

PCCB1991

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C.

PROGRAM ASSISTANCE APPROVAL DOCUMENT
(PAAD)
AMENDMENT # 1

PAKISTAN - PRIMARY EDUCATION DEVELOPMENT
(PED) PROGRAM (391-0497)

AUGUST 1990

MISSION AUTHORIZATIONS

FM/LMD (if Loan)

FM/PAED

GC/ANE

ANTR Officer

ANE Desk

INE/DP

PPC/PB/RPA

ANE/PD Officer & File

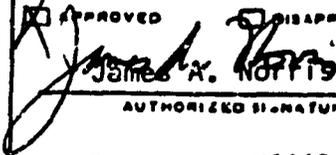
CLASSIFICATION

AID 11.0-1 (10-88)		DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT		1. PAAD NO 391-0497
PAAD		PROGRAM ASSISTANCE APPROVAL DOCUMENT		2. COUNTRY Pakistan
		Amendment No. 1		3. CATEGORY Primary Education (Standard Procedure) and Sector Grant
4. TO:		The Director, USAID/Pakistan		6. OVS CHANGE NO.
5. FROM:		Education Development Officer USAID/Pakistan		6. OVS INCREASE
6. APPROVAL REQUESTED FOR COMMITMENT OF:		\$ 20,000,000		7. TO BE TAKEN FROM
				10. APPROPRIATION - ALLOTMENT ODEA-90-27391-1G-13 OES0-90-27391-KG-13
11. TYPE FUNDING	12. LOCAL CURRENCY ARRANGEMENT	13. ESTIMATED DELIVERY PERIOD	14. TRANSACTION ELIGIBILITY DATE	
<input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	<input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> HOME	June 1989 - June 1999	June 30, 1990	
15. COMMODITIES FINANCED The major items that are to be financed under this Program are sector grants to encourage policy reforms in primary education in the two provinces of North West Frontier and Balochistan, as well as technical assistance, training and related commodities.				
16. PERMITTED SOURCE		17. ESTIMATED SOURCE		
U.S. only:		U.S.:		
Limited F W		Industrialized Countries:		
Free World		Local		
Cash:		Other:		
\$20,000,000 Sector Grant		\$20,000,000		

18. SUMMARY DESCRIPTION

Title: Primary Education Development Program (391-0497)

Portions of the original PAAD are hereby amended to bring the PAAD into full compliance with the new Agency requirements, issued to implement the FY 1990 Foreign Assistance Appropriations Act (PL 101-167, Title V, Section 592(B), transmitted through State 194322 dated June 17, 1990.

19. CLEARANCES	DATE	20. ACTION	
HRD - DSprague (draft)		<input checked="" type="checkbox"/> APPROVED	<input type="checkbox"/> DISAPPROVED
HRD - STirmazi (draft)		 James A. Norris AUTHORIZED SIGNATURE	
PRO - VMiedema (draft)			
FM - RMcClure (draft)			
PDM - GWest (draft)	8/21/90		
RIA - TCarter (draft)			
DD - NTumavick (draft)	8/24/90	Director, USAID/Pakistan TITLE	
		DATE Aug 24, 1990	

CLASSIFICATION

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PRIMARY EDUCATION DEVELOPMENT PROGRAM (391-0497)

AMENDMENT NO. 1

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This Amendment changes/amends specific sections of the original PAAD in order to make the Program consistent with new Agency guidance on ESF- and DA- funded non-project sector assistance cash disbursements. Sections of the original PAAD being amended are specifically noted herein. All other parts of the original PAAD remain unchanged except as otherwise amended.

I. SUMMARY AND RECOMMENDATIONS

B. Summary Program Description

5. Flow of Funds

a. Sector Grant Funds (page 6 of original PAAD)

Replaced by the following:

Sector Grant funds will flow through direct disbursement (EFT) by the US Treasury to a GOP separate account in the Federal Reserve Bank of New York. The GOP will generate an equivalent amount of rupees for disbursement to the provinces. Under the AID guidance issued in implementation of FY 1990 Foreign Assistance Appropriations Act, the general use of Sector Assistance dollars should be agreed upon prior to obligation and foreign exchange used for sector grant activities must be placed in interest bearing separate account(s). Moreover, the use of such funds must be tracked by means of periodic verification of both deposits to and disbursement from the separate account(s). Examination of both the bank's statements of account and reconciliation of the responsible agency's reports to the bank's statement of account and USAID records will be conducted on a prescheduled basis.

The specific procedures outlined below may be modified during implementation after experience is gained with using a jointly administered trust account.

After the Program Agreement is signed and Condition Precedents are met, the Sector Grant will be transferred by AID/W (in cooperation with the US Department of the Treasury) into an appropriate Government of Pakistan account.

Upon receipt of the funds, and in accordance with agreed upon covenants, the State Bank of Pakistan will credit an amount in Pakistan rupees equivalent to the US dollar sector grant into a specially designed "Primary Education Trust Account for the Northwest Frontier and Balochistan Provinces."

Disbursements from the GOP Primary Education Trust account for the Northwest Frontier and Balochistan Provinces shall be made only after the prior written concurrence of A I.D., and by means of tied grants or equivalent mechanism, specifically for primary education and designated only for the Northwest Frontier and Balochistan provinces.

IV. IMPLEMENTATION PLAN

E. Administrative and Monitoring Arrangements (page 24 of original PAAD)

Replaced by the following:

1. USAID Administrative Arrangements

The PED Program will be managed in the Mission's Human Resources Development (HRD) Office. The Office of the Director and the Office of Program will assist HRD with policy and macroeconomic considerations related to the program. (The Training and Technical Assistance contract was awarded to a firm in a consortium with other firms and a university, based upon competitive bidding procedures.)

2. Contractor Responsibilities

The contractor will be responsible for procuring commodities integral to the contracted activities and specified in the contract. The contractor will also be responsible for preparing detailed specifications for commodities but will be delegated procurement authority for only certain types of procurement in accordance with current Mission policy.

3. GOP Administrative Arrangement

The Mission requires counterparts in a number of ministries including the Ministries of Finance, Education, and Planning and Development. The Mission will work through the Economic Affairs Division (EAD) of the Ministry of Finance to identify the appropriate individuals to represent the GOP when other federal ministries and departments are involved.

The Ministry of Finance and Economic Affairs will be involved in programming of Sector Assistance dollars and rupees under this program.

Based on the Mission's past experience, the Mission Controller concludes that the GOP's Ministry of Finance has an adequate capability and track record to administer/manage dollar separate account for debt service and a formal financial assessment is not required at this time.

4. Provincial Governments Administrative Arrangements

The program is to be implemented mainly at the provincial level in the two provinces, NWFP and Balochistan

The ministries involved include Education, Planning & Development, Finance, and Communication & Works. The Ministry of Education will be the implementing agency for its respective province. Within these ministries a Director/Additional Director for Primary Education will be appointed to exclusively look after this program.

G. Funds Flow (page 24 of original PAAD)

Replaced by the following:

The disbursement of funds will follow two separate channels under the program. The two channels are:

1. Sector Grant (SG) Funds: These will flow through direct disbursement (EFT) by the U.S. Treasury to a GOP separate account in the Federal Reserve Bank of New York. Local currency equivalents, provided by the GOP, will be monitored until released to the provincial sub-account level.

2. Training and Technical Assistance Activity Funds: These will be disbursed directly by USAID, with the concurrence of the GOP, whether foreign exchange or local currency purchased with foreign exchange.

V. FINANCIAL PLAN

B. PED Budget

3. Sector Grant (page 27 of original PAAD)

Add the following at the end:

The PED sector grant represents a major use of a sector support mechanism by A.I.D in Pakistan. The procedures specified are in accordance with the new financial management guidance on dollar separate accounts for ESF cash transfers and ESF-, DA- and DFA-funded non-project sector assistance cash disbursements, as outlined in State 194322 dated June 17, 1990. The flow of Sector Grant funds will be as follows:

- After signature of the ProAg amendment and meeting of any Conditions Precedent, the full SG will be electronically transferred by AID/W (in cooperation with the U.S. Department of the Treasury) into a GOP account in the Federal Reserve Bank in New York.
- The GOP will establish a separate dollar account exclusively for receipt of the PED Sector Grant which will not be commingled with any other funds. If the agreed use of the Sector Grant is to repay U.S. or other debt, prior to disbursement of funds the GOP will propose a list of debts to be repaid by this SG. If U.S. debt, this list will be reviewed by USAID and verified by the U.S. Treasury. Based upon USAID's approval, the funds will then be transferred to the separate dollar account. In accordance with the GOP's internal procedures, the Sector Grant may pass through interim accounts before reaching the final separate account. In the event interim accounts are used and the transfer process from AID through the interim accounts to the final separate account takes more than two business days, then

(1) the GOP would establish each interim account as a separate, non-commingled, interest-bearing account;

(2) the GOP would agree not to use the funds in the interim accounts for any purpose prior to transfer to the final separate account, and;

(3) the GOP would agree that all interest earned on the funds while in the interim accounts will be treated as principal (i.e., as if such interest were a part of the sector grant) and transferred through to the final separate account.

- A report on separate account activity and copies of bank statements of account will be submitted to the Mission at least quarterly. These reports should provide information on deposits to and disbursements of dollars from the separate PED account. USAID will reconcile bank statements of account with Ministry of Finance and USAID records.

VI. CONDITIONS, COVENANTS, AND NEGOTIATING STATUS

A. Conditions Precedent to Disbursement

3. Conditions Precedent to Each Subsequent Disbursement Under the Sector Grant (The following new CPs are added for Sector Grant)

Prior to each disbursement of Sector Grant funds under this agreement, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D.:

1. an agreement with A.I.D. which includes a statement of the policy reforms to be implemented by the Government of Pakistan and two provincial governments (the "policy benchmarks") together with a list of actions (the "action benchmarks") that will be undertaken in support of activities as set forth in the Program Description annexed to the original Program Agreement. The agreed upon policy reforms and benchmarks will be set forth in a Project Implementation Letter(s) to be countersigned by the Grantee,

2 a list of specified debts to be repaid with the proceeds of the Sector Grant together with a schedule of disbursement including amounts and dates, if debt repayment is the agreed upon use;

3. a designation of the bank and the dollar account, with name and number, into which the U.S. dollar Sector Assistance Grant is to be deposited, together with a statement that a separate dollar account has been established exclusively for receipt of this PED Sector Grant from A.I.D. and that such account will be maintained in the manner required by the following section VI. B. 1, 3 & 4. Such account is referred to herein as the "Separate Account" which is the last non-commingled separate account where funds remain prior to disbursement for eligible transactions by the Grantee;

4. the name of the bank and the account name and number for each interim account through which the Sector Assistance dollars may pass before reaching the Separate Account (and where transfer process to the Separate Account will take longer than two business days) together with the Grantee's statement that such account(s) is/are established and will be maintained in the manner required by the following Section VI. B. 2.

B. Covenants (The following covenants are added for Sector Grant)

1. Accounting for Utilization of Separate Account Dollars

The Grantee covenants and agrees that the Separate Account established will be used exclusively for the receipt of the PED Sector Assistance dollars from A.I.D. and such proceeds will not be commingled with any other funds from whatever source. The non-commingled Separate Account shall be an interest bearing account and any interest so earned on the dollars while they are in the Separate Account shall be programmed as principal i.e., the Grant) Except as A.I.D. otherwise agrees in writing, the Grantee covenants and agrees to use all dollars in the Separate Account exclusively for the purposes set forth in Section VI.B.4. The Grantee further covenants that no dollars shall be disbursed from the account without prior A.I.D. approval.

2. Accounting for Sector Assistance Dollars during the Transfer Process

The Grantee covenants that the Sector Assistance dollars, after being disbursed by A.I.D., will not be commingled before they reach the Separate Account nor be accessed in the interim account(s) for any purpose except for their ongoing transfer to the Separate Account. If Sector Assistance dollars require more than two business days to reach the Separate Account, then both parties must ensure that interest is being earned on the balance of the disbursement and that this interest is being transferred with the principal to the final Separate Account.

3. Reports, Records, Inspections, Audit of Dollar Separate Account

a. The Grantee covenants and agrees that the Agency designated by the GOP to be responsible for managing the dollar Separate Account will maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices, consistently applied, books and records relating to the dollar Separate Account adequate to show, without limitation, the receipt and use of the dollar Grant and to enable A.I.D. to verify all reports submitted by the managing Agency to A.I.D. concerning deposits to, and withdrawals and disposition of dollars from the Separate Account. The managing Agency will provide reports on the status of the Separate Account activity to A.I.D., with appropriate supporting documents to include at least copies of applicable ledgers, and bank statement of account. Such reports should be provided on a calendar quarter basis.

b. The Grantee covenants that the Separate Account shall be audited at least once a year in accordance with the procedures agreed to by the parties in Project Implementation Letters; and further agrees to provide representatives of A.I.D., at all reasonable times, all records and supporting documentation with regard to the dollar Separate Account, to examine and verify compliance with this Agreement

4. Purposes for Which Dollar Grant May Be Utilized

a. Planned Uses of the Dollar: Sector Grants may be used for servicing of U.S. and/or multilateral debts and/or import financing.

b. Prohibited Uses: The dollar Sector Grant may not be used for financing military or para-military requirements of any kind, including the procurement of training, commodities or services for such purposes. The Grant may not be used for financing nuclear technology related activities of any kind, including training, commodities or services for such purposes; support of any kind to police or law enforcement activities; abortion commodities or uses; luxury goods; commodities or activities of communist countries, or servicing of military sales debts of any kind.

5. Refund of and Redeposit to the Separate Account Funds

a. Refund of Dollar Grants: In the case of any utilization of the dollar Sector Grant which is not supported by valid documentation in accordance with the Program Agreement, or which is not made or used in accordance with the Program Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under the Program Agreement, may require the Grantee to refund the amount of such disbursement in U S dollars to A.I.D. within sixty (60) days after receipt of a request therefor. The right to request a refund will continue, notwithstanding any other provision of the Program Agreement, for three (3) years from the date of the disbursement by A.I.D. of any Sector Grant under the Program Agreement.

b. Redeposit of Dollars: In the event that the dollars in the Separate Account are disbursed by the Grantee in a manner inconsistent with the procedures established in this Agreement, or are disbursed by the Grantee for ineligible uses and/or transactions, A.I.D. may, by written notice to the Grantee, require that dollars equivalent to the amount so disbursed be redeposited by the Grantee into the Separate Account established as a result of Section VI.A.3. above, and any funds so redeposited shall be reprogrammed and disbursed in accordance with all of the procedures set forth in the Program Grant Agreement and subsequent amendments thereto.