

PDKAN 849

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: Cynthia Giusti, O/DR *C. Giusti*

DATE: September 30, 1986

SUBJECT: Economic Stabilization and Recovery Program

PROBLEM: To approve Authorization Amendment No. 518-K-601D and obligate additional funds under the Economic Stabilization and Recovery Program (No. 518-0058).

BACKGROUND: On September 29, 1985, the Government of Ecuador and A.I.D. signed an Agreement for the Economic Stabilization and Recovery Program, which consisted of ESF Grant assistance of US\$4,000,000 for balance of payments support to promote financial stabilization and economic recovery in Ecuador. These funds were disbursed on December 30, 1985.

On January 3, 1986, the AA/LAC authorized additional financing for the subject program in the amount of US\$6,000,000. These funds were obligated in Amendatory Agreement No. 1, dated January 9, 1986.

On January 14, 1986, the AA/LAC authorized additional financing for the subject program in the amount of US\$14,000,000. These funds were obligated in Amendatory Agreement No. 2, dated January 15, 1986.

The US\$20,000,000 obligated in Amendatory Agreements 1 and 2 were disbursed on January 17, 1986.

On April 16, 1986, the AA/LAC authorized additional financing for the subject program in the amount of US\$97,000. These funds were obligated in Amendatory Agreement No. 3, dated August 31, 1986.

DISCUSSION: On August 29, 1986, the AA/LAC confirmed that ROA 133.3 applies to PAAD authorizations for the subject program. On September 2, 1986 a budget allowance for \$13,000 was received in the Mission (STATE 273691).

On September 29, 1986, an additional allowance for \$106,000 was received (STATE 306193). The Congressional Notification period related to this allowance expires on September 25, 1986. Obligation may be incurred after that date. In a meeting with Vice-Minister of Public Credit, Econ. Jaime Zeas, on September 22, 1986, I requested confirmation of the Ministry of Finance's interest in amending the program. I received this confirmation and the Vice-Minister's clearance on the draft amendment on September 23, 1986. Further research indicates that the subject amendment may be signed directly by the Minister as Presidential Decree No. 1504, published in the Official Register on January 15, 1986, which authorized the Minister of Finance to sign Amendment No. 2 to the Agreement, authorized him to amend the Agreement up to total life of program financing of \$25,000,000.

AUTHORITY: Pursuant to Section II.B. of the LAC Redelelegation of Authorities (ROA) to the Field, No. 133.3 (February 13, 1985), you have the authority to amend a Project Authorization executed by any AID official. None of the three limitations on this authority applies in this case.

Pursuant to Section I.A. of ROA 40.11, revised on October 21, 1985, the Mission Director is delegated the authority to negotiate, execute, and implement, in accordance with the terms of the authorization thereof and in accordance with the applicable statutes and regulations, loan and grant agreements and amendments thereto including authority to sign project grant agreements with foreign governments.

RECOMMENDATION: That you sign the attached Amendment 518-K-601D to the Program Authorization and that you proceed to sign Amendment No. 4 to the subject Program Agreement.

Clearances:

CONT:RClark RLC 9/2/86
O/DP:PMaldonado (in draft)
D/DIR:GWein GW 9/29/86

Drafted by:O/DR:CGiusti:NEspinoza (1487Z) (09.18.86)

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9/30/75 (TM 4:1)

CLASSIFICATION:

Att 1 to App 3B, Ch 3, HB 4

AID 1120-1 (8-66)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO. 518-0058 518-K-601D
		2. COUNTRY Ecuador
PAAD	PROGRAM ASSISTANCE APPROVAL DOCUMENT	3. CATEGORY Cash Transfer
		4. DATE September 1986
5. TO: MD: Frank Almaguer		6. OYB CHANGE NO.
7. FROM: <i>Cynthia Giusti</i> ODR: Cynthia Giusti		8. OYB INCREASE
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 119,000		10. APPROPRIATION - ALLOTMENT
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input checked="" type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD FY 1986
15. COMMODITIES FINANCED N/A		14. TRANSACTION ELIGIBILITY DATE date of authorization

16. PERMITTED SOURCE U.S. only: Limited F.W.: Free World: Cash: \$119,000	17. ESTIMATED SOURCE U.S.: Industrialized Countries: Local: Other:
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18. SUMMARY DESCRIPTION

The purpose of this Program assistance is to provide immediate balance of payments support to Ecuador, thereby ensuring that adequate funding is provided for private sector productive needs and for the continuation of public sector development investments. This program will assist the Government of Ecuador (GOE) to stabilize the current economic situation and continue with the structural reform process already initiated.

The \$119,000 (grant) assistance will be disbursed as a cash transfer into the U.S. bank account of the GOE. Upon disbursement of the assistance, the GOE will deposit into a Special Account an equivalent amount of sucres, calculated at the highest rate of exchange that is not unlawful in Ecuador. These funds will be used for mutually agreed development purposes consistent with the general criteria of the Foreign Assistance Act, especially Sections 103-106.

The GOE will agree to account for an equivalent amount of dollars made available through the free foreign exchange market to the private sector for imports of raw materials and intermediate goods from the U.S. within six months following the disbursement.

19. CLEARANCES	DATE	20. ACTION
O/CONT:RClark <i>RLC</i>	9/30/86	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
GC/LAC:STATE 272432	08/29/86	<i>Frank Almaguer</i> 9/30/86
O/DP:PMaldonado <i>MA</i>	9-24-86	AUTHORIZED SIGNATURE DATE
D/DIR:GRWein <i>GW</i>	9-29-86	Mission Director, USAID/Ecuador
		TITLE

CLASSIFICATION: