

PDCAK 326

Authorization

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

MAY 14 1986

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, ANE

FROM: ANE/PD, Peter Bloom *for PW*

SUBJECT: Israel - FY 1985 ESF Supplemental Cash Transfer Grant 271-K-623

Problem: Your approval is required for the obligation and disbursement of a cash transfer grant to Israel in the amount of \$375 million from the balance remaining in the FY 1985 ESF supplemental cash transfer grant to Israel.

Discussion: On August 15, 1985, the President signed the Supplemental Appropriation Act for Fiscal Year 1985. The legislation provides that a supplemental cash transfer grant to Israel, in the amount of \$1.5 billion, will be available for obligation until September 30, 1986.

This supplemental assistance is part of a continuing program to Israel. Israel's political and economic stability have been deemed essential to achieving a comprehensive peace in the Middle East. The assistance is also in recognition of progress which Prime Minister Peres' Government has made on economic reform and his stated intention to further develop the Government of Israel's (GOI's) economic program and strengthen implementation of this program within the context of a mutually acceptable policy framework.

Since the time the U.S. has been providing Israel with cash transfers in lieu of commodity program assistance, the GOI has provided written assurances each year that non-military imports from the U.S. would exceed the level of U.S. economic assistance for that year, that Israel would continue to purchase U.S. corn, wheat, soybeans and other agricultural products at approximately the levels established during the past few years, that acceptable procedures would continue to be followed for selection of dry bulk carriers of grain shipments from the United States, and that U.S. exporters would not be disadvantaged by shifting ESF assistance to Israel from a commodity import program to a cash transfer program. Israel provided such assurances in October 1984 and October 1985 applicable to FY 1985 and FY 1986, respectively. Prior to the authorization of Israel's FY 1986 cash transfer grant, the GOI

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submitted a letter to A.I.D. describing its performance in meeting these assurances. The FY 1985 supplemental legislation does not require that the GOI provide additional assurances regarding the aggregate level of Israeli purchases of non-defense goods from the U.S. The other assurances provided in October 1984 and October 1985 are unaffected by the provision of supplemental assistance and remain in effect.

On September 10, 1985, A.I.D. authorized a supplemental cash transfer grant to Israel in the amount of \$1.5 billion to be obligated and disbursed in tranches at the discretion of the Executive Branch. One half of the grant, \$750 million, was obligated and disbursed the following day. The PAAD for that authorization also delegated to the Assistant Administrator, ANE, the authority, with M/FM clearance, to amend the PAAD facesheet to obligate and disburse the remaining \$750 million, subject to the availability of funds.

In late April, GOI economic performance was reviewed with State and AID representatives. Following these consultations, it was agreed that an additional \$375 million of the FY 1985 supplemental should be obligated and disbursed as soon as possible.

Recommendation: That you approve the obligation and disbursement of an additional \$375 million under Israel's FY 1985 ESF supplemental cash transfer grant. This tranche of \$375 million will be disbursed to Israel's bank account shortly after signature of a Grant Agreement by you and an appropriate official from the Embassy of Israel.

Approved: Charles W. Freeborn

Disapproved: _____

Date: 5/15/86

Attachments:

Tab A - Program Assistance Approval Document Facesheet
Amendment

Tab B - Draft Grant Agreement

<p align="center">AGENCY FOR INTERNATIONAL DEVELOPMENT</p> <p align="center">PROGRAM ASSISTANCE</p> <p align="center">APPROVAL DOCUMENT</p> <p align="center">(PAAD)</p>		1. PAAD Number 271-K-623	
		2. Country Israel	
		3. Category Cash Transfer	
		4. Date	
5. To Charles W. Greenleaf, Jr. Assistant Administrator, ANE		6. OYB Change Number N/A	
7. From Peter Bloom Director, Office of Project Development, ANE		8. OYB Increase None To be taken from: Economic Support Funds	
9. Approval Requested for Commitment of \$ 375,000,000.00		10. Appropriation Budget Plan Code 72-115/61037 OES5-86-23271-KG-31	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input type="checkbox"/> Formal <input checked="" type="checkbox"/> None	13. Estimated Delivery Period N/A	14. Transaction Eligibility Date N/A
15. Commodities Financed N/A			
16. Permitted Source		17. Estimated Source	
U.S. only N/A		U.S. N/A	
Limited F.W. N/A		Industrialized Countries N/A	
Free World N/A		Local N/A	
Cash \$375,000,000.00		Other N/A	
18. Summary Description			

This supplemental assistance is part of a continuing program to Israel. Israel's political and economic stability have been deemed essential to achieving a comprehensive peace in the Middle East. The assistance is also in recognition of the progress which Prime Minister Peres' government has made on economic reform and his stated intention to further develop the GOI economic program and strengthen implementation within the context of a mutually acceptable policy framework.

Pursuant to the authority vested in me by the Administrator per the original PAAD dated 9/10/85, I hereby approve an additional obligation and disbursement of a cash grant transfer in the amount of three hundred and seventy-five million dollars (\$375,000,000.00) under the FY 1985 supplemental Israel cash transfer grant.

19. (cont.) ANE/PD:RVenezia *MW* Date 5/7/86 DAA/ANE:RBell *RB* Date 5/15/86
 ANE/PD/ME:JStanley:bhw:05/05/86

19. Clearances	Date	20. Action
AA/PPC:AHerrick <i>CPH</i>	5/2/86	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
NEA/IAT:THauser <i>TH</i>	5/7/86	
M/FM:CChristensen <i>CC</i>	5/14/86	Authorized Signature <i>Charles W. Greenleaf</i> Title Assistant Administrator, ANE
ANE/GC:RJohnson <i>RJ</i>	5/7/86	
ANE/MENA:RMisheloff <i>RM</i>	5/7/86	
ANE/PD/ME:LLion <i>LL</i>	5/6/86	
ANE/DP:BSidman <i>BS</i>	5/7	Date 5/15/86