

PD-ABK-228

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION

AMENDMENT NO. 1

Name of Country/Entity: Worldwide Name of Project: I.E.S.C.
International Executive Service Corps Number of Project: 940-0004

Pursuant to A.I.D. regulations and delegations of authority, I hereby amend the August 11, 1978 authorization for the I.E.S.C. project by: (1) increasing the authorized amount to twenty-five million fifty thousand U.S. dollars (\$25,050,000); (2) extending the authorization period to include FY 1983; and (3) broadening funding eligibility to include both Section 103 and 106 funds.

Except as hereby amended, the original authorization shall remain in full force and effect.


Elise R. W. du Pont
Assistant Administrator
Bureau for Private
Enterprise
Date: Aug. 11, 1983

Clearance:

| | |
|-------------------------------|----------------------|
| PPC/PDPR:EHullander <u>EH</u> | Date: <u>8/5/83</u> |
| GC/PRE:SECarlson <u>SEL</u> | Date: <u>8/1/83</u> |
| DAA/PRE:PMKimm <u>TK</u> | Date: <u>8/10/83</u> |
| PRE/PPR:BBouchard <u>BP</u> | Date: <u>8/2/83</u> |

Drafter:GC/PRE:SECarlson:cn:7/29/83

AUG 1 1983

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, PRE

THROUGH: PRE/PPR, Bruce Bouchard *Bruce Bouchard*

FROM : PRE/PPR, Roger Moeller *Roger Moeller*

SUBJECT: Amendment of PRE Grant to the International Executive Service Corps (I.E.S.C.)

Problem: Your approval is requested: (1) to authorize the obligation of up to \$1.2 million in additional grant funds for the International Executive Service Corps (IESC) during FY 1983; and (2) to amend a prior authorization for the IESC grant to correct certain technical deficiencies.

Discussion: A.I.D. has had a grant agreement with IESC for in excess of four years. It was originally managed by the PDC Bureau but was transferred to PRE in 1982. The basic purpose of the grant is to support the IESC's program of providing technical advice from retired U.S. business executives to companies in LDCs (largely in the private sector).

A.I.D. executed the grant to IESC in January 1979 in the amount of \$4 million (AID/SOD/PDC-G-0206). It had through seven subsequent amendments added an additional \$14.95 million by the end of FY 1982. During the current fiscal year, two further amendments in the amount of \$2 million and \$2.9 million have been signed, the most recent in July. The total obligated amount under the amended grant is therefore \$23.85 million.

The grant was authorized in 1978 by the Administrator in the amount of \$23.1 million for the period FY 1978 through FY 1982. The authorization has not subsequently been amended. An amendment is therefore required to extend the date by one year to FY 1983 and the amount by \$.75 million to \$23.85 million to cover the obligations which have been made this year.

We also wish to amend the authorization to permit PRE to obligate additional grant funds (from both the Section 103 and 106 accounts) during the balance of this fiscal year. These funds would be utilized to continue the IESC program, as spelled out in the last Congressional Notification for the grant, the most recent amendment to the grant agreement and the latest IESC proposal (Attachment 1). The authorized amount would be up to \$1.2 million but the funds obligated this fiscal year would probably be somewhat less than \$.5 million. This

would assist in meeting IESC's program needs through about March 1984. A single authorization amendment is attached (Attachment 2) for your signature. It is consistent with our Notifications to Congress which have expired without objection. You have the authority to sign it pursuant to Delegation of Authority No. 133.

We will provide you with a separate action memorandum and PIO/T later this month requesting you to approve the obligation of a specific level of FY 1983 grant funds.

The long-term A.I.D. program with IESC was described in a briefing memorandum for the Administrator, dated June 30, 1983 (approximately \$6 million in PRE support for each of the years FY 1984-1987) (Attachment 3). The recommended actions are consistent with that memorandum.

Recommendation: That you sign the attached Amendment No. 1 to the project authorization.

Attachments a/s

GC/PRE:SECarlson:cn:7/29/83

THE INTERNATIONAL EXECUTIVE SERVICE CORPS

P R O G R A M

1983 - 1988

Revised March 17, 1983

HISTORY

IESC is a private, not-for-profit organization formed for the purpose of improving the economies of lesser developed countries through the transfer of management and technical know-how on a business-to-business basis.

It was formed by U. S. businessmen in 1964 at the request of the U. S. government and has functioned since the beginning under the auspices of the Agency for International Development in Washington.

Since IESC was formed, more than 8,500 projects have been carried out by Volunteer Executives in a total of 72 countries. Currently, IESC maintains offices staffed by resident representatives called Country Directors, in 21 countries. In addition, Requests for Assistance are processed at IESC's New York headquarters from other countries where we do not maintain a Country Director.

The unpaid executives who accept assignments with clients are the main strength of IESC. Almost all are men and women of retirement age who give their experience, wisdom, and dedication to assist clients in the developing world. The volunteers receive no compensation, only actual expenses.

Currently more than 8,000 volunteers with extensive experience in all fields of business are registered with IESC. We also call on private industry to help us locate volunteers when a particular type of expertise is not available among registered volunteers. The cooperation of U. S. corporations is provided without cost to IESC. All volunteers are ready on short notice to provide their services as Requests for Assistance are received from our Country Directors.

Volunteer Assignments by Industrial Category

1965 - 1982

| | |
|---|------|
| Agriculture, Fisheries Food Processing & Packaging | 18.2 |
| Machinery, Metal Products Transportation & Electrical Equipment | 13.9 |
| Construction, Land Development & Building Materials | 12.0 |
| Mining & Metal Refining | 7.4 |
| Textile & Apparel Manufacturing | 7.3 |
| Communication, Utility & Transportation Services | 6.4 |
| Chemicals & Petroleum Products | 5.6 |
| Health, Education & Insurance | 5.1 |
| Wholesale & Retail Merchandising | 5.0 |
| Paper, Printing & Publishing | 4.1 |
| Banking & Finance | 3.1 |
| Governmental Administration | 3.0 |

While IESC's founding principles remain the same, the strategies necessary to carry out our program have and will continue to undergo numerous changes in the period from 1983 to 1988.

The Bureau for Private Enterprise has established a list of target countries and has requested IESC to direct more of its resources toward those countries. Of the countries on the target list, IESC currently maintains and will continue to maintain a Country Director and full-scale program in the following countries:

Thailand
Indonesia
Costa Rica
Haiti
Peru
Egypt
Turkey

Seven other countries are on the target list:

Jamaica
Kenya
Sri Lanka
Zimbabwe
Pakistan
Sudan
Ivory Coast

STATUS

Jamaica

IESC plans to assign a full-time American Country Director to Jamaica, replacing the local representative.

Kenya

A full-time Country Director will be assigned to Kenya when a country agreement is negotiated.

Sri Lanka

IESC is looking at the possibility of assigning a Country Director to Sri Lanka. Although we temporarily closed our office in Sri Lanka in 1981, IESC has continued to fill requests from the private sector for Volunteers.

Zimbabwe

Once the office has been established in Kenya, Zimbabwe will be served from Kenya. If there is sufficient activity in Zimbabwe a Country Director may eventually be assigned. Meanwhile, from Kenya, services will be made available to other East Africa countries, such as Burundi, Malawi, and Uganda.

Sudan

IESC currently has an active project in Sudan and has carried out a number of projects there in recent years. Further efforts will be made there to develop projects, utilizing the base of the Country Director in Egypt.

Ivory Coast

IESC is currently negotiating with a prospective client in Ivory Coast. A successful conclusion to this negotiation will be the means of opening the door in Ivory Coast to further IESC activity.

Pakistan

IESC has carried out a few volunteer assignments in Pakistan in recent years. The current interest in IESC in Pakistan may make it possible to assign an IESC representative in the country as a start toward developing a broader program in that country.

In addition to the countries on the PRE target list, IESC also is serving other smaller or poorer countries around the world.

Central America and Caribbean

IESC is aware of the increased concerns in regard to the Central American and Caribbean area and will continue to focus attention on this region over the next five years.

In addition to Jamaica, Haiti and Costa Rica, target countries, IESC has Country Directors serving the following Central American or Caribbean nations:

- Barbados
- Honduras
- Belize
- Guatemala) served from Honduras
- Panama
- Suriname
- Guyana) served from Barbados

Through our Caribbean offices, we also continue to assist a number of the smaller island nations of that region.

Also, after a period of severe political instability in El Salvador, IESC now is discussing two possible projects in El Salvador.

Africa

Various countries of sub-Sahara Africa will continue to receive increased attention from IESC over the next several years and as opportunities arise IESC will expand activities in that region.

In addition to Ivory Coast, projects currently are under discussion with possible clients in Liberia and Ghana. Recent uncertainties in both countries have slowed program activities. Developments will continue to be monitored to determine if IESC can go forward with the projects now being developed in each of the countries.

IESC recently assigned a senior executive to explore program possibilities in Guinea. IESC's type of assistance is needed, but at this time IESC could not effectively mount an effective program.

Asia and the Pacific

As stated, IESC strategy is to expand operations in the PRE target countries of Sri Lanka first and then Pakistan in addition to Thailand, Indonesia and the Philippines.

Also, discussions on possible projects in Fiji and the Cook Islands are underway and meetings with representatives of the Federated States of Micronesia have been held about possible IESC assistance once independence is achieved.

India

IESC is considering the feasibility of opening an office in Bombay, India, that also would serve such other commercial and industrial areas as Ahmadabad and Calcutta.

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There is a great need and interest in IESC's type of assistance in India. IESC receives many requests for assistance and makes every effort to fill the requests. This is done under very adverse circumstances that are the result of bureaucratic and regulatory entanglements placed in either the client's way or in IESC's way by the Government of India.

IESC will continue to look for ways to overcome the obstacles by utilizing offers of help that have been received from our former India clients.

Near East (Lebanon)

IESC recently assigned three volunteers to Lebanon to assist in the restoration of its telecommunications system. Part of the goal of those three assignments is to help the government move toward placing the telecommunications system under private management. When other requests for IESC assistance are received from Lebanon, they will be filled as rapidly as possible.

Jordan and Tunisia

At the specific request of the Bureau for Near East, IESC sent an executive to Jordan and Tunisia to develop an IESC program. The first visit resulted in discussions with concerned parties in both of these countries. IESC expects to initiate a program in both of these countries.

NON-AID COUNTRIES

Project development and its growth for the 5 year planning budget period will be heavily dependent on marketplace conditions and the success of IESC's marketing efforts. Assuming these two premises bring positive results, the following 3 objectives will be the keystone of IESC's activities in non-AID countries.

- 1) IESC will begin immediately a program that will result in the recovery of full direct and indirect costs from sources other than the PRE grant for all projects started in non-AID countries of Asia, Africa and Near East after June 30, 1984.
- 2) IESC will begin immediately a program that will result in the recovery of all in-country direct and indirect costs from sources other than the PRE grant for all projects started in non-AID countries of the Latin American and Caribbean Region after July 1, 1985.
- 3) IESC will further recover full direct and indirect costs from sources other than the PRE grant for all projects started in non-AID countries of the Latin American and Caribbean Region after December 31, 1986.

A major part of IESC strategy is not only to continue to be of assistance to small and medium business in all countries, but to find ways to increase the number of smaller businesses assisted.

IESC feels small or medium business survival is vital to the overall strength of the private enterprise system in lesser developed countries and, importantly, dramatic increases in employment opportunity come when the small or medium entrepreneur utilizes the experience and advice of an IESC volunteer to expand his business.

This is where the new jobs will come for many in the developing world.

IESC's objectives are to gradually increase its projects with smaller companies to do approximately 50% of its projects with small companies by 1988. Some of the means to accomplish this goal include:

Emphasis

Country Directors have been directed to give emphasis to small business projects.

Small Client Fees

It is a principle of IESC to charge every client for its services believing that what is given away may not be fully appreciated. However, to encourage the development of projects with smaller enterprises, IESC will continue to charge small clients much less than large clients.

Piggy-Back Projects

Another approach that emphasizes the small client is an opportunity to utilize volunteer expertise at least twice for one air fare.

Piggy-backing results in a small client obtaining the services of a volunteer who is enroute to or from a larger client in his region of the world.

Since the larger client already has contributed toward air fares, recruitment, and administrative costs, the small client can benefit by paying only a modest contribution to have the volunteer extend his time overseas to work with the small client.

The business of food, from seed to consumer, continues to be the largest single area of IESC volunteer assignments. Approximately one out of every five volunteer assignments has been in agriculture, food processing, or food distribution.

The policy decision has been made that IESC will make every effort over the next five years to increase the proportion.

Among the steps being taken to accomplish that goal:

(a) Strategic directions to our representatives to develop a network of contacts throughout agribusiness in each country, utilizing the National Advisory Councils, local AID offices, the U.S. Agricultural Attache, local Ministries of Agriculture, indigenous agribusiness companies, and branches of multinational food companies.

(b) Formation of an Agribusiness Team that will serve as a strike force to work in support of Country Directors to intensify our activities in agribusiness.

The Agribusiness Team will be headed by a widely known retired Chief Executive Officer of a major U.S. agribusiness firm and made up with experienced IESC volunteers with expertise, as examples, in such fields as poultry for meat and eggs, beef and hog growing and processing, seed selection and preservation, food packaging, food freezing and canning, food transportation and storage, reduction of loss through spoilage and mishandling, and proper use of fertilizers.

As Country Directors report on agribusiness priorities in the various countries, members of the Agribusiness Team will be assigned who are experts in the priority needs of the country and team members will be prepared to move on short notice to carry out their assignments. We anticipate one-to-two week assignments in each country, with possible work in as many as three countries while they are overseas.

(c) IESC Country Directors will continue to be supplied with materials detailing the types of benefits volunteers have provided to agribusiness clients in the past to serve as a guide to prospective clients who could use much the same services.

(d) It is planned to find a qualified agribusiness specialist to serve as an assistant to the Country Director in Thailand. The objective will be to initiate a large number of agribusiness projects. If this can work in Thailand, in the coming years, the plan can be instituted elsewhere.

In Kenya, the strategy is to acquire an agribusiness specialist to assist the Country Director when arrangements for official status in Kenya are completed with the government and an office opened. In future selections of Country Director assistants, agribusiness experience will be a factor in the choice of an assistant.

(e) Discussions have just opened between officials of the Department of Agriculture in Washington and IESC to determine how we can work together toward expanded cooperation in agribusiness overseas. Initial indications are that mutual cooperation can bring results to our effort in agribusiness.

The IESC objective is to have less than 5 percent of all volunteers assigned to assist government entities.

IESC policy is that a government entity pay full costs of the assignment of a volunteer executive including all indirect allocations. This policy will continue to be emphasized in the future.

Over the next five years, IESC Country Directors will put their efforts into development of projects in the private sector. Response to projects in the public sector will be limited to those volunteer assignments that support the development of the private sector, such as governmental organizations fostering private small and medium business, telecommunications, urban transportation; assistance to rural small agriculture; water or sewage systems; electrical utilities; and other similar projects that strengthen the infrastructure of a country.

IESC believes true economic growth will come through the development of private enterprise. IESC will continue to operate on the basic principle that direct business-to-business assistance will bring the greatest good to the greatest number of people in developing countries.

IESC/AID RELATIONSHIPS

IESC representatives will continue to meet with local AID Missions and PRE staff overseas on a regular basis to assure that each is attuned to the priorities and activities of the other.

IESC Country Directors meet at a minimum of once a month with AID Mission personnel, and many are in more frequent contact. This greater interchange between IESC and AID overseas will continue as IESC management in New York expands its coordination with AID/Washington.

IESC experience in the transfer of management and technology fully supports the PRE viewpoint that the training and development of managers in developing countries is of vital importance to future economic growth.

The subject of Training raises the issue of language efficiency of IESC volunteers. While top business leaders with whom our volunteers work in a country usually speak English, middle management and workers generally do not.

IESC has always first sought the best qualified volunteer for an assignment as a primary requisite and, if the volunteer also had language proficiency, that was a plus. IESC will continue to seek out volunteers with language ability subject only to unquestioned technical competence.

We have an established indexing system that categorizes volunteers not only within their fields of expertise but also by what foreign languages they can speak. Spanish and French are the largest groups. The group with requisite language capabilities will be explored initially for qualified and available volunteers.

Weekly Seminars

IESC continues to offer seminars on management conducted by our volunteers, whenever possible, at the conclusion to the volunteer's assignment. Although usually no longer than one week in length, training not available otherwise is offered by qualified volunteers.

FMME Alliance

In addition, IESC has joined with the Fund for Multinational Management Education to develop a series of seminars that will be carried out in the ASEAN nations this year. Those seminars will use video-tape and will be adapted for repeated use in countries other than ASEAN nations. The focus of each will be toward "industry specific" management training.

Helping Host Country Institutions

As a general practice, IESC Country Directors work with indigenous management development groups to assist them in their efforts to develop curricula and teaching methods to improve their programs. Similar projects in recent years have been carried out with the Asia Institute of Management in the Philippines, the Indonesia Management Association, and the Management Association of Pakistan.

One on One Training

Not to be overlooked is the role played in management training and development by each volunteer as he works with his designated counterpart within a client company.

Between 400 and 500 local counterparts each year not only receive training from our volunteers' advice and guidance, in many cases, but long after the assignment is completed and the volunteer returns home, there is an exchange of information and therefore continuing training.

The Ripple Effect

IESC requires each client to designate a counterpart to our volunteer. The duties of the counterpart are to work closely with the VE all times during the volunteer assignment so that he or she can be trained by the volunteer to perform with more skill and to train other members of the staff in improved procedures that are taught by the volunteer. As each level learns, applicable information is passed on to other employees.

The designated counterpart must be at a sufficient management level to have the ability to benefit from the volunteer's presence and the authority to implement improvements and direct the training of others within the client company.

AID POLICIES

IESC will continue to provide support to AID programs and policies, particularly where it can be most helpful, such as the fields of institution building, training, and the transfer of management and technical skills, activities that have been an important part of the traditional role of IESC.

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In addition to increased cooperation with AIL Washington and local Missions, IESC has been involved for more than a year in increased coordination with a number of other development agencies with which IESC shares the same desire to improve the economies of the developing countries.

World Bank and International Finance Commission

Several meetings have been held in the past year with top officials of the World Bank and IFC to establish a working relationship in which IFC borrowers would be our clients and would pay fees in keeping with IESC policies. IESC has adjusted some of its rules to conform with the regulations of the World Bank and IFC so that IESC can be a ready source of expertise to the World Bank or IFC and/or their clients in the developing world. IESC carried out two projects that led to the establishment of a major poultry farming operation with IFC funding in Turkey, and an IESC volunteer will work with the private sector owners of this operation five to six times in the next few years to continue to provide needed expertise.

Other projects for the World Bank or its clients are pending in textiles and energy conservation projects.

Inter-American Development Bank

During the same time, IESC also has established a working relationship with the Inter-American Development Bank that already has been the source of projects with IADB clients, who pay IESC fees.

Recently in Colombia, at the request of the IADB, IESC provided three volunteers to assist in management and financial controls of a women's rural cooperative Talleres del Valle. A fourth volunteer is planned by that organization in the near future, which we believe might establish a pattern for the next several years.

Other Development Banks

Our Vice President for Field Operations spoke to a meeting of ALIDE, the association of Latin American development banks to offer IESC expertise to ALIDE members and clients with some prospect of future development.

IESC's Country Director in Indonesia will be making a similar presentation to the Association of Development Finance Institutions of Asia and the Pacific. This presentation was arranged through the headquarters of the Asian Development Bank in Manila.

OPIC

Closer to home, IESC is collaborating with the Overseas Private Investment Corporation to serve the mutual interests of OPIC and IESC.

OPIC, for its part, advises IESC where there are potential clients for IESC services. IESC, since OPIC has no offices overseas, provides OPIC from its offices with information on private firms in various countries who express an interest in joint ventures with U.S. companies.

IESC plans several economy moves in the coming year. A large reduction in personnel, a commensurate reduction in space, and a substantial decrease in administrative expenses is anticipated.

These reductions will be more than offset by a rent increase, as we must move from our present location. Our ten-year lease has expired, and we are running on a lease extension until November 1983. The rent during the extension has doubled, and in a new location we anticipate still further increases in the cost per square foot, plus the expenses of the actual move, and the renovation. The new space is less attractive and commodious, and we are simply facing the realities of the current real estate market as our previous lease expires.

Additionally, New York City, up until recently, was not charging us real estate taxes. Now, in another time of fiscal hazard, they are. Our lawyers have not been able to obtain relief.

FUND RAISING

The year 1981 ended a period of uneven emphasis by IESC on corporate fund raising. It was the fifth year of either declining or static numbers in dollar amounts and listed sponsors.

During 1981 we placed new emphasis on fund raising with a campaign based on solicitation letters, visits and calls by senior management of IESC, plus direct involvement of our Board and Council members. At year end the curve of receipts was turning slightly upward.

The major upturn took place in 1982 in spite of economic disasters facing many corporations, and we set new six-year records in number of sponsors and dollar amounts. At year end total contributions were up 24% over 1981; number of sponsors rose 14%; average contribution, 8%.

In the 1983-1988 period we will continue the active participation of our top management and our corporate supporters in emphasizing the uniquely strong IESC story. Increased emphasis by AID, State and Commerce on involvement of U.S. corporations in our overseas efforts will be a helpful factor in continuing our upward trend to new goals.

VOLUNTEERISM AND THE FREE MARKET ECONOMY

As a practical application of both volunteerism and the work of shirt-sleeved ambassadors of the free enterprise system, IESC has been tested for 18 years and is one of the most dollar-efficient means of foreign assistance. IESC sees the next five years as a time of increasing opportunity to blend its unique resources with the aims of AID, the Foreign Commercial Service and the Department of State.

IESC: A "READY" RESOURCE

As a business organization meeting the changing needs of the developing world, IESC is a "ready" resource for AID to help carry out its policies and programs.

This readiness and flexibility to meet changing needs have been demonstrated several times in recent years. For example, IESC, at AID's request, moved quickly to establish a program in the Caribbean Basin and that program has been markedly successful.

Other examples of rapid response to AID requests are Egypt, where one of our most successful country programs is underway, fully coordinated with the AID Mission in Cairo. In Lebanon, we sent three volunteers on short notice to help restore the telecommunications system - at AID's request. In the Central American countries of Costa Rica and Honduras, we re-opened full-time offices in recent months in response to AID's concerns in that region.

IESC is ready and capable of being an instrument to assist AID carry out U.S. foreign policy as AID requests.

BEST AVAILABLE COPY

INTERNATIONAL EXECUTIVE SERVICE CORPS
ESTIMATED BUDGETS
(Thousands of Dollars)

| | CALENDAR YEARS | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1983 | 1984 | 1985 | 1986 | 1987 |
| <u>EXPENSES</u> | | | | | |
| <u>PROJECT EXPENSES</u> | | | | | |
| <u>VOLUNTEER EXECUTIVES</u> | | | | | |
| Transportation | \$ 1,555 | \$ 1,756 | \$ 1,988 | \$ 2,120 | \$ 2,255 |
| Subsistence | 3,250 | 3,687 | 4,189 | 4,467 | 4,750 |
| Recruitment | 790 | 852 | 912 | 973 | 1,034 |
| Other | 155 | 176 | 198 | 216 | 229 |
| | <u>5,750</u> | <u>6,471</u> | <u>7,287</u> | <u>7,776</u> | <u>8,268</u> |
| <u>COUNTRY DIRECTORS AND FIELD SUPERVISION</u> | | | | | |
| Salaries | 641 | 691 | 741 | 791 | 841 |
| Other (Travel, Subsistence for Volunteer Country Directors, Employee Insurance and Taxes, Local Employees' Salaries, and Other Office Expenses) | 3,233 | 3,482 | 3,729 | 3,979 | 4,229 |
| | <u>3,874</u> | <u>4,173</u> | <u>4,470</u> | <u>4,770</u> | <u>5,070</u> |
| <u>TOTAL PROJECT EXPENSES</u> | 9,624 | 10,644 | 11,757 | 12,546 | 13,338 |
| <u>NEW YORK OFFICE ADMINISTRATIVE EXPENSES</u> | 2,745 | 2,959 | 3,170 | 3,381 | 3,592 |
| <u>TOTAL EXPENSES</u> | <u>12,369</u> | <u>13,603</u> | <u>14,927</u> | <u>15,927</u> | <u>16,930</u> |
| <u>REVENUES</u> | | | | | |
| <u>PRIVATE</u> | | | | | |
| Receipts From Projects | 5,259 | 5,883 | 6,597 | 7,487 | 8,380 |
| Sponsor Contributions | 500 | 600 | 700 | 800 | 900 |
| Other | 110 | 120 | 130 | 140 | 150 |
| PROJECTED U.S. GOVERNMENT SUPPORT (Subject to the availability of funds) | 6,500 | 7,000 | 7,500 | 7,500 | 7,500 |
| <u>TOTAL REVENUES</u> | <u>\$12,369</u> | <u>\$13,603</u> | <u>\$14,927</u> | <u>\$15,927</u> | <u>\$16,930</u> |
| <u>NUMBER OF PROJECT STARTS</u> | 470 | 495 | 525 | 525 | 525 |

JUN 30 1983

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THRU : ES

FROM : AA/PRE, Elise R. W. du Pont ^{Original signed by}

~~Elise R. W. du Pont~~

SUBJECT: Strategy for Funding IESC

PRE has concluded its negotiations with IESC for grant support over the next five year period (through FY 1987). The basis for the negotiations were:

- 1) To encourage IESC to move more into developing countries and subject areas of interest to AID, (e.g. agribusiness) allowing IESC to undertake other assignments with non-AID resources;
- 2) To motivate IESC to develop direct relationships, where appropriate, with AID country missions; and
- 3) To combine (1) and (2), i.e. to refocus IESC's efforts with AID-recipient countries and increased direct USAID Mission support, to result in an approximate \$7.5 million per year in AID support.

PRE's budget included \$4.9 million for IESC in FY 1983. This will likely increase by \$250,000 - \$500,000 as we make efforts to re-program funds allowing us to increase support during this fiscal year. In addition, IESC has negotiated separate agreements with USAID missions in Portugal (approximately \$100,000) and Egypt (approximately \$300,000) and has discussions underway with USAIDs in Jordan, Thailand, Tunisia and Sri Lanka. Per the attached budget, our goal for total AID support to IESC during FY 1983 is \$6.5 million. This is up from our \$5.3 million contribution (all from PRE) during FY 1982.

For FY 1984-87 we have budgeted \$6.0 million in PRE support, expecting additional USAIDs' support of \$1.0 million in FY 1984 and \$1.5 million per year thereafter.

We think this is an appropriate strategy, and strongly believe that IESC should begin to develop, where appropriate, direct

relationships with AID country missions. Substantially increasing the level of the central PRE grant (especially if we were to go up to the \$7.5 million figure) would reduce the incentives for IESC to market its services to USAID missions. In addition, direct Mission support enhances PRE's efforts to have IESC focus more of its resources in AID-recipient countries.

cc:DAA/PRE, ECharrell

Attachment: a/s

Drafter:BEBOuchard:se:6/28/83