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OPERATIONAL PROGRAM GRANT

PROJECT TITLE: MUNICIPAL ENTERPRISE DEVELOPMENT

PROJECT LOCATION: GUATEMALA

PVO: AITEC ACCION INTERNATIONAL TECNICA  
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Cambridge - Mass. 02138

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DATE OF AID SUBMISSION: MARCH, 1978

TOTAL OPG REQUEST: \$ 232.000

PROGRAM DURATION: 30 MONTHS

PROPOSED IMPLEMENTATION DATE: JUNE, 1978

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## I. PROJECT DESCRIPTION AND PURPOSE

The project herein described proposes to strengthen the capacity of municipal governments in Guatemala to meet the development needs of the rural population. Specifically, on a pilot basis over a 30-month period it will test the financial, economic and social viability of establishing municipal enterprises. As such the project will complement and expand the efforts of INFOM in connection with its program of municipal development and reconstruction of the earthquake affected areas.

The target group of beneficiaries to be reached is the low-income rural population. It is expected that those enterprises established will provide a direct service to local citizens and serve as a stimulus for local production and infrastructure development. Training and technical assistance in the administration, management and organization of small business will be given to municipal officials in charge of those enterprises developed. The increased income generated and improved municipal administration will be translated into more and better public services for the community.

To achieve these goals the project is composed of two principal stages:

### A. Indepth Study of Municipal Enterprises

The first phase consists of an indepth study to determine the viability of municipal enterprises and to identify and select those enterprises with more probabilities for success.

AITEC in coordination with the Institute of Municipal Development (INFOM) will carry out the study, the universe of which will include approximately 100 municipalities in the earthquake affected areas and 50 in the other regions of the country. Projected completion time is one year.

A systematic analysis of existing information concerning municipal enterprises will be conducted and complemented by field interviews with municipal officials, community leaders and institutional representatives. It is anticipated that 20-25 enterprises will be identified and preselected. Five of these enterprises will then be selected as case studies for additional feasibility studies.

The criteria for preselection and selection of enterprises are based on five fundamental considerations:

1. Demographic characteristics of the municipality such as size, population, location, etc.
2. The capacity of the municipality to mount an enterprise in terms of debt-carrying capacity, availability of personal, demonstrated interest, etc.
3. The type of enterprise as it relates to feasibility (market, labor force, local resources, long-term viability), profitability, level of need and the utilization of a simple and appropriate technology.
4. The level of direct benefit to the local population in terms of employment, increased income and production, better services, etc.
5. The degree of community concensus that the proposed enterprise is an appropriate municipal activity.

**B. Second Phase: Implementation of Enterprises**

Assuming that the first stage demonstrates the viability of municipal enterprises, the second phase of the project will be executed over an eighteen month period and will consist of the design, implementation, operation, and evaluation of 3-5 selected enterprises in the non-affected earthquake areas.

Technical assistance and training in management and administration systems will be provided to the municipalities and, to the extent required, orientation and organization will be provided to the consumers and/or users of those services. Feasibility studies will also be continued of the other enterprises preselected. INFOM will develop various enterprises in the affected areas as a parallel activity financed in part by the USAID loan 027.

The enterprises can be classified into two categories: 1) Municipal installations which can be rented or leased such as parking facilities, dry goods storage facilities, commercial establishments, milk collection and distribution facilities. etc.

2) Small businesses owned and operated by the municipality such as saw mills, production of cement block and bricks, manufacture of packing boxes for fruit and vegetables, production of door and window frames, etc.

Enterprises will be selected and implemented to insure a range of activity; certain variation in the systems of internal organization and control will also be encouraged to determine those which are most viable and efficient.

By the end of the 30 month project period, a comprehensive study of conditions surrounding the necessity for and viability of municipal enterprises will be completed. Practical experience through the formation and operation of enterprises will be gained providing definitive information on the viability of this type of municipal activity as a means of improving the local government's ability to respond to the development of its constituent population.

## II. PROJECT BACKGROUND

### A. The Municipality<sup>104</sup> of Guatemala

The national Constitution of 1965 and the Municipal Code of 1957 designate the municipality as the lowest unit of local government within the government hierarchy. There are 326 municipalities in the country, divided into four categories according to population (and other criteria) as stipulated in the Municipal Code.

Each municipality is governed by a Mayor and a Council, which are elected to four-year terms. The principal administrative positions include that of a secretary and treasurer.

The role of municipal government has traditionally been limited to tax collection and administration of various public services such as water, sewerage, public markets, etc. However, as in many countries of Latin America, Guatemalan municipalities suffer from a series of administrative problems which debilitate and lessen their effectiveness. According to INFOM's Basic Plan of Support of 1975 the principal administrative problems include:

- Deficient tax collection systems
- Anticuated tax tariffs which are difficult to administer
- Anticuated or non-existent accounting systems
- Out-of-date Registers
- Lack of administrative know-how
- Lack of trained personnel.

These problems reduce the level of municipal revenues thereby impeding the proper provision of public services and infrastructure investment so that often municipalities do not adequately fill the role to which they have been assigned.

#### B. Recent Economic Trends

The lack of a dynamic municipal government has been further exacerbated recently as a result of two phenomena: the worldwide economic crisis and the earthquake of 1976. As a result of the economic crisis which reached its greatest intensity in 1973, rates of inflation in the country have risen sharply. It is estimated that between 1972-1975 consumer prices increased 50.1% and import prices 84%. For the population as a whole, during this period unemployment and subemployment rates reached 32.8% with subemployment rates exceeding 40% in the rural areas.

This difficult situation was greatly aggravated by the February, 1976 earthquake which caused massive death and destruction over much of the country. Hardest hit by both these phenomena was the low-income population, particularly in the secondary towns and rural areas. The already high flow of rural migrants to Guatemala city before the earthquake has risen alarmingly afterward producing "tugurios" on the outskirts of the city.

One of the consequences of the economic crisis and the earthquake has been pressure on municipal government to assume a more important and active role in solving local development questions.

C. The Institute of Municipal Development (INFOM)

INFOM was created as an autonomous entity of the government and charged with the responsibility of assisting municipal government to meet the needs of the population. Its primary role has been to channel central government funds to the municipalities for public works and to carry out engineering studies and the construction of projects. It has also begun providing technical assistance to municipal governments towards improving their administrative capabilities.

In these fields, INFOM has become a competent and professional institution. In addition to its Engineering and Technical Studies Division, the Division of Planning has been created with a section specializing in Municipal training and technical assistance.

INFOM is very aware of the problems which currently face municipal government. To adequately respond to the pressure on the municipalities to play a more active role in local development, it will continue to broaden its experience and capacity with the help of AID and other international donors.

D. Towards a More Dynamic Municipal Government

The problem of low municipal revenues in the majority of the municipalities has been the subject of special concern with INFOM.

The capacity of a municipal government to invest in public services and infrastructure projects directly depends on the state of its financing capacity. As such, INFOM has defined two general strategies to solve this problem. First, improve municipal tax collection systems, internal administration and the efficiency of municipal government. Second, explore new forms of increasing municipal revenues of which the promotion of new municipal enterprises has been defined as a possible alternative.

Limited experience in the area of municipal enterprises does exist in Guatemala. Approximately 50 municipal farmacias have successfully operated for several years, providing a limited line of basic medicines at a reasonable cost. In some municipalities, rented commercial space has been made available and other examples of municipal enterprises with positive results exist.

Behind the problem of increasing municipal revenues lies a more fundamental development issue: to what degree can municipal governments be moved from their traditional role of tax collection and services to a more dynamic economic role vis a vis the population they serve? Is it legitimate to consider that municipal governments, at least in selected cases, can acquire the training, know how and a sufficiently positive image in the community to serve as important local development entities?

This project proposes, through an Operational Program Grant, to provide definitive answers to these questions.

E. Relevant Experience of AITEC (Accion Internacional Técnica)

Over the past year and a half AITEC and INFOM have carried on a dialogue related to the problems confronting municipal government in Guatemala and specifically how AITEC's international experience could best be applied towards helping solve them. Because of INFOM's interest in municipal enterprises and AITEC's related experience, conversations have resulted in the proposed project.

AITEC possesses three areas of expertise particularly relevant to the development of municipal enterprises: micro/small business development, municipal development, and rural and agricultural development.

1. Micro/Small Business Development

In Recife, Brazil, AITEC through the creation of a local organization UNO (Uniao Nordestina de Assistencia a Pequenas Organizacoes) has developed a system for effective promotion of micro industries in low-income areas. Program components include private bank credit, a guarantee fund, technical and managerial assistance and training. This original effort, now in its fourth year has clearly proven the viability of generating income, employment and increased production through the micro-industry sector. To date this project has generated \$1,000,000 in credit to micro-industries with each loan averaging \$1,050; new jobs have been created at the rate of \$1,200 in credit/job; and the default rate on loans has been .05%. This initial effort has now been expanded to Salvador, Bahia (in its second year) and Sao Paulo.

To complement loan activities an experimental micro-industry investment corporation (MIC) is being established and tested to provide longer-term capital to program participants.

In addition, AITEC is or has provided technical assistance to agencies in various countries in the field of micro/small business development. These include FICITEC, in Pereira, Colombia, the Carvajal Foundation in Cali, Colombia, the Dominican Development Foundation in the Dominican Republic, the Mexican Development Foundation in Puebla and the Banco del Pacífico in Guayaquil, Ecuador.

## 2. Municipal Development

In Ecuador financed by the Government and various international foundations and under the auspices of the Municipal Government of Guayaquil, AITEC carried out a comprehensive study of the city's food distribution and wholesale marketing system and undertook an exhaustive inventory of present and needed services and infrastructure in the city's slum areas. Subsequently, a mixed enterprise, MERCALGUAYAS was created to restructure the Province's food distribution system and a series of new municipal projects were undertaken in the marginal areas.

AITEC was also contracted by IFAM (Institute for Municipal Development) in Costa Rica to undertake a socio-economic analysis of the country's rural areas. Census and other available data were combined with interviews in 860 communities to produce information on the municipal government structure, rural labor sector, migration patterns, land use patterns, industries and existing and needed services and infrastructure.

These studies continue to serve as the basis for IFAM's (and other institutions') program planning and selection of projects.

Over the past year and a half AITEC with IFAM and other governmental entities has carried out an integrated rural development project in two rural cantons of Costa Rica, Hojancha and Nandayure. A key element of the project has been municipal training and the redefinition of the municipal governments' role to include more productive and economic-related activity. Training in administration, planning and management has been undertaken and the municipal governments have become directly involved in projects of milk production, reforestation and the commercialization of fruits and vegetables.

Finally, on a short term basis, AITEC has assisted the Government of Nicaragua in the establishment of a program of Municipal Reform and Development.

### 3. Rural/Agricultural Development

AITEC's experience in the rural areas began in 1971 under a technical assistance contract with the National Community Development Service (DINADECO) in Costa Rica to improve its management, operation, training, administrative and evaluation systems.

Work with DINADECO led to a similar project with the National Community Development of Bolivia (SNDC) which was successfully concluded in 1975.

As previously mentioned, AITEC with IFAM carried out a study of rural necessities in Costa Rica and is currently involved in an integrated rural development project in a zone characterized by small, low-income farmers.

The international experience which AITEC will bring to bear on the development of municipal enterprises in Guatemala, together with INFOM's intimate knowledge of the country's municipal government system will be a vital factor in the success of the proposed project.

### III. PROJECT ANALYSIS AND IMPACT

#### A. Economic Effects

As a pilot effort, it is difficult to predict the full scope of economic benefits at this stage and it is assumed that at the end of the initial 30 month period the direct economic impact on the target population will not yet be fully felt. However it can be stated that the economic effects will be felt at both the municipal and community levels.

##### 1. Municipal level

a. Improvement in administrative capacity and general efficiency.

The development and implementation of a municipal enterprise can not be considered as an activity isolated from the rest of the functions of a municipality. As such, municipalities involved in the project will receive training and technical assistance on a general level as well as at the specific level of the enterprise. This combination of general and specific training on an intensive and continuous basis will result in improved municipal efficiency.

##### b. Increase in Municipal Revenues

A second important economic product of this project will be an increase in municipal revenues. There exists in Guatemala 152 municipalities (47% of the total of 326) where in 1974 less than one dollar per resident was collected by the local government and the majority of the municipalities, 250 (80%) collected less than two dollars per resident.

It must be recognized, however, that while a municipality's revenues may be low the decision to develop a revenue-generating enterprise is not necessarily easy. Depending on the debt carrying capacity of a municipality the decision may mean foregoing other politically attractive projects. For this reason, the rate of return on enterprises will have to be sufficiently high as to be attractive alternatives for municipal commitment.

## 2. Community level

Both direct and indirect benefits will be evidenced at the community level depending on the type of enterprise established.

### a. Direct effects

The direct benefits will include increases in employment and income, improved production, storage, processing and marketing facilities, and orientation and training related to the use of the product or service offered.

### b. Indirect effects

To the degree in which increased municipal revenues are translated into more and improved services the population at large of the municipality will benefit.

## 3. Examples of Possible Municipal Enterprises

Two typical examples illustrate the possible impact that such enterprises can have on the municipality and the community.

a. Example ONE: A grain storage facility

In the rural areas of Guatemala there exists a lack of grain and dry storage space. Many of the private facilities are concentrated at mills and on large farms and the public facilities of the Institute for the Commercialization of Agriculture (INDESA) do not meet the demand. A municipal grain storage facility, then, could have the following effects at the municipal level:

a.1 direct effects

- The leasing of space to producers and dealers of grain generate new revenues on a low initial investment with minimum operating costs.
- The municipal officials receive general technical assistance and administrative training to incorporate the enterprise into the overall municipal operation.
- The officials receive specific technical assistance and training in the administration of the facility.
- Through training and practical experience in the management of the facility the municipality is better prepared to undertake other projects.

a.2 indirect effects

- The municipality acquires a more positive image in the community upon offering a new service.
- A closer relationship exists between local producers and the municipality as a result of the service.

At the community level, a grain storage facility could have the following impact:

a.3 direct effects

- Producers are offered a needed service at a convenient distance
- Producers can offer their products on the market with more convenience

- Producers have better control of their costs between production and sale and can sell at better prices, therefore increasing profits.

- Users of the facility receive orientation and training in its proper use

a.4 indirect benefits

- A better trained and more efficient municipality, with additional revenue provides better community services.

- Community participates in policies relating to the facility

b. Example TWO: block and brick factory

There is a tremendous demand at the national level for construction materials. Because of the massive destruction caused by the earthquake, this demand will continue to be high for several years. As a generalized demand a municipality outside the destroyed areas could establish a cement block and brick factory. This enterprise could have the following impact at the municipal level:

b.1 direct effects

- Through the sale of block and bricks, new revenues are generated.

- Construction materials are available at cost for use in other municipal projects

- General and specific technical assistance and training are received, thereby improving administrative efficiency.

b.2 indirect benefits

- The municipality acquires a more positive image upon offering this needed product.

- As a high quality product, the general quality of constructions is improved.

At the community level, the following effects could be felt:

b.3 direct effect

- Existence of a new consumer (municipality) for local materials (sand, gravel, etc.)
- New employment opportunities are created in the factory, in transportation, construction, etc.
- Local production of block/bricks is offered at a more just price.

b.4 indirect benefits

- The municipality provides more and better public services

B. Technical Factors

There are four technical factors related to the impact of this project: methods utilized in socio-economic investigation, the types of enterprises selected, the training system utilized and the system of evaluation.

1. Methods of socio-economic investigation

In the study phase of the first year, an analysis of possible municipal enterprises will be conducted, using existing data and a methodology of direct consultation with municipal officials, community leaders and local institutional representatives. This direct interview technique will guarantee the participation of the target group in the planning phases of the project, a factor which will be highly important to its success.

The questionnaires utilized will be designed and tested to insure that all relevant data relating to possible municipal enterprises is collected. Once the enterprises are preselected, a second consultation with key groups in the municipality will be carried out to insure that the enterprise has community support.

This method of investigation, while academically rigorous, is pragmatic in its orientation and insures that the municipal enterprises will respond to the felt needs of the community.

## 2. Type of enterprise selected

As mentioned previously, one of the selection criteria will consider technological requirements of the enterprise. An important technical benefit of the project will be the promotion of enterprises which utilize an appropriate technology in their design and operation. In essence, this will require that those enterprises selected demand a low capital investment, are labor intensive, utilize simple processing systems and maximize the use of local resources and materials. A plant to produce fertilizer, for example, may be a felt need but because it requires a high capital investment and specialized technology, would not be appropriate for the project.

## 3. Training systems

Having worked in municipal development in various Latin American countries, AITEC is aware of the possible limitations which exists among municipal officials in terms of administrative, entrepreneurial and organizational skills. Studies done by INFOM as well as its own ample experience in the field have clearly demonstrated the lack of these skills among municipal employees in Guatemala. Without question, then, the technical assistance and training envisioned in this project will have to be adapted to current local skill levels and be intensive and continuous during the implementation and operation of the enterprise.

The valuable experience of INFOM in this field will be complemented by the systems and methods used by AITEC in other countries and will have a positive impact on INFOM's own training methods.

#### 4. Evaluation System

As an experimental project, an important activity will be the design and implementation of an evaluation system. The system will be designed during the first quarter and carried out during the life of the project. It will provide feedback on the effectiveness of the various activities undertaken by AITEC and INFOM and will measure the short range impact of the enterprises on the municipality and on the target population. An evaluation to measure the long-term impact of the project is desirable and could be undertaken by INFOM at a later date.

#### C. Socio-cultural factors

There are four considerations related to the sociocultural milieu of the project which should be noted.

1. Socio-cultural variations. There are notable socio-cultural variations within Guatemala not only between the Indian and Ladino elements but also within the indigenous community itself. Many of the indigenous groups which form part of the project's target population participate only minimally in the socioeconomic mainstream of the country. For these reasons the project proposes to select a cross section of municipalities from both the Ladino and indigenous communities and from different geographic regions of the country.

This strategy should provide a basis for comparison and permit subsequent decisions on those municipalities most appropriate for the development of municipal enterprises.

## 2. Role of women

This project will have a positive impact on the role of women in local development. Though relatively small in number, women are employed by municipalities and as such will be included in related training activities. In addition, much of the country's informal local economic activity (markets, bartering, etc.) is handled by women and, depending on the specific enterprises established, they could be directly employed. In general, to the extent that incomes are increased, services and production expanded, etc. women as an integral part of the family unit will benefit.

## 3. Food related activities

It is very probable that many of the enterprises selected will have a direct impact on the production, marketing, distribution and sale of food and related agricultural products.

Fruit and vegetable collection facilities, grain storage, and the manufacture of produce packing boxes are examples of enterprises of this type and as such will contribute to the improvement of the producer to consumer food chain.

## 4. Change in the traditional role of the municipality

As mentioned previously, this project will attempt to move municipal government toward a more active, dynamic role in local economic development.

Two factors must be considered in this process: first, the limits of responsibility of the municipality towards its consti-tuent population. A key assumption is that the municipality has the basic responsibility to improve the quality of life of its constituency. Yet in many areas a high percentage of the population is considered marginal and in many cases this marginal group is primary indigeneous. For this reason, through the en-terprise selection process and the various implementation acti-vities, the project will attempt to improve the capacity of the municipality to reach this sector and reduce its degree of marginality.

Second, to the extent that municipalities become involved in economic activities, there exists the possibility that they will enter into direct competition with the private sector and other groups. To prevent or at least minimize this possibility it will be necessary to explore a role for the municipality which is complementary to these sectors or which fulfills a need not currently being met. During the study and selection phase every attempt will be made to consult local groups (co-operatives, agricultural associations, etc.) to encourage their support.

#### D. Project replicability and institutionalization

The common justification behind most pilot projects is that if successful they will be expanded and generalized. Many pilot ef-forts, however, never reach this second stage, often because of false assumptions about the availability of resources and/or ins-titutional capabilities and interest.

There are two key elements built into this project which will insure its being expanded and institutionalized. First, the evaluation system will collect, organize and analyze vital information about the processes undertaken and their subsequent impact. Having this information documented and usable during the life of the project will prevent it from being an isolated, unreplicable experiment.

Second, to insure its institutionalization, the project has been designed and will be implemented in close coordination with INFOM. The area of municipal enterprises is of special interest to INFOM and it is ready to commit the necessary resources and personnel to insure successful implementation. AITEC's role in both phases is that of advisor with the goal of training INFOM personnel to assume all responsibility after the 30 month period and to provide project continuity.

From a personnel point of view, INFOM will be an excellent position to continue work in this field. One of the objectives of the 027 USAID loan is institutional development of INFOM. In the next four years, an increase from 15 to 32 people to provide municipal technical assistance and training is contemplated as is 6 additional people to work in the area of municipal enterprises. This new personnel will be retained by INFOM with its own funds after the loan funds are disbursed.

From a financial point of view INFOM will also be capable of insuring project continuity. Of the \$690.000 destined for municipal enterprises under USAID loan 027 for reconstruction of earthquake affected areas , 66% are INFOM funds and 33% are from AID. This means that there currently exists a commitment on the part of INFOM to municipal enterprises. The additional costs generated by this project after the 30 month period will be minimal and be assumed without difficulty by INFOM.

#### IV PROJECT DESIGN AND IMPLEMENTATION

##### A) Roles of participating entities

This project will be undertaken by AITEC in collaboration with INFOM. A good working relationship between these two entities is essential for successful project implementation.

The role of AITEC is that of advisor in which during project life, key personnel of INFOM will be trained to insure technical continuity. AITEC will hire a full-time resident advisor who will be backstopped by various international short-term experts in the areas of socio-economic investigation, management/administration of micro enterprises and evaluation. The need to periodically contract local experts is also foreseen in specific areas such as marketing, production analysis etc.

AITEC will concentrate its efforts in five primary areas:

1) The design, implementation and analysis of studies to detect and demonstrate the feasibility of municipal enterprises during the first year.

2) The selection of 3-5 pilot enterprises to be established in non-earthquake affected regions.

3) The design and implementation of technical assistance and training programs for municipal officials involved in the pilot enterprises.

4) The promotion of coordination and possible input of other institutions and groups to the project.

5) The design and implementation<sup>of</sup> an evaluation system

The role of INFOM will be one of implementation, primarily through its Division of Planning. Its participation will concentrate on the following aspects:

1) The design, implementation and analysis of the first phase studies.

2) Final approval of the 3-5 enterprises selected for implementation.

3) Design, engineering and supervision of the construction of needed physical facilities.

4) Credit approval and extension to finance the enterprises

5) Implementation of the technical assistance and training activities.

Before formal commencement of the project an agreement detailing the respective commitment and responsibilities of AITEC and INFOM will be signed with a copy given to AID.

It is important to emphasize that this project is a complement to the activities of INFOM contemplated under USAID loan 027. The project includes an indepth study phase in affected and non-affected areas and has built in a methodology of direct consultation with key local groups. In addition, it will introduce new municipal technical assistance and training methods and will experiment with enterprises in those regions of the country not affected by the earthquake.

As an effort of shorter duration and greater concentration of resources, this project will provide valuable knowledge and practical experience to the longer range activities planned under loan 027.

[As outlined in the attached Logical Framework Matrix three key resource inputs are required for project success.] AID ~~is~~ <sup>will</sup> [requested to] grant an OPG for \$232,000 over a 30 month period. AITEC will also commit the equivalent of \$77,182 of its own resources primarily in the form of personnel time and support costs. INFOM will provide inputs estimated in the amount of \$152,000. These resources will take the form of personnel time, office space and equipment, transportation and credit.

Finally, while difficult to estimate at this point it can be expected that resources from local municipalities and other governmental institutions will be dedicated to the project, particularly once specific enterprises are identified and developed.

#### B. Project Phases

As previously mentioned, the project is composed of two principal phases: the first an indepth study to detect possible municipal enterprises and the second the establishment and operation of 3-5 pilot enterprises. The decision to implement the second phase will depend on the results of the first year and will be taken jointly by INFOM, AITEC and AID.

Actual project implementation will involve the following general activities: (see attached chronogram for more detail, including timing and points of responsibility)

Phase One: Municipal Enterprise Study

1. Determination of Universe and Classification of Municipalities

The universe will consist of the 101 municipalities affected by the earthquake plus approximately 50 other selected from outside the affected area. Municipalities will be classified according to population, budget size, location and predominant economic activities.

2. Analysis and Preselection of Municipalities

From existing data supplied by INFOM and other sources a preselection will be carried out to determine those municipalities with more possibilities for beginning enterprises and to guarantee an adequate representation of municipalities to be studied according to the classification system. Approximately 50-60 municipalities will be chosen for study.

3. Preparation of Questionnaire(s) and Hiring/training of interviewers

Six to eight interviewers will be hired and trained to conduct the initial field study of municipalities. A questionnaire will be designed, field tested and revised.

4. Initial study of Municipalities

Onsite interviews in 50-60 municipalities will be conducted with municipal officials, local leaders and institutional representatives toward identifying the most feasible municipal enterprises.

5. Tabulation and analysis of initial study

Results from the study will be tabulated and analyzed by AITLC and INFOM. It is expected that 20-25 enterprises will be identified within the 50-60 municipalities. In some cases more than one project may be identified in a single municipality.

6. Pre-selection of Municipalities for additional feasibility studies

The 20-25 possible enterprises preselected will be divided into groups of five in preparation for additional indepth analysis and feasibility studies. For each group of five all studies prior to project implementation will be completed before beginning with the next group of five, allowing projects to move on to subsequent stages in as short a period as possible.

7. IndePTH and feasibility studies

For each potential enterprise additional studies will be conducted. Each case will vary as to the type of studies needed but may include cost/benefit analysis, marketing studies, production analysis, etc. During the first year, the feasibility of five enterprises will be determined on a case study basis to help decide the desirability of second phase funding.

8. Enterprise Selection

Of those enterprises with proven feasibility some will be selected for implementation by INFOM accordingly to its criteria established for the earthquake affected areas. AITEC will not have a role in the establishment of these undertakings.

Approximately 3-5 enterprises outside the earthquake hit areas will be selected for implementation in this project.

Phase two: Municipal Enterprise Implementation

1. Analysis of Credit

A credit analysis will be done for each of the 3-5 enterprises selected. Once the capital requirements are determined, INFOM will grant credit to the municipalities following its normal procedures.

2. Design and construction of physical facilities

Most enterprises will require some physical facilities. Their design and construction will be conducted through a process of licitation or direct administration according to normal INFOM procedures.

3. Technical Assistance and Training of Municipal officials

INFOM will provide general technical assistance and training to participating municipal personnel with the objective of improving overall municipal efficiency.

AITEC and INFOM will design and implement systems of technical assistance and training specifically related to the administrative/management requirements of each enterprise. Technical assistance will be provided on site, will begin once the credit has been solicited, and will continue on an intensive basis during the implementation and operation of the enterprise until those responsible are able to adequately perform their functions.

Training will be provided on a more formal group basis to complement the technical assistance given. Short, intensive courses will be imparted at selected training sites or in the offices of INFOM. These courses will be designed to motivate, create interest among participants and take into account their level of formal education. Simple case studies, illustrative games (for example, the SEMPOR game of assembly of paper airplanes to teach production and cost-control) and other creative teaching aids will be utilized.

The scope of the training and technical assistance will vary according to the necessities of each enterprise but may cover the following themes:

- Administrative finance and production
- Accounting
- Organization and methods
- Administrative cost control
- Sales and inventory control
- Personal management-human relations
- Marketing
- Etc.

4. Continuation of feasibility studies for other enterprises selected

During the 18 months of the second phase, feasibility studies of the other enterprises selected will be undertaken in groups of five. At the end of the period all studies will be complete for 20-25 enterprises.

5. Orientation of consumers/users of the services of the enterprises

In certain cases it will be necessary to orient and educate the public about the availability and use of the new services/products of the municipal enterprises. For example, in the case of a grain storage facility it will be necessary to inform local producers and buyers that the facility exists and orient them as to the advantages of its use. Or, if the enterprise is a small facility to manufacture produce packing boxes, it will be necessary to advertisement among potential buyers and orient them as to the boxes proper use.

6. Involvement of other Resources and Institutions

It is anticipated that during the implementation phase of each enterprise other resources will be drawn into the project. Contact will be made with local and regional representatives of other institutions such as the Ministry of Agriculture, BANVI, Cooperative Associations, etc. whose knowledge and experience in the field will be valuable. In some instances new markets/buyers will have to be identified and tapped to insure the viability of the new enterprises. AITEC's role in this area will be to identify needed resources, coordinate the inputs of participants, monitor progress, etc.

7. Evaluation

The evaluation system will have two major functions. First, provide periodic feedback to AITEC and INFOM regarding project progress as contemplated in the Logical Framework Matrix.

AITEC will submit trimestral reports of progress to INFOM and AID. After the first year a formal evaluation session will be conducted by AITEC, INFOM and AID to determine whether the second phase is justified. At the end of the 30 month period there will also a formal evaluation.

The second function of the evaluation system will be to produce information concerning the impact and viability of municipal enterprises. Two types of information will be collected.

A. Viability

- Characteristics of municipalities with greater potential for operating enterprises
- Types of enterprises, by activity, that are more profitable and appropriate for municipal involvement.
- Identification of the most appropriate and efficient administrative, management and organizational systems
- Minimum levels of knowledge and training necessary among municipal officials to operate an enterprise
- Alternatives for relating municipalities to the needs of local producers/consumers.
- Enterprise viability in the short, medium and long term.

B. Impact

- Profitability of municipal enterprises compared with other alternatives (services, infrastructure)
- Administrative changes at municipal level relating to efficiency.
- Creation of employment at the municipal and community levels.

- Increases in community participant income as a result of enterprises.
- Positive (negative) effects of the enterprises on the community (image of the municipal government, problems of competition, etc.)

It is anticipated, then, that the information collected during the study phase, coupled with the evaluation of the practical experience of the second phase will produce definitive evidence on the desirability of promoting municipal enterprises in Guatemala.

WB:fmc.

March 13, 1978

LOGICAL FRAMEWORK MATRIX

GOAL	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>1. To strengthen the capacity of municipal government to meet the development needs of the rural population</p>	<p>1 a. Municipal governments provide additional, non-traditional services to local population</p> <p>1 b. Municipal government develop more direct economic links with local producers/consumers.</p>	<p>AI TEC evaluation reports</p> <p>INFOM evaluation reports</p> <p>On-site visits</p>	<p>1. Some municipal governments possess the desire and potential capacity for expanding current role</p> <p>2. Local producers/consumers have sufficiently positive image of municipal government to participate in new services offered.</p>

PURPOSE	END OF PROJECT STATUS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>1. To test the economic, financial, and social viability of establishing municipal enterprises in selected areas of Guatemala</p> <p>2. To complement and expand INFOM's pilot efforts to establish municipal enterprises in the earthquake areas.</p>	<p>1 a. Study and implementation phases produces conclusive, documented experience on municipal enterprise promotion as viable development strategy</p> <p>1 b. 3-5 enterprises will be established with direct AITEC involvement.</p> <p>2 a. Study serves as basis for INFOM's own efforts in municipal enterprise development in earthquake affected areas.</p> <p>2 b. Project provides additional varied experience in terms of municipal size-location and enterprise activity, organization and purpose, in the non affected areas.</p>	<p>AITEC/INFOM evaluation reports</p> <p>AID on-site visits</p>	<p>1. 30 months project life is sufficient time to produce definitive evidence of viability of municipal enterprise development.</p> <p>2. INFOM's interest in pilot effort continues as projected during life of project.</p> <p>3. AID continues loan disbursements to INFOM for municipal enterprise development during life of project.</p> <p>4. Increased revenues from municipal enterprises are translated into projects of direct benefit to the population</p>

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1. Initial study of representative municipalities	1. Study completed of 50 municipalities and resulting information utilized in subsequent project phases	Summary documents of study	1. Methodology of needs assessment developed by AITEC in Costa Rica with modifications will yield level and type of information desired.
2. System of enterprise pre-selection and selection	2. 20-25 enterprises are pre-selected and 3-5 are selected	2. AITEC/INFOM records	2. Sufficient number of potential enterprises can be identified to justify continued effort.
3. Credit granted	3. Credit in the amount of approximately \$80,000 approved and granted.	3. INFOM records	
4. Representative enterprises implemented and operated	4. 3-5 enterprises with different location, size and activity are implemented and operating.	4. AITEC/INFOM records and direct visits	
5. Technical assistance and training systems in administration and management implemented	5. System documented in manual and minimum of 500 hours of training and technical assistance given to each enterprise	5. AITEC/INFOM records and direct visits	5. Local municipal officials and/or local residents can be trained to effectively manage enterprises
6. Evaluation system designed and implemented	6. The system serves to monitor the project and provides necessary information to evaluate its impact and viability.	6. Evaluation documents	6. Evaluation system will complement evaluation of INFOM as required under AID loan activities.

INPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>1. \$232,000 of OPG monies</p> <p>2. \$77,182 of AITEC monies</p> <p>3. \$182,500 of INFOM resources</p>	<p>1. See budget and Implementation Plan</p>	<p>1. Audit reports of AITEC and AID</p> <p>2. Financial reports of AITEC.</p> <p>3. Financial reports of INFOM.</p>	<p>1. The three inputs are sufficient to cover basic project costs</p> <p>2. AID approves the OPG at level requested</p> <p>3. AITEC annual budget maintains its current level.</p> <p>4. INFOM maintains its projected level of resources during life of project.</p>

# DEVELOPMENT OF MUNICIPAL ENTERPRISES

## CHRONOGRAM: FIRST PHASE (12 MONTHS)

ACTIVITY	RESPONSIBILITY	1	2	3	4	5	6	7	8	9	10	11	12
1. Relocation of resident advisor	AITEC	■											
2. Orientation of resident advisor	AITEC/INFOM	■											
3. General definition of study scope and methodology	AITEC/INFOM	■											
4. Determination of universe, study regions and classification of municipalities	INFOM	■											
5. Desk analysis of 150 municipalities estimated as universe	AITEC/INFOM		■										
6. Determination of 50-60 municipalities for field interviews	AITEC/INFOM		■										
7. Questionnaire design	AITEC/INFOM		■	■									
8. Selection/training of interviewers	AITEC		■	■									
9. Field testing of questionnaire	AITEC/INFOM		■	■	■								
10. Final questionnaire design	AITEC/INFOM		■	■	■	■							
11. Field interviews	AITEC/INFOM		■	■	■	■	■						
12. Tabulation & analysis of results	AITEC/INFOM					■	■	■					
13. Preselection of 20-25 enterprises	AITEC/INFOM							■					
14. Division of enterprises in groups of five	AITEC/INFOM							■					
15. Selection of 5 case studies	AITEC/INFOM							■					
16. Realization of 5 case studies	AITEC/INFOM							■	■				
17. Final selection of enterprises	INFOM								■	■			
18. Design/implementation of evaluation system	AITEC										■	■	
19. Evaluation of first year and decision on feasibility of second year	AITEC/INFOM AID											■	■



PROJECT FUNDING

SUMMARY

	FIRST PHASE (12 months)	SECOND PHASE (18 months)	TOTAL (30 months)
USAID	96.000	136.000	\$ 232.000
AI TEC	44.298	32.884	\$ 77.182
INFOM	35.000	117.500	\$ 152.500
OTHER COUNTERPART FUNDING	16.000	74.000	\$ 90.000

\* \* \*

\*

# BUDGET

## First phase

### 1. USAID

#### PERSONNEL

#### FIRST YEAR

1 project manager 12 man-months at \$1.500	18.000
1 project assistant - 11 man-months at \$700	7.700
6 interviewers - 30 man-months at \$250/mo.	7.500
1 secretary 11 man-months at \$375/mo.	4.125
10 % fringes per year for project manager	1.800
30 % fringes per year for local personnel	5.797
Miscellaneous 5% of salaries	1.866
	<hr/>
SUBTOTAL	46.788

### SHORT TERM TECHNICAL ASSISTANCE

#### INTERNATIONAL

1 expert in evaluation - 20 days at \$110/day	2.200
1 expert in rural needs assessment 20 days at \$110/day	2.200

#### NATIONAL

Agronomist, marketing expert, agroindustrial expert, etc 15 man-months at \$850/mo.	12.750
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SUBTOTAL	17.150
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## TRAVEL

Relocation of project manager	4.000	
Travel 2 international experts	1.000	
Local travel of Project manager, International experts and local personnel	3.000	
Per diem of 2 international experts 50-days at \$35/day	1.750	
Per diem of project manager, and local personnel at \$10/day 900 days	9.000	
	<hr/>	
	SUBTOTAL	18.750

## TRAINING

Training of interviewers, course materials, etc.	1.492	
	<hr/>	
	SUBTOTAL	1.492

## ADMINISTRATION

Office equipment and rental	3.000	
Office supplies	3.000	
Communications	2.000	
Accounting services	1.200	
Miscellaneous 10% of administrative costs	920	
Direct AITEC administrative support cost 15% of salaries of resident advisor	2.700	
	<hr/>	
	SUBTOTAL	11.820

TOTAL	US\$	<u>96.000</u>
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## 2 - AITEC

## PREPROJECT COSTS

100 man days at \$125/day project development, proposal preparation final preproject preparation	12.500
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Secretarial time 850

TRAVEL

5 round trips Costa Rica/Guatemala at \$250 per trip 1.250  
 2 round trips Boston/Guatemala at \$500 per trip 1.000  
 Per diem total of 50 days at \$35/day 1.750  
 Travel and per diem of two top candidates for position of project manager 2.500

OVERHEAD

30 % of salaries 3.750

SUBTOTAL 23.600

LIFE OF PROJECT COSTS

DIRECT COSTS

4 man-days per month at \$125 of Executive Director or Regional Coordinator 6.000  
 Secretarial/controller time 1.500  
 Materials, support publications, miscellaneous 1.000  
 Training materials (in kind) 1.000 9,500 + 17,150

INDIRECT COSTS

Overhead at 30% of salaries of project personnel 11.198 + 18,634

SUBTOTAL 20.698

TOTAL US\$ 44.298

GOGUA

TECHNICAL ASSISTANCE COSTS

(Technical and support personnel time, supplies office space, transportation, etc.)

INFOM 35.000

OTHER INSTITUTIONS AND LOCAL GROUPS (1) 16.000

TOTAL US\$ 51.000

(1) May include Ministry of Agriculture, National Planning Council, National Reconstruction Committee, National Bureau of Census and Statistics, Municipalities, Local Cooperatives, Federations, and organized groups.

BUDGET

Second phase

(18 months)

USAID

PERSONNEL	2 <sup>o</sup> yr	18 months	
		1/2 yr.	TOTAL
1 project manager - 18 man-months + 10% increase/yr.	19.800	10.890	30.690
1 project assistant 18-man-months + 10% increase/yr.	9.240	5.082	14.322
2 field promoters - 36-man-months at \$275/mo	6.600	3.300	9.900
1 secretary - 18-man-months at \$400/mo	4.800	2.400	7.200
10% fringes for resident advisor	1.980	1.089	3.069
30% fringes, for local personnel	6.192	3.234	9.426
Miscellaneous, 5% of salaries	2.022	1.083	3.105
SUBTOTAL	50.634	27.078	77.712
SHORT TERM TECHNICAL ASSISTANCE			
INTERNATIONAL			
1 expert in evaluation - 30days at \$110/day	2.200	1.100	3.300
1 expert in small enterprises 30 days at \$110/day	2.200	1.100	3.300
NATIONAL			
Various local experts in marketing, production, etc. 13 man-months at \$850/mo.	7.650	3.400	4.050
SUBTOTAL	12.050	5.600	17.650

## TRAVEL

Relocation of resident advisor		4.000	4.000
Travel of 2 short-term experts	1.000	1.000	2.000
Local transportation	2.000	1.000	3.000
Per diem two short term experts 8 days at \$35/day	1.400	1.400	2.800
Local Per Diem of resident advisor and local personnel , 500 days at \$10/day	3.500	1.500	5.000
		<u>        </u>	<u>        </u>
	SUBTOTAL	7.900	8.900 16.800

## TRAINING

Preparation of manuals, course materials, publications, etc.	6.000	<u>3.000</u>	<u>9.000</u>
	SUBTOTAL	6.000	3.000 9.000

## ADMINISTRATION

Rent and purchase of office equipment	1.000	500	1.500
Office supplies	2.000	1.005	3.105
Communications	2.000	1.000	3.000
Accounting services	1.200	600	1.800
Miscellaneous 10%	620	310	930
Direct administrative costs of AITEC 15% of resident advisor salary	2.970	<u>1.633</u>	<u>4.603</u>
	SUBTOTAL	9.790	5.048 14.838

TOTAL	US\$	136.000
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## 2 - AITEC

## COSTS OF PROYECT

## DIRECT COSTS

4 man-days per month at \$125/day of Executive Director or Regional Coordinator	6.000	3.000	9.000
Secretary/auditor	1.500	750	2.250
Materials, publications, miscellaneous	1.000	500	1.500

## INDIRECT COSTS

Administrative costs 30% of salaries of project personnel	12.132	6.502	18.634
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SUBTOTAL	21.632	11.252	32.884
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TOTAL			US\$ 77.182
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## 3 - GOGUA

## COSTS OF TECHNICAL ASSISTANCE

(Personnel time, materials, office space,  
travel, etc.)

INFOM	25.000	12.500	37.500
Other institutions and local groups (1)	<u>10.000</u>	<u>4.000</u>	<u>14.000</u>
SUBTOTAL	35.000	16.500	51.500

## DIRECT PROJECT COSTS

INFOM	<del>60.000</del>	20.000	80.000
Other institutions (1)	20.000	10.000	30.000
Local groups and municipalities	<u>20.000</u>	<u>10.000</u>	<u>30.000</u>
SUBTOTAL	100.000	40.000	140.000

TOTAL			US\$ 191.500
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(1) May include Ministry of Agriculture, National Planning Council, National Reconstruction Committee, National Bureau of Census and Statistics, Municipalities Local Cooperatives, Federations, and organized groups.

520-266<sup>266</sup>

**Grant Agreement No. 520-0266**

**July 7, 1978**

**Mr. William W. Burrus  
Regional Coordinator -  
Central America and Caribbean  
Acción Internacional Técnica  
(AITEC)  
Calle 2, Avenida 7  
San José, Costa Rica**

Dear Mr. Burrus:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby grants to Acción Internacional Técnica (hereinafter referred to as "AITEC" or "Grantee") the sum of \$96,000 to provide support for a program to assist the Municipal Development Institute (MIFOM) in strengthening the capacity of highland municipal governments outside the earthquake-affected area to meet the development needs of the rural population, as more fully described in the attachment to this Grant entitled "Program Description" and the AITEC "Proposal" submitted to AID requesting this Grant. The total estimated cost of this program is \$232,000, and subject to the availability of funds to AID, to satisfaction of AID with results of studies funded under this Grant, and to mutual agreement of the parties, AID may provide an additional amount of \$136,000 after review of the studies funded hereunder. However, the amount presently obligated is \$96,000 and AID shall not be liable for reimbursing AITEC for any costs in excess of the obligated amount.

This Grant is subject to the following conditions:

- a) Goods and services financed by AID under the Project shall have their source and origin in the Cooperating Country, or in the United States, except as AID may otherwise agree in writing.

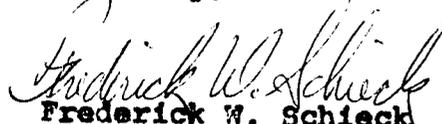
- b) Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance costs of contract technicians, the Grantee shall furnish in form and substance satisfactory to AID, a staffing pattern of AID-financed technicians to be contracted and of non AID-financed counterpart personnel to be furnished by the participating Agencies.
- c) In the event that additional AID funding is provided for the second phase of the project, then, prior to any disbursement or the issuance of any commitment documents for implementation of any selected municipal enterprises under such second phase of the project, the Grantee shall furnish in form and substance satisfactory to AID the appropriate feasibility studies and implementation plans for such enterprises.

The Grant is effective and obligation is made as of the date of this letter, which is the date of signature by AITEC, and shall apply to commitments made by the Grantee in furtherance of program objectives during the period July 12, 1978 through August 31, 1979.

The Grant is made to AITEC on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment "A" entitled "Program Description", Attachment "B" entitled "Standard Provisions", and Attachment "C" entitled "Payment Provisions" which have been agreed to by your organization and which constitute an integral part of this Grant Agreement.

Please sign and return ~~the~~ three ~~Six~~ and six copies of this Grant Agreement to USAID/Guatemala.

Sincerely,

  
Frederick W. Schieck  
Director

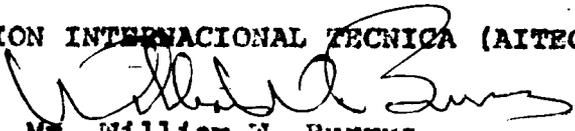
Grant Agreement No. 520-0266  
Page 3

**Attachments:**

- "A" - Program Description
- "B" - Standard Provisions
- "C" - Payment Provisions

**Accepted:**

ACCION INTERNACIONAL TECNICA (AITEC)

  
BY: Mr. William W. Burrus

TITLE: Regional Coordinator - Central America and Caribbean

DATE: July 12, 1978

## ATTACHMENT "A"

### PROGRAM DESCRIPTION

#### A. Purpose of the Grant

The purpose of this Grant is to provide support to a program to assist the Municipal Development Institute (INFOM) in strengthening the capacity of municipal governments in highland areas which were not affected severely by the February 1976 earthquake to meet the development needs of the rural population.

#### B. Specific Objectives:

The activity to be financed under this Grant will test the financial, economic and social viability of establishing municipal enterprises by identifying possible enterprises. If viability is established, it is anticipated that a second increment of AID's contribution will finance establishment of such enterprises on a pilot basis. The Grant, which will focus on areas outside the earthquake zone, will complement and expand the efforts of INFOM in connection with its program of municipal development and reconstruction of the earthquake affected areas.

The enterprises established are expected to provide a direct service to local citizens and serve as a stimulus for local production and infrastructure development. Training and technical assistance in the administration, management and organization of small business will be given to municipal officials in charge of the enterprises developed.

Establishment of successful enterprises is expected to show that with necessary training municipal governments can move from their traditional role of tax collection and services to the more dynamic role of local development entities.

#### Project Phases

This project will be undertaken in two phases. Phase I, funded hereunder for up to \$96,000, will be an in-depth study to determine the viability of various proposed municipal enterprises such as small grain collection and storage facilities, small-scale block and brick factories,

food processing facilities, etc. Phase I will be completed one year after the date of signature of this Grant Agreement. Phase II will involve selecting and implementing from among the 20-25 possible municipal enterprises studied those 3-5 enterprises which have the greatest possibility of success. AID will not make any decision regarding obligation of funds for Phase II until the study produced under Phase I will have been examined by AID and unless that study will have been determined by AID to provide sufficient evidence of the viability of the enterprises proposed for establishment under Phase II.

C. Implementation

1. Roles of Participating Entities

This project will be undertaken by AITEC in collaboration with INFOM. A good working relationship between these two entities is essential for successful project implementation.

The role of AITEC is that of advisor in which during project life, key personnel of INFOM will be trained to insure technical continuity. AITEC will hire a full-time resident advisor who will be backstopped by various international short-term experts in the areas of socio-economic investigation, management/administration of micro enterprises and evaluation. The need to periodically contract local experts is also foreseen in specific areas such as marketing, production analysis, etc.

AITEC will concentrate its efforts in five primary areas:

- a) The design, implementation and analysis of studies to detect and demonstrate the feasibility of municipal enterprises during the first year.
- b) The selection of 3-5 pilot enterprises to be established in non-earthquake affected regions.
- c) The design and implementation of technical assistance and training programs for municipal officials involved in the pilot enterprises.

- d) The promotion of coordination and possible input of other institutions and groups to the project.
- e) The design and implementation of an evaluation system.

The role of INFOM will be one of implementation, primarily through its Division of Planning. Its participation will concentrate on the following aspects:

- a) The design, implementation and analysis of the first phase studies.
- b) Final approval of the 3-5 enterprises selected for implementation.
- c) Design, engineering and supervision of the construction of needed physical facilities.
- d) Credit approval and extension to finance the enterprises.
- e) Implementation of the technical assistance and training activities.

Before formal commencement of the project, an Agreement, as approved by AID in writing, detailing the respective commitment and responsibilities of AITEC and INFOM will be signed.

It is important to emphasize that this project is a complement to the activities of INFOM contemplated under USAID loan 027. The project includes an in-depth study phase in affected and non-affected areas and has built in a methodology of direct consultation with key local groups. In addition, it will introduce new municipal technical assistance and training methods and will experiment with enterprises in those regions of the country not affected by the earthquake. As an effort of shorter duration and greater concentration of resources, this project will provide valuable knowledge and practical experience to the longer range activities planned under loan 027.

AID will grant an OPG for \$96,000 over a 12-month period. An additional AID increment of \$136,000 for the second phase of this program covering an 18-month period will be obligated subject to availability of funds, satisfaction of AID with

results of studies undertaken during the first 12 months, and mutual agreement of the parties. AITEC will also commit the equivalent of \$77,182 of its own resources primarily in the form of personnel time and support costs. INFOM will provide inputs estimated in the amount of \$152,000. These resources will take the form of personnel time, office space and equipment, transportation and credit.

Finally, while difficult to estimate at this point, it can be expected that resources from local municipalities and other governmental institutions will be dedicated to the project, particularly once specific enterprises are identified and developed.

## 2. Project Phases

As previously mentioned, the project is composed of two principal phases: the first an in-depth study to detect possible municipal enterprises and the second the establishment and operation of 3-5 pilot enterprises. The decision to implement the second phase will depend on the results of the first year and will be taken jointly by INFOM, AITEC, and AID.

Actual project implementation will involve the following general activities:

Phase One: Municipal Enterprise Study - funded under this Grant.

### 1. Determination of Universe and Classification of Municipalities.

The Universe will consist of the 101 municipalities affected by the earthquake plus approximately 50 others selected from outside the affected area. Municipalities will be classified according to population, budget size, location and predominant economic activities.

### 2. Analysis and Preselection of Municipalities:

From existing data supplied by INFOM and other sources a preselection will be carried out to determine those municipalities with more possibilities for beginning enterprises and to guarantee an adequate representation of municipalities to be studied according to the classification system. Approximately 50-60 municipalities will be chosen for study.

3. Preparation of Questionnaire(s) and Hiring/training of Interviewers:

Six to eight interviewers will be hired and trained to conduct the initial field study of municipalities. A questionnaire will be designed, field tested and revised.

4. Initial Study of Municipalities:

Onsight interviews in 50-60 municipalities will be conducted with municipal officials, local leaders and institutional representatives toward identifying the most feasible municipal enterprises.

5. Tabulation and Analysis of Initial Study:

Results from the study will be tabulated and analyzed by AITEC and INFOM. It is expected that 20-25 enterprises will be identified within the 50-60 municipalities. In some cases more than one project may be identified in a single municipality.

6. Pre-selection of Municipalities for additional feasibility Studies:

The 20-25 possible enterprises preselected will be divided into groups of five in preparation for additional in-depth analysis and feasibility studies. For each group of five all studies prior to project implementation will be completed before beginning with the next group of five, allowing projects to move on to subsequent stages in as short period as possible.

7. In-depth and Feasibility Studies:

For each potential enterprise additional studies will be conducted. Each case will vary as to the type of studies needed but may include cost/benefit analysis, marketing studies, production analysis, etc. During the first year the feasibility of five enterprises will be determined on a case study basis to help decide the desirability of second phase funding.

8. Enterprise Selection:

Of those enterprises with proven feasibility some will be

selected for implementation by INFOM accordingly to its criteria established for the earthquake affected areas. AITEC will not have a role in the establishment of these undertakings. Approximately 3-5 enterprises outside the earthquake hit areas will be selected for implementation in this project.

Phase Two: Municipal Enterprise Implementation - Funded under an anticipated future increment.

1. Analysis of Credit:

A credit analysis will be done for each of the 3-5 enterprises selected. Once the capital requirements are determined, INFOM will grant credit to the municipalities following its normal procedures.

2. Design and Construction of Physical Facilities:

Most enterprises will require some physical facilities. Their design and construction will be conducted through a process of licitation or direct administration according to normal INFOM procedures.

3. Technical Assistance and Training of Municipal Officials:

INFOM will provide general technical assistance and training to participating municipal personnel with the objective of improving overall municipal efficiency.

AITEC and INFOM will design and implement systems of technical assistance and training specifically related to the administrative/management requirements of each enterprise. Technical assistance will be provided on site, will begin once the credit has been solicited, and will continue on an intensive basis during the implementation and operation of the enterprise until those responsible are able to adequately perform their functions.

Training will be provided on a more formal group basis to complement the technical assistance given. Short, intensive courses will be imparted at selected training sites or in the offices of INFOM. These courses will be designed to motivate, create interest among participants and take into account their level of formal education.

Simple case studies, illustrative games (for example, the SEMPOR game of assembly of paper airplanes to teach production and cost - control) and other creative teaching aids will be utilized.

The scope of the training and technical assistance will vary according to the necessities of each enterprise but may cover the following themes:

- Administrative finance and production
- Accounting
- Organization and methods
- Administrative cost control
- Sales and inventory control
- Personal management - human relations
- Marketing
- Etc.

4. Continuation of Feasibility Studies for Other Enterprises Selected:

During the 18 months of the second phase, feasibility studies of the other enterprises selected will be undertaken in groups of five. At the end of the period all studies will be complete for 20-25 enterprises.

5. Orientation of Consumers/Users of the Services of the Enterprises:

In certain cases it will be necessary to orient and educate the public about the availability and use of the new services/products of the municipal enterprises. For example, in the case of a grain storage facility it will be necessary to inform local producers and buyers that the facility exists and orient them as to the advantages of its use. Or, if the enterprise is a small facility to manufacture produce packing boxes, it will be necessary to advertise among potential buyers and orient them as to the boxes proper use.

6. Involvement of Other Resources and Institutions

It is anticipated that during the implementation phase of each enterprise other resources will be drawn into the project. Contact will be made with local and regional representatives of other institutions such as the Ministry of Agriculture, BANVI, Cooperative Associations, etc., whose knowledge and experience in the field will be valuable. In some instances new markets/buyers will have to be identified and tapped to insure the viability of the new enterprises. AITEC's role in this area will be to identify needed resources, coordinate the inputs of participants, monitor progress, etc.

7. Evaluation:

The evaluation system will have two major functions. First, provide periodic feedback to AITEC and INFOM regarding project progress as contemplated in the Logical Framework Matrix. AITEC will submit trimestral reports of progress to INFOM and AID. After the first year a formal evaluation session will be conducted by AITEC, INFOM and AID to determine whether the second phase is justified. At the end of the 30-month period, there will be also a formal evaluation.

The second function of the evaluation system will be to produce information concerning the impact and viability of municipal enterprises. Two types of information will be collected.

A. Viability

- Characteristics of municipalities with greater potential for operating enterprises.
- Types of enterprises, by activity, that are more profitable and appropriate for municipal involvement.
- Identification of the most appropriate and efficient administrative, management and organizational systems.
- Minimum levels of knowledge and training necessary among municipal officials to operate an enterprise.

- Alternatives for relating municipalities to the needs of local producers/consumers.
- Enterprise viability in the short, medium and long term.

B. Impact

- Profitability of municipal enterprises compared with other alternatives (services, infrastructure).
- Administrative changes at municipal level relating to efficiency.
- Creation of employment at the municipal and community levels.
- Increases in community participant income as a result of enterprises.
- Positive (negative) effects of the enterprises on the community (image) of the municipal government, problems of competition, etc.)

It is anticipated then, that the information collected during the study phase, coupled with the evaluation of the practical experience of the second phase will produce definitive evidence on the desirability of promoting enterprises in Guatemala.

D. Reports

Grantee shall submit the following reports:

1. Trimestral progress reports in duplicate to AID and INFOM -- in Spanish to INFOM, in either Spanish or English to AID.
2. Tabulation and analysis of initial study to identify possible enterprises in 50-60 municipalities -- to INFOM in Spanish, to AID in either Spanish or English. AID will receive at least 2 copies. This report will be submitted no later than 14 months after date of signature of this Grant Agreement.
3. Reports compiling feasibility studies and providing conclusions. During Phase I, these studies will deter-

mine the feasibility of 5 enterprises chosen from those identified in study (2). Two copies to AID in Spanish or English; two copies to INFOM in Spanish. This report will be submitted no later than 14 months after date of signature of this Grant Agreement.

Reports (2) and (3) will be considered by AID and INFOM and will determine the desirability of entering Phase II. AID will not make any decision regarding obligations of funds for Phase II unless viability of the enterprises proposed for implementation in Phase II is demonstrated in reports (2) and (3) in form and substance satisfactory to AID.

Copies of all feasibility and other studies undertaken under this Grant will be submitted to AID and INFOM.

E. Budget

This budget is illustrative. Amounts of line items may be adjusted upward or downward up to 15% without prior approval by AID.

The decision whether to obligate grant funds for Phase II will not be made until AITEC first provides evidence in form and substance satisfactory to AID of the viability of enterprises proposed for establishment under Phase II.

PROJECT FUNDING

Summary

	FIRST PHASE (12 months)	SECOND PHASE (18 months)	TOTAL (30 months)
USAID	96,000	136,000	\$ 232,000
AITEC	44,298	32,884	\$ 77,182
INFOM	35,000	117,500	\$ 152,500
OTHER COUNTERPART FUNDING	16,000	74,000	\$ 90,000

ILLUSTRATIVE BUDGET

First Phase

AID financing for Phase I is funded under this Grant Agreement.

1. AID-Cost of line items (sub-totals) may be adjusted upward or downward up to 15% without AIT authorization.

PERSONNEL

	FIRST YEAR
1 project manager 12 man-months at \$1,500	18,000
1 project assistant - 11 person-months at \$1,000	11,000
1 planning analyst - 11 person-months at \$400/mo	4,400
4 interviewers - 20 person-months at \$250/mo	5,000
1 secretary - 11 person-months at \$250/mo.	2,750
10% fringes per year for project manager.	1,800
20% fringes per year for local personnel.	4,630
Miscellaneous 5% of salaries.	<u>2,058</u>
SUBTOTAL	49,638

SHORT-TERM TECHNICAL ASSISTANCE

INTERNATIONAL

1 expert in evaluation - 20 days at \$110/day	2,200
1 expert in rural needs assessment 20 dayst at \$110/day	2,200

NATIONAL

Agronomist, marketing expert, agro-industrial expert, etc. - 15 person-

months at \$850/mo.	<u>12,750</u>
<b>SUBTOTAL</b>	<b>17,150</b>
<b>TRAVEL</b>	
Relocation of project manager	4,000
Travel 2 international experts	1,000
Local travel of Project Managers, International experts and local personnel.	3,000
Per diem of 2 international experts 50 days at \$35/day	1,750
Per diem of project manager, and local personnel at \$10/day 900 days.	<u>9,000</u>
<b>SUBTOTAL</b>	<b>18,750</b>
<b>ADMINISTRATION</b>	
Office equipment and rental	3,000
Office supplies	1,962
Communications	1,000
Accounting services	1,200
Miscellaneous administrative costs.	600
Direct AITEC administrative support cost 15% of salaries of resident advisor.	<u>2,700</u>
<b>SUBTOTAL</b>	<b>10,462</b>
<b>TOTAL</b>	<b><u>US\$ 96,000</u></b>

2 - AITEC

PREPROJECT COSTS

100 man-days at \$125/day project  
development, proposal preparation  
final preproject preparation. 12,500

Secretarial time 850

TRAVEL

5 round trips Costa Rica/Guatemala at  
\$250 per trip 1,250

2 round trips Boston/Guatemala at \$500  
per trip 1,000

Per diem total of 50 days at \$35/day. 1,750

Travel and per diem of two top candidates  
for position of project manager. 2,500

OVERHEAD

30% of salaries 3,750

SUBTOTAL 23,600

LIFE OF PROJECT COSTS

DIRECT COSTS

4 person-days per month at \$125 of Executive  
Director or Regional Coordinator 6,000

Secretarial/Controller time 1,500

Materials, support publications,  
miscellaneous 1,000

Training materials (in kind) 1,000

INDIRECT COSTS

Overhead at 30% of salaries of project  
personnel. 11,198

SUBTOTAL 20,698

TOTAL US\$ 44,298

GOG

TECHNICAL ASSISTANCE COSTS

(Technical and support personnel time, supplies,  
office space, transportation, etc.)

INFOM	35,000	
OTHER INSTITUTIONS AND LOCAL GROUPS (1)	<u>16,000</u>	
	TOTAL	<u>US\$ 51,000</u>

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(1) May include Ministry of Agriculture, National Planning Council, National Reconstruction Committee, National Bureau of Census and Statistics, Municipalities, Local Cooperatives, Federations, and organized groups.

ILLUSTRATIVE BUDGET

Second Phase

(18 months)

Second Phase - to be financed under anticipated future increment of AID's contribution.

AID

PERSONNEL	2nd. yr.	<u>18 months</u> 1/2 yr.	TOTAL
1 project manager - 18 person-months + 10% increase/yr.	19,800	10,890	30,690
1 project assistant 18 person-months + 10% increase/yr.	9,240	5,082	14,322
2 field promoters - 36 person-months at \$275/mo.	6,600	3,300	9,900
1 secretary - 18 person-months at \$400/mo.	4,800	2,400	7,200
10% fringes for resident advisor	1,980	1,089	3,069
30% fringes for local personnel	6,192	3,234	9,426
Miscellaneous, 5% salaries	<u>2,022</u>	<u>1,083</u>	<u>3,105</u>
SUBTOTAL	50,634	27,078	77,712

SHORT-TERM TECHNICAL ASSISTANCE

INTERNATIONAL

1 expert in evaluation - 30 days at \$110/day	2,200	1,100	3,300
1 expert in small enterprises 30 days at \$110/day	2,200	1,100	3,300

NATIONAL

Various local experts in marketing, production, etc. 13 person-months at \$850/mo.	<u>7,650</u>	<u>3,400</u>	<u>11,050</u>
SUBTOTAL	12,050	5,600	17,650

**TRAVEL**

Relocation of resident advisor		4,000	4,000
Travel of 2 short-term experts	1,000	1,000	2,000
Local transportation	2,000	1,000	3,000
Per diem two short-term experts 8 days at \$35/day	1,400	1,400	2,800
Local Per diem of resident advisor and local personnel, 500 days at \$10/day.	<u>3,500</u>	<u>1,500</u>	<u>5,000</u>
SUBTOTAL	7,900	8,900	16,800

**TRAINING**

Preparation of manuals, course materials, publications, etc.	<u>6,000</u>	<u>3,000</u>	<u>9,000</u>
SUBTOTAL	6,000	3,000	9,000

**ADMINISTRATION**

Rent and purchase of office equip- ment.	1,000	500	1,500
Office supplies	2,000	1,005	3,105
Communications	2,000	1,000	3,000
Accounting services	1,200	600	1,800
Miscellaneous 10%	620	310	930
Direct administrative costs of AITEC 15% of resident advisor salary	<u>2,970</u>	<u>1,633</u>	<u>4,603</u>
SUBTOTAL	9,790	5,048	14,838

TOTAL US\$ 136,000

## 2 - AITEC

## COSTS OF PROJECT

## DIRECT COSTS

4 person-days per month at \$125/day  
of Executive Director or Regional  
Coordinator

6,000	3,000	9,000
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Secretary/Auditor

1,500	750	2,250
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Materials, publications, miscel-  
laneous.

1,000	500	1,500
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## INDIRECT COSTS

Administrative costs 30% of salaries  
of project personnel.

<u>12,132</u>	<u>6,502</u>	<u>18,634</u>
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SUBTOTAL	21,632	11,252	32,884
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## 3- GOG

## COSTS OF TECHNICAL ASSISTANCE

(Personnel time, materials, office  
space, travel, etc.)

INFOM	25,000	12,500	37,500
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Other Institutions and local  
groups (1)

<u>10,000</u>	<u>4,000</u>	<u>14,000</u>
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SUBTOTAL	35,000	16,500	51,500
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## DIRECT PROJECT COSTS

INFOM	60,000	20,000	80,000
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Other Institutions (1)	20,000	10,000	30,000
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Local groups and municipalities	<u>20,000</u>	<u>10,000</u>	<u>30,000</u>
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SUBTOTAL	100,000	40,000	140,000
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TOTAL

US\$ 191,500

(1) May include Ministry of Agriculture, National Planning Council, National Reconstruction Committee, National Bureau of Census and Statistics, Municipalities Local Cooperatives, Federations, and organized groups.

ATTACHMENT "B"

Standard Provisions  
10-15-74

A. Allowable Costs and Payment

The Grantee shall be reimbursed for costs incurred in carrying out the purposes of this Grant which are determined by the Grant Officer to be allowable in accordance with the terms of this Grant. Payment of allowable costs shall be in accordance with Attachment "C" of this Grant.

B. Accounting, Records and Audit

The Grantee shall maintain books, records, documents, and other evidence in accordance with the Grantee's usual accounting procedures to sufficiently substantiate charges to the Grant. The Grantee shall preserve and make available such records for examination and audit by AID and the Comptroller General of the United States, or their authorized representatives (1) until the expiration of three years from the date of termination of the program and (2) for such longer period, if any, as is required to complete an audit and to resolve all questions concerning expenditures unless written approval has been obtained from the AID Grant Officer to dispose of the records. AID follows generally accepted auditing practices in determining that there is proper accounting and use of grant funds. The Grantee agrees to include the requirements of this clause in any subordinate agreement hereunder.

C. Refunds

1. If use of the Grant funds results in accrual of interest to the Grantee or to any other persons to whom Grantee makes such funds available in carrying out the purposes of this Grant, Grantee shall refund to AID an amount equivalent to the amount of interest accrued.
2. Funds obligated hereunder but not disbursed to the Grantee at the time the Grant expires or is terminated, shall revert to AID, except for funds encumbered by the Grantee by a legally binding transaction applicable to this Grant. Any funds disbursed to but not expended by the Grantee at the time of expiration or termination of the Grant shall be refunded to AID.

3. If, at any time during the life of the Grant, it is determined by AID that funds provided under the Grant have been expended for purposes not in accordance with the terms of the Grant, the Grantee shall refund such amounts to AID.

D. Equal Opportunity Employment

With regard to the employment of persons in the U.S. under this Grant, Grantee agrees to take all reasonable steps to ensure equality of opportunity in its employment practices without regard to race, religion, sex, color or national origin of such persons and that, in accordance with Title VI of the Civil Rights Act of 1964, when work funded by this Grant is performed in the U.S. no person shall, on the grounds of race, religion, sex, color or national origin, be excluded from participation, be denied benefits, or be subjected to discrimination. In addition, the Grantee agrees to comply in accordance with its written assurance of compliance, with the provisions of Part 209 of Chapter II, Title 22 of the Code of Federal Regulations, entitled "Non-Discrimination in Federally Assisted Programs of the Agency for International Development - Effectuation of Title VI of the Civil Rights Act of 1964."

E. Termination

This Grant may be terminated at any time, in whole or in part, by the Grant Officer upon written notice to the Grantee, whenever for any reason he shall determine that such termination is in the best interest of the Government. Upon receipt of and in accordance with such notice, the Grantee shall forthwith take immediate action to minimize all expenditures and obligations financed by this Grant, and shall cancel such unliquidated obligations whenever possible. Except as provided below, no further reimbursement shall be made after the effective date of termination, and the Grantee shall within thirty (30) calendar days after the effective date of such termination repay to the Grantor all unexpended portions of funds theretofore paid by the Grantor to the Grantee which are not otherwise obligated by a legally binding transaction applicable to this Grant.

Should the funds paid by the Grantor to the Grantee prior to the effective date of this termination of this Grant, be in-

sufficient to cover the Grantee's obligations pursuant to the aforementioned legally binding transaction, the Grantee may submit to the Grantor within ninety (90) calendar days after the effective date of such termination a written claim covering such obligations, and, subject to the limitations contained in this Grant, the Grant Officer shall determine the amount or amounts to be paid by the Grantor to the Grantee under such claim.

F. Officials Not to Benefit

No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this Grant or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this Grant if made with a corporation for its general benefit.

G. Covenant Against Contingent Fee

The Grantee warrants that no person or selling agency has been employed or retained to solicit or secure this Grant upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee except bona fide employees or bona fide established commercial or selling agencies maintained by the Grantee for the purpose of securing business. For breach or violation of this warranty, AID shall have the right to cancel this Grant without liability or, in its discretion, to deduct from the Grant amount, or otherwise recover, the full amount of each commission, percentage, brokerage, or contingent fee.

H. Nonliability

AID does not assume liability with respect to any claims for damages arising out of work supported by its grants.

I. Amendment

The Grant Agreement may be amended by formal modifications to the basic grant document or by means of an exchange of letters between the AID Grant Officer and an appropriate official of the Grantee.

J. Grant Agreement

The letter to the Grantee signed by the Grant Officer, the Program Description and the Standard Provisions which have been reviewed and agreed to by the Grantee, constitute the Grantee Agreement.

K. Notices

Any notice given by any of the parties hereunder, shall be sufficient only if in writing and delivered in person or sent by telegraph, cable, registered or regular mail as follows:

To the cognizant AID Grant Officer.

To Grantee - At Grantee's address shown in this Grant, or to such other address as either or such parties shall designate by notice given as herein required. Notices hereunder, shall be effective when delivered in accordance with this clause or on the effective date of the notice, whichever is later.

Grant Officer Address:

Mr. Frederick W. Schieck  
Director  
USAID/Guatemala  
c/o American Embassy  
Ave. La Reforma 7-01, Zona 10  
Guatemala City, Guatemala C.A.

Grantee Address:

Acción International Técnica  
(AITEC)  
Calle 2, Avenida 7  
San José, Costa Rica

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Director  
USAID/Guatemala  
c/o American Embassy  
Ave. La Reforma 7-01, Zona 10  
Guatemala City, Guatemala C.A.

Grantee Address:

Acción International Técnica  
(AITEC)  
Calle 2, Avenida 7  
San José, Costa Rica

L. Regulations Governing Employees Outside the United States

1. The Grantee's employees, when employed in work overseas, shall maintain private status and may not rely on local U.S. Government Offices or facilities for support while so engaged.
2. The sale of personal property or automobiles by Grantee employees and their dependents in the foreign country to which they are assigned shall be subject to the same limitations and prohibitions which apply to direct-hire AID personnel employed by the Mission, except as this may conflict with host government regulations.
3. Other than work to be performed under this Grant for which an employee or consultant is assigned by the Grantee, no regular or short term employee or consultant of the Grantee shall engage, directly or indirectly, either in his own name or in the name or through an agency of another person, in any business, profession, or occupation in the foreign countries to which he is assigned, nor shall he make loans or investments to or in any business, profession or occupation in the foreign countries to which he is assigned.
4. On the written request of the Grant Officer or of a cognizant Mission Director, the Grantee will terminate the assignment of any individual to any work under the Grant and, as requested, will use its efforts to cause the return to the United States of the individual from overseas or his departure from a foreign country or a particular foreign locale.
5. Allowances for employees assigned overseas shall be reimbursed in accordance with the Federal Travel Regulations (FTR).

M. Ineligible Countries

Unless otherwise approved by the Grant Officer, no grant funds will be expended in countries ineligible for assistance under the Foreign Assistance Act of 1961, as amended, or under acts appropriating funds for foreign assistance.

N. Publications

1. If it is the Grantee's intention to identify AID's contribution to any publication resulting from this Grant, the Grantee shall consult with AID on the nature of the acknowledgement prior to publication.
2. The Grantee shall provide the Project Manager with one copy of all published works developed under the Grant. The Grantee shall provide the Project Manager with lists of other written work produced under the Grant.
3. In the event grant funds are used to underwrite the cost of publishing, in lieu of the publisher assuming this cost as is the normal practice, any profits or royalties up to the amount of such cost shall be credited to the Grant.
4. The Grantee is permitted to secure copyright to any publication produced or composed under the Grant. Provided, the Grantee agrees to and does hereby grant to the Government a royalty-free, non-exclusive and irrevocable license throughout the world to use, duplicate, disclose, or dispose of such publications in any manner and for any purpose and to permit others to do so.

O. Patents

1. Grantee agrees to notify the Grant Officer, in writing, of any invention or discovery conceived or first actually reduced to practice in the course of or under this Grant. The Grant Officer will determine the patent rights to be afforded the Grantee in accordance with the Presidential Memorandum and Statement of Government Patent Policy 36 FR 16887.
2. Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

P. Procurement of Equipment, Vehicles, Supplies, Materials and Services

1. Procurement under this Grant is authorized from AID Geographic Code 935 countries. Grantee shall adhere to the following order of preference:

- a. Local Procurement (defined as Central America region)
  - b. U.S.
  - c. Other
2. All international air shipments made by the Grantee, to be financed hereunder, shall be made on U.S. flag carriers unless shipment would, in the judgment of the Grantee, be delayed an unreasonable time awaiting a U.S. carrier, either at the point of origin or transshipment, provided that the Grantee certifies to the facts in the documents retained as part of his Grant records for post audit by AID. All international ocean shipment made by the Grantee to be financed hereunder, shall be made on U.S. flag vessels. Where U.S. flag vessels are not available, or their use would result in a significant delay, the Grantee may obtain a release from this requirement from the Transportation Support Division, Office of Commodity Management, AID, Washington, D.C. 20523, as appropriate, giving the basis for the request.
  3. The Grantee shall obtain competition to the maximum extent possible for any procurement to be financed hereunder. Procurement by the Grantee without consideration of more than one source must be approved by the Grant Officer. In no event will any procurement be on a cost-plus-a-percentage of cost basis. The Grantee shall take all reasonable steps necessary to insure that subgrantees obtain competition to the maximum extent possible.
  4. Funds provided under this Grant shall not be used to procure any commodity or commodity-related services furnished by any supplier whose name appears on the List of Ineligible Suppliers under AID Regulation 8, "Suppliers of Commodities and Commodity-Related Services Ineligible for AID Financing," Grantee agrees to review said list prior to undertaking any procurement the cost of which is to be attributed to this Grant. AID will provide Grantee with this list.

Q. Title to and Use of Property

Title to all property financed under this Grant shall vest in the Grantee, subject to the following conditions:

1. The Grantee shall not, under any Government contract or subcontract thereunder, or any Government grant, charge for any depreciation, amortization, or use of any property title to which remains in the Grantee under this clause.
2. The Grantee agrees to use and maintain the property for the purpose of the grant.
3. With respect to items having an acquisition cost of \$1,000 or more, title to which vests in the Grantee, the Grantee agrees:
  - a. To report such items to the Grant Officer from time to time as they are acquired and to maintain a control system which will permit their ready identification and location.
  - b. To transfer title to any such items to the Government in accordance with any written request therefore issued by the Grant Officer at any time prior to final payment under the Grant.

Government Furnished Excess Personal Property

When Government furnished excess personal property is provided under a Grant, the appropriate provisions of the Federal Property Management Regulations, Part 101-43, shall be included.

R. Salaries

All salaries, wages, fees, and stipends reimbursed under this Grant shall be in accordance with the Grantee's policy and practice as reviewed and approved by the Grant Officer. In the absence of an approved policy the Grantee shall follow the regulations contained in Section 7-15.205-6 of the Agency for International Development Procurement Regulations.

**ATTACHMENT "B"**  
**Standard Provisions**  
**Page 9**

- S. Grantee will be responsible for providing workmen's compensation insurance coverage to provide benefits in event of injury or death to employees working on the project. Such coverage shall comply with the laws of Guatemala.
  
- T. Grantee shall provide liability insurance for injury or death to persons and for damage to property by reason of the negligence of AITEC or other persons or entities in connection with activities performed on the project.

PAYMENT PROVISIONSA. Periodic Grant Disbursement

Each month, or at less frequent intervals as agreed upon in advance, Grantee will submit to the AID Controller, Voucher Form SF 1034 (original) and SF 1034-A, three copies, each voucher identified by the appropriate grant number, in the amount of expenditures for the previous month. The voucher shall be supported by an original and two copies of a report rendered as follows:

Amount of Grant	\$xxx
Expended this period	\$xxx
Expended to date (By Line Item)	\$xxx
1.	\$xxx
2.	\$xxx
3.	\$xxx

The report shall include a certification as follows:

"The undersigned hereby certifies: that the above represents funds expended during the period described in accordance with the Grant Agreement".

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_ DATE: \_\_\_\_\_

The vouchers will be supported by receipts for all expenditures.

- B. In order to provide the information described above, the Grantee's system of accounts should be adequate to enable a breakout of specific data applicable to AID funds as well as other sources of financing.