bureau retains overall leadership of the PDD effort for the USG and provides policy guidance to the Project.

Waivers: No waivers are required.

Justification to the Congress: A Technical Notification was sent to the Congress on January 15, 1993, and expired without objection on January 29, 1993.

Clearances Obtained: All relevant Department of State clearances have been obtained through Ford Cooper, ARA/PDD, whose clearance is affixed below.

Recommendation: That you sign the attached Project Authorization Amendment No. 2 for the Support for Partnership for Democracy and Development Project (No. 596-0177) which (1) increases total LOP funding from \$1 million to \$3 million and (2) updates the project purpose statement to include the demining activities which were approved in Project Authorization Amendment No. 1.

Annex 1

Support for Partnership for Democracy and Development (PDD)
Project No. 596-0177

ILLUSTRATIVE BUDGET
(US\$)

<u>Component & Activity</u>	<u>----- Budget</u>	<u>Original</u>	<u>----- Total</u>
		<u>Increase</u>	
J. Democracy Strengthening			
A. AOJ Project Proposals	295,000	450,000	745,000
B. Other Demo Activities	-	265,000	265,000
Subtotal Democracy	295,000	715,000	1,010,000
II. Trade and Investment			
A. Plenaries & Conferences	205,000	215,000	420,000
B. T&I Info Network	245,000	400,000	645,000
C. Other T&I Activities		170,000	170,000
Subtotal T&I	450,000	785,000	1,235,000
III. Demining	<u>255,000</u>	<u>500,000</u>	<u>755,000</u>
<u>TOTAL</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>3,000,000</u>

PROJECT AUTHORIZATION
AMENDMENT NO. 2

Name of Country: ROCAP

Name of Project: Support for Partnership
for Democracy and
Development

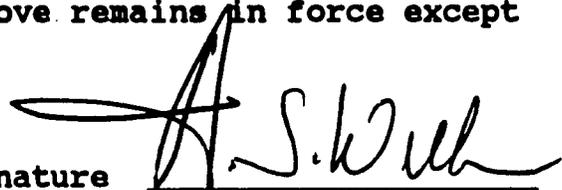
Number of Project: 596-0177

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Support for Partnership for Democracy and Development Project (No. 596-0177) for the Latin American and the Caribbean Region was originally authorized on June 24, 1992, and subsequently amended in Amendment No. 1 on November 2, 1992. The authorization is hereby further amended as follows:

- a. The total planned obligations amount shown in Paragraph 1 of the Project Authorization, as amended, is increased by \$2 million from \$1 million to a new total planned obligation of \$3 million.
- b. The first sentence in Paragraph 2 of Project Authorization Amendment No. 1 should be deleted and the following substituted in lieu thereof:
"The purpose of the project is to stimulate a multilateral effort to assist regional Central American trade and investment, democracy strengthening and mine clearing initiatives."

2. The authorization cited above remains in force except as hereby amended.

Signature



AA/LAC, Aaron Williams

4/14/93

Date

Distribution:

A-DAA/LAC:WSRhodes	<u>WSR</u>	Date:	<u>4/8/93</u>
ARA/PDD:FCooper	<u>FC</u>	Date:	<u>3/24/93</u>
GC/LAC:RMeighan:	<u>RM</u>	Date:	<u>3/26/93</u>
LAC/DPP:EZallman	<u>EZ</u>	Date:	<u>3/31/93</u>
LAC/DPP:RMeehan	<u>RM</u>	Date:	<u>3/31/93</u>
LAC/DI:DMcFarland	<u>DM</u>	Date:	<u>3/25/93</u>
LAC/TI:RStyker	<u>RS</u>	Date:	<u>3/24</u>
LAC/CEN:KBaier	<u>KB</u>	Date:	<u>3/24</u>
LAC/DR/CEN&CAR:JHradsky	<u>JH</u>	Date:	<u>3/24</u>

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Support for Partnership for Democracy and Development (596-0177)
Authorization Amendment No. 2

Clearances:

- A. LAC/DR/CEN&CAR: JHradsky JH Date 3/24
- B. LAC/CEN: KBaier KB Date 3/24
- C. LAC/TI: RStyker RS Date 3/24
- D. LAC/DI: DMcFarland DM Date 3/24/93
- E. LAC/DPP: RMeehan RM Date 3/24/93
- F. LAC/DPP: EZallman EZ Date 3/24/93
- G. GC/LAC: RMeighan RM Date 3/26/93
- H. LAC/CEN: TC-Wagner TC Date 3/3/93
- I. LAC/DR: PBloom PB Date 3/3/93
- J. ARA/PDD: FCooper FC Date 3/29/93
- K. LAC/DAA: WSRhodes WR Date 4/9/93