



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

JAN 17 1997

**Action Memorandum for the Deputy Assistant Administrator**

**Through:** ENI/POT4.2, James Nindel *JMN*

**From:** ENI/ED, Hans Shrader *HS*

**Subject:** Project Authorization Amendment No. 2 for The Eurasia Foundation (Project 110-0010) to extend the life of Project and increase funding levels

**I. ISSUES:** You are requested to (1) sign the Project Authorization Amendment No. 2 for the subject project, extending the Project Assistance Completion Date (PACD) by six years, for a total of ten years, from April 30, 1997 to April 30, 2003; (2) authorize an increase in Life of Project (LOP) funding from \$75 million to total funding of \$235 million, which will include \$175 million for the core activities and \$60 million for the buy-in component, subject to availability of funding; and (3) approve the Initial Environmental Examination.

**II. BACKGROUND:** Authorized on April 28, 1993, this project was designed to provide a rapid, flexible, on-the-ground response in support of economic reform and democratic institution building, utilizing a free-standing, autonomous, private foundation focused specifically on the needs of the New Independent States of the former Soviet Union (NIS). The foundation was to provide both intellectual leadership and assistance in the overall U.S. effort, private and public, to help the NIS enter the free world as rapidly and productively as possible.

In April, 1993, USAID signed a grant agreement with the Eurasia Foundation (Foundation), a newly constituted, independent, grant-giving foundation. Through the project, the foundation was to provide small grants in three areas of concentration: (1) economic reform; (2) education and training; and (3) democratic reform. Additionally, special activities not in those categories, but relevant to the overall purpose of the project, were permitted. Supporting the spirit of the original Program Authorization, Amendment No. 1 was approved on April 13, 1994 to allow the Foundation to make program-related investments in the form of recoverable grants and loans.

By May 1996, the Foundation made more than 1,300 small grants to support reform: 37 percent for economic reform, 37 percent in

support of public administration reform and the development of the NGO sector, and 26 percent to build an independent media. Over seventy percent of these grants were made by the Foundation's six field offices directly to NIS institutions. In addition to these small grants, the Foundation has been by far the largest single grant making entity to US institutions working with NIS partners -- some 300 grants to date.

**III. PROJECT DESCRIPTION:** In the coming year, USAID, with the Foundation, will explore the possibility of setting up an endowment. It is proposed that USAID and the Foundation enter into a new Grant Agreement, thus allowing the Foundation to continue its current activities and to begin planning for an eventual change in implementation.

Under the rubric of Program Objective (PO) 4.2, Cross Cutting Activities, the Foundation contributes to a range of Bureau Strategic Objectives (SOs). Consequently, the grant falls most appropriately under PO 4.2. The grant's core program works in the following three main program areas:

1. *Economic Reform.* The Foundation will continue and expand upon its programs in management training, business and economics education, development of free market institutions such as commercial banking, private sector development and privatization assistance, small business lending programs, small business development, agribusiness support, defense conversion, trade and investment, and policy advice. Also included in this sector are the Foundation loan programs and the Economics Education and Research Consortium. These activities support the following USAID *ENI Bureau Strategic Objectives*:

1.2 - Increased soundness of fiscal policies and fiscal management practices.

1.3 - Accelerated development and growth of private enterprises.

1.4 - A more competitive and market-responsive private financial sector.

2. *Governmental Reform and the Non-profit Sector.* Activities including programs in public administration reform (particularly relating to local government), public policy advice, legal reform and the rule of law, assistance in the development of non-governmental organizations, and conflict resolution will continue. Within this area, the Foundation is also launching a number of efforts to keep track of and support returned trainees (from a wide variety of US and Western-supported programs) and to build professional and disciplinary associations in these groups with real outreach and development capability. In those countries where private enterprise has achieved a respectable degree of profit making, the Foundation will work towards philanthropic development with both local businesses and bankers.

Such activities support the following USAID *ENI Bureau Strategic Objectives*:

- 2.2 - Legal systems that better support democratic processes and market reforms.
- 2.3 - More effective, responsible, and accountable local government.
- 3.2 - Improved sustainability of social benefits and services.

3. *Media and Communications.* An independent media and access to unrestricted information will remain major priorities. The Foundation will continue to work on sub-activities in print, broadcast, and electronic communications that promote economic reform and democratic institution building. Media and communications activities support the following USAID *ENI Bureau Strategic Objectives (SOs)*:

- 2.1 - Increased, better-informed citizen's participation in political and economic decision-making.

**CONTRACT MECHANISMS:** As noted, it is proposed that a new Grant Agreement be written allowing the Eurasia Foundation to continue its activities under this Authorization Amendment No. 2. It is also proposed that the new grant include a buy-in mechanism which will allow other PO and SO Teams to buy into the Eurasia Foundation Grant to support their own programs, as long as the buy-in relates to the overall mandate of this Project.

**CONGRESSIONAL NOTIFICATION:** The Congressional Notification is in process and no obligation will be made until the CN has cleared without objection.

**IMPLEMENTATION AND OVERSIGHT:** Overall project monitoring will be the responsibility of a member of the Program Objective Team (POT) 4.2, Cross-Cutting Issues, in coordination with the local USAID Mission within the country of operation. The PO Team member will maintain regular contact with the Eurasia Foundation headquarters and serve as the major USAID point of contact. The Foundation will hold formal consultations as needed with USAID/W and the respective field posts. Written progress reports will be submitted to USAID/W annually. A committee from the PO Team 4.2, will be available to review progress with the ENI Bureau, S/NIS, and other parties as necessary.

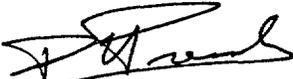
**INITIAL ENVIRONMENTAL EXAMINATION:** This project will continue to primarily fund technical assistance and training, as well as operating costs for the Foundation. Many of the Foundation's sub-grants may also support the operating costs of sub-grantees. Construction or commodities which would have significant impact on the environment are not anticipated at this time.

The Foundation grant will specify that the Foundation will establish its own environmental review procedures, consistent with USAID's environmental procedures. The Foundation will

document its review of each sub-grant for environmental impact. For those sub-grants which do not meet the requirements for a categorical exclusion, the Foundation will prepare a full initial environmental examination and submit it to the USAID POT activity officer. The activity officer, in consultation with the POT, will provide guidance to the Foundation on further environmental review, if necessary.

**AUTHORITY:** Under ADS 103.5.8(a)1(a), Assistant Administrators are delegated, for their respective areas of responsibility, the authority to develop and approve operating unit strategic plans and amendments thereto and realign, as appropriate, ongoing activities under strategic special or support objectives. Pursuant to ADS 103.5.6, you, as the Deputy Assistant Administrator, have the authority to act as the alter ego of your principal.

**RECOMMENDATION:** That subject to CN expiration, you: (1) approve the attached Project Authorization Amendment No. 2 for Project 110-0010, which extends the Project Assistance Completion Date (PACD) by six years, from April 30, 1997 to April 30, 2003 for a total of ten years (Tab A);

  
\_\_\_\_\_  
Approved

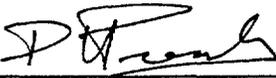
\_\_\_\_\_  
Disapproved  
\_\_\_\_\_  
Date 1/13/97

(2) approve an increase the Life of Project (LOP) funding from \$75 million to total funding of \$235 million which will include \$175 million for the core project and \$60 million for the buy-in component, subject to availability of funding (Tab A);

  
\_\_\_\_\_  
Approved

\_\_\_\_\_  
Disapproved  
\_\_\_\_\_  
Date 1/13/97

(3) sign the Initial Environmental Examination (Tab B).

  
\_\_\_\_\_  
Approved

\_\_\_\_\_  
Disapproved

\_\_\_\_\_  
Date 1/13/97

Tab A: Authorization Amendment No. 2  
Tab B: Initial Environmental Examination  
Tab C: Unsolicited Proposal by the Eurasia Foundation dated  
10/15/96

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**PROJECT AUTHORIZATION AMENDMENT NO. 2**

Country: New Independent States (NIS)  
Project Title: Eurasia Foundation  
Project Number: 110-0010  
Core Life of Project Funding: \$175,000,000  
Buy-in Capability \$ 60,000,000

1. Pursuant to Sections 531 and 498 of the Foreign Assistance Act of 1961, as amended (FAA), I hereby authorize the Eurasia Foundation Project Amendment No. 2. Planned obligations are not to exceed total funding of \$235,000,000, which includes \$175,000,000 for core grant activities and \$60,000,000 for buy-in grant activities, over the life of project, which, by this document, is now extended to April 30, 2003. In FY 1997, USAID intends to obligate \$16 million in FSA funds for the Eurasia Foundation Project. Future obligations will be subject to availability of funding.

2. The Project consists of technical assistance and training in support of the sustainable transformation of NIS countries from authoritarian, centrally-controlled regimes to pluralistic, democratic countries with market economies. This Project falls within Program Objective 4.2, Cross Cutting Issues.

  
Donald Pressley  
Deputy Assistant Administrator  
Bureau for Europe and  
the New Independent States

Jan 22, 1997  
Date

INITIAL ENVIRONMENTAL EXAMINATION

- (A) PROGRAM COUNTRY: New Independent States (NIS)
- (B) ACTIVITY: Eurasia Foundation (110-0010)
- (C) FUNDING: \$235,000,000 Total of which:  
\$175,000,000 Core Funding  
\$60,000,000 Buy-in Capability
- (D) PERIOD OF FUNDING: FY 1993 - FY 2003
- (E) STATEMENT PREPARED BY: Rebecca Latorraca, ENI/PD 
- (F) RECOMMENDED ENVIRONMENTAL ACTION: Eurasia Foundation Required to Implement Environmental Review Process for Grant Applications Pursuant to 22 CFR Section 216.4; Categorical Exclusions Available for Most Activities Pursuant to 22 CFR Subsections 216.2(c)(2)(i) and (iii)

(G) DECISION OF DAA, ENI:

  
Approved

Disapproved

1/13/97  
Date

(H) DECISION OF THE ENI BUREAU ENVIRONMENTAL OFFICER:

  
Approved

Disapproved

1/13/97  
Date

**EXAMINATION OF THE NATURE, SCOPE AND MAGNITUDE OF THE ENVIRONMENTAL IMPACT OF THE EURASIA FOUNDATION PROJECT (110-0010)**

**A. DESCRIPTION OF THE PROJECT:**

This project will continue to primarily fund technical assistance and training, as well as operating costs for the Eurasia Foundation (Foundation). Many of the Foundation's sub-grants may also support the operating costs of sub-grantees.

USAID's environmental regulations at 22 CFR Section 216.4 explicitly requires that applicants such as the Eurasia Foundation conform to the environmental review procedures for USAID funded projects as set forth at 22 CFR Part 216. Consequently, since the outset of Project 110-0010's funding of the Eurasia Foundation, the Foundation has been required to establish and implement its own environmental review procedures consistent with the 22 CFR Part 216 environmental procedures and to document such review for sub-grants. For those sub-grants which do not meet the requirements for a categorical exclusion, the Foundation is responsible for preparing a full initial environmental examination (and/or environmental assessment as deemed appropriate) and submitting such to USAID prior to executing the sub-grant.

**B. RECOMMENDED ENVIRONMENTAL ACTION:**

Most of activities under this Project will qualify for categorical exclusions in accordance with USAID Environmental Procedures 22 CFR Section 216.2(c)(2)(i) and (iii). However, there have been a few sub-grants noted of potential concern where items procured or activities undertaken under a sub-grant had clear environmental consequences. Consequently, the Foundation must continue the implementation of its environmental screening activity and reporting to USAID. These procedures must assure that for activities which do not clearly qualify for a categorical exclusion, the Eurasia Foundation will submit a grant-specific initial environmental evaluation (or environmental assessment, if appropriate) to the Bureau Environmental Officer (BEO) through the applicable POT activity office. In addition, the Foundation's periodic reporting must include provisions for keeping the BEO advised regarding the environmental screening conducted for each sub-grant.

To assure the adequacy of the Foundation's procedures, such procedures should be resubmitted for USAID's review within 90 days of the effective date of Project Amendment No. 2.

If the activity officer for Program Objective Team 4.2 is made aware at any time, by the Grantee or otherwise, that a categorically excluded activity is having or will have significant impacts on the environment, this information will be transmitted without delay to the BEO for its review and appropriate action.

Notwithstanding any previously drafted Initial Environmental Examination for this project, an exemption from USAID environmental impact assessment requirements is not available for this project pursuant to 22 CFR Subsections 216.2(b)(1)(i) and (ii).

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