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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

EL SALVADOR

PROJECT PAPER

TRANSPORTATION RESTORATION

LAC/DR:80-17

Project Number:519-0266

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<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>		<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete Amendment Number _____	<b>DOCUMENT CODE</b> 3
<b>2. COUNTRY/ENTITY</b> El Salvador		<b>3. PROJECT NUMBER</b> 519-0266	
<b>4. BUREAU/OFFICE</b> Latin America and the Caribbean		<b>5. PROJECT TITLE (maximum 40 characters)</b> Transportation Restoration	
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 09 30 81		<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 810 B. Quarter 4 C. Final FY 810	

<b>8. COSTS (\$000 OR EQUIVALENT \$1 = )</b> FIRST FY 80							
<b>A. FUNDING SOURCE</b>		<b>B. FX</b>	<b>C. L/C</b>	<b>D. Total</b>	<b>E. FX</b>	<b>LIFE OF PROJECT</b> <b>F. L/C</b>	<b>G. Total</b>
AID Appropriated Total							
(Grant) ESF		( 1,500 )	( )	( 1,500 )	( 1,500 )	( )	( 1,500 )
(Loan)		( )	( )	( )	( )	( )	( )
Other U.S.	1. 2.						
Host Country				500		500	500
Other Donor(s)							
<b>TOTALS</b>		1,500		2,000		500	2,000

<b>9. SCHEDULE OF AID FUNDING (\$000)</b>									
<b>A. APPROPRIATION</b>	<b>B. PRIMARY PURPOSE CODE</b>	<b>C. PRIMARY TECH. CODE</b>		<b>D. OBLIGATIONS TO DATE</b>		<b>E. AMOUNT APPROVED THIS ACTION</b>		<b>F. LIFE OF PROJECT</b>	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	ESF 901	821	-	-	-	1,500	-	1,500	-
(2)									
(3)									
(4)									
<b>TOTALS</b>									

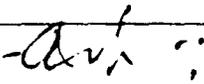
<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 840 930				<b>11. SECONDARY PURPOSE CODE</b> 720	
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b>					
A. Code		BU		COOP	
B. Amount		1,500		750	

**13. PROJECT PURPOSE (maximum 480 characters)**

To restore the capability of the public transportation system to provide adequate transport service to the Salvadoran people.

<b>14. SCHEDULED EVALUATIONS</b>				<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b>				
Interim	MM YY	MM YY	Final	MM YY	<input checked="" type="checkbox"/> 000	<input checked="" type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input checked="" type="checkbox"/> Other (Specify) CACM
				09 81				

**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)**

<b>17. APPROVED BY</b>	Signature 	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b>
	Title Daniel Chaij Acting Mission Director	
		MM DD YY 09 21 81

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- C. Draft Authorization
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## I. SUMMARY AND RECOMMENDATIONS

### A. Recommendation

USAID/EL Salvador recommends authorization of a \$1.5 million Economic Support Fund grant for a Transportation Restoration Program.

### B. Grantee

The Grantee will be the Government of El Salvador (GOES). The GOES implementing agency for the program will be the Directorate of Transportation which is in the Ministry of Economy. The ultimate beneficiaries will be individuals who own buses, privately owned bus firms, and cooperatives.

### C. Project Objectives and Summary of Assistance

On October 15, 1979 a new reform-minded coalition government took control in El Salvador. Although there have been changes in the five-member civilian-military Junta and the Cabinet, the Government remains progressive and is continuing to promote substantial political and economic reforms. It nonetheless continues to face considerable opposition. For example, since mid-1980 terrorist groups have been attacking various public utilities in an effort to dislodge the Junta. The public transportation (bus) system has suffered major damage as a result of these attacks.

The specific objectives of this \$1.5 million grant are the following:

- (1) to provide tangible evidence of the U.S. commitment in support of peaceful socioeconomic reform in El Salvador; and
- (2) to provide a portion of the financial resources necessary to rebuild the public transportation system.

The AID grant will be used to finance the importation from the United States of approximately 80-85 used buses which have been repowered with diesel engines and partially reconditioned to meet local requirements. The buses will be imported by the GOES and transferred to private owners who have recently lost buses due to terrorist activities.

### D. Conditions and Covenants

The Grant Agreement will specify the following two Conditions Precedent to initial disbursement:

1. The GOES will furnish a statement of the name or names of the person(s) holding or acting in the office of the Grantee along with a specimen signature of each person; and

2. The GOES will furnish a plan for transferring ownership of the buses from the Government to the individual, corporate or cooperative owners which takes into account a means to ensure the equitable distribution of the buses.

#### E. Waivers

In order to respond as quickly as possible to the urgent need for replacement buses in El Salvador, the following two waivers of normal A.I.D procurement regulations are requested: (1) a waiver of the special conditions applicable to the procurement of used equipment (Handbook 1, Supplement B, Chapter 4, Section C6d and Handbook 15, Section IIE of Appendix B) and (2) a waiver of competitive procurement procedures for direct A.I.D. contracts (AIDPR 7-3.1).

1. Used Equipment Waiver: Handbook 1, Supplement B, Chapter 4, Section 6 states that it is A.I.D. policy generally to finance only unused equipment, but that, under proper safeguards, the procurement of used equipment can provide certain advantages such as lower cost and quicker delivery as compared to new equipment. These safeguards or special conditions are stipulated in HB 15, Appendix B, Parts IIE, IIF, and III -- i.e., that when the procurement of used equipment is authorized, A.I.D. normally requires that the rebuilt or reconditioned equipment meet pre-set standards and that financing be conditioned upon an inspection certified by A.I.D. HB1, Sup B., Ch 4, Section 6d2 states that these special conditions can be waived following consultation with and the concurrence of SER/COM. The LAC Bureau on the Mission's behalf has discussed the need for this waiver with SER/COM, which concurs that the lower cost associated with the procurement of used, repowered buses for El Salvador is justified. In addition, it was determined that used buses will be less visible and provocative and consequently less vulnerable to new terrorist attack. Given the decision that used buses should be procured, the Bureau and SER/COM then discussed the degree to which special conditions outlined in HB 15 were appropriate in this emergency situation. It was decided that the special conditions should be waived, although efforts will be made to ensure that buses purchased are of adequate quality. A procurement team will select vehicles to be repowered and partially altered (rear doors added and body painted) to meet certain minimum standards. Additional standards, which may include reinforcing the suspension systems, will be specified in the contract and final inspections will be done. Although it is unlikely that all special conditions in HB 15 relating to rebuilt and reconditioned equipment will be met, we are nonetheless confident that, with the installation of warranted engines, adequate protections are being built into the project. Therefore, given the need to act quickly in procuring the used vehicles, we recommend that A.I.D.'s special conditions applicable to the procurement of used equipment be waived.

2. Competitive Procurement Waiver: AIDPR 7-3.101-50 states that non-competitive negotiation is permissible under certain circumstances, including those in which the Assistant Administrator responsible for the project makes a formal written determination with supporting findings,

that procurement from any other source would impair foreign assistance objectives, and would be inconsistent with fulfillment of the foreign assistance program. The AID Procurement Regulations also stipulate that as many sources as practical should be considered and that informal solicitations should be made to the maximum extent possible.

These findings upon which the required determination can be based follow. The \$1.5 million of ESF was reprogrammed for use in El Salvador on the basis of an urgent political and economic need. Rapid replacement of buses burned by terrorists during recent weeks could play an important role in strengthening the Junta's efforts to reestablish stability and gain popular support. The key is AIC's ability to respond quickly. Recognizing this need for speed, the \$1.5 million of ESF was made available for immediate use in El Salvador. We now want to ensure that the procurement and delivery of vehicles is equally rapid. Efforts to achieve this objective have already begun. Immediately after the Mission's initial inquiry relating to the procurement of buses, SER/COM informally contacted a number of potential suppliers. Only two companies, both located in Florida, are capable of supplying on a timely basis the kind of vehicles needed to respond to the emergency situation in El Salvador. Any further efforts to identify additional potential suppliers or to open the process to competitive bidding would result in unacceptable delays to the project and would impair the objectives of the foreign assistance program in El Salvador. Therefore, it is requested that a determination be made which specifies procurement from any other source would impair foreign assistance objectives, and would be inconsistent with fulfillment of the foreign assistance program.

<u>F. Financial Plan</u>	(\$000)		
	AID	GOES	Total
Bus Procurement	1,341		1,341
Transportation	153		153
Final Inspection	6		6
Support Costs		500	500
Total	1,500	500	2,000

## II. BACKGROUND AND PROBLEMS TO BE ADDRESSED

### A. Overview

On October 15, 1979 a new coalition government took control in El Salvador. This government is headed by a five member Junta. Its basic thrust is progressive, and it is proposing substantial political, social, and economic reforms. The Junta's major long term aims are to increase national production, employment, and income within a more equitable policy framework; provide basic goods and services to the entire population; and more equitably distribute developmental resources and socio-economic

opportunities. In the short-term, it is focussing on the immediate ways in which (1) economic activity can be reactivated and employment stimulated, (2) the basic food and health needs of the poor can be met, and (3) agrarian and other reforms can be implemented.

The new government has started to put its programs into effect. For example, in order to ensure that export earnings return to the country, the export of cotton, sugar, coffee, and sea products has been nationalized; in order to ensure the broader availability of commercial credit, the banking system has been nationalized; and in order to improve the distribution of land, the government has entered into a comprehensive agrarian reform program. In addition, the Junta revised the previous government's 1980 Budget and shifted expenditures away from capital-intensive infrastructure investment toward activities which will more directly benefit the poor, and raised minimum wages for a variety of un- and semi-skilled jobs.

Although the government is committed to these fundamental reforms and to the creation of a more equitable society, it faces a number of major obstacles: it must reactivate the economy and provide new jobs quickly at the same time that it comes to grips with growing foreign and domestic resource constraints.

In support of GOES efforts AID began in December of 1979 to negotiate an expanded \$50 million FY 80 Economic Assistance Program with the Government of El Salvador. This expanded program has been designed to respond to some of the country's urgent requirements -- initiation of reforms, revitalization of the economy, generation of employment, and provision of basic infrastructure and services to the poor. Major elements include a Marginal Community Improvement Project, a Small Producer Development Project, a Public Sector Employment Project, P.L.-480 Title I and Title II programs, and three agrarian reform projects.

#### B. Problem to be Addressed

The GOES appears to be gaining popular support. But in spite of this the long-term viability of this government is still fragile. There is still pressure from both the left and the right, as reflected by frequent demonstrations and marches and sporadic violence. As a result of the increasing support for the Junta, terrorists have turned to increasingly irrational acts of violence. Recently they have concentrated their efforts on destroying the capital equipment of various basic public services. Their goal is to completely disrupt the provision of such services and to prevent the GOES from carrying out its reform programs. The transportation sector has been hard hit, particularly the privately owned bus services which have become terrorist targets. The vast majority of these attacks have occurred in major metropolitan areas where the number of riders are located. Over 200 buses have been destroyed to date (See Table 1). This represents a 25% reduction in public bus service in the country's metropolitan areas which, prior to the terrorist attacks, had less than 1070 buses to serve a citizenry virtually dependent on public transportation for its economic well being. (Approximately 1.6 million

passengers ride buses daily in El Salvador and over 1 million of them are located in San Salvador.)

Table 1

Numbers of Buses Destroyed or Damaged As of Sept. 4, 1980

Buses Totally Burned	42
Buses Partially Burned	66
Buses Destroyed by Other Terrorist Acts	<u>100</u>
Total	208

The attacks on public transportation have adversely affected the government's reform programs in two ways. First, they have forced the GOES to divert some of its limited resources from the reform programs to repair or replace damaged equipment. Second, a reduction in the level of services provided has reduced the effectiveness of its economic and social programs. Efforts to get the economy moving and people employed are negated because firms are reluctant to reopen their factories and employees cannot get to work. The effectiveness of vital social service programs in such areas as health and nutrition which are intended to demonstrate the Junta's concern for the masses is reduced because people cannot easily go to distribution points where the services are provided. It should be noted that the people hardest hit by this action are the poor who have no other means of transportation open to them.

The public transportation system is owned and operated by the private sector. Buses are owned by individuals (usually owner/drivers), cooperatives, and firms. (See Table 2 for breakdown.) The owners are doing what they can to repair and replace damaged buses, but their resources are meager and they can hope to repair only a small portion of the damaged vehicles. Their efforts are further hampered by (a) the shortage of credit in the country which has reduced their ability to purchase replacement parts; and (b) the overloading of undamaged buses which accelerates their need for repair.

Table 2

Bus Owners in El Salvador Metropolitan Areas

<u>Owner Type</u>	<u>Number</u>	<u>Buses Owned</u>
Individuals	328	364
Cooperatives	9	399
Firms	10	<u>314</u>

Total No. of Buses Authorized 1,077\*

\*Somewhat less than this amount were actually in operation when the transport system first came under attack.

In an effort to assist the bus owners, the GOES has offered to cover losses incurred on or after August 13, 1980. However, without external assistance, it will be impossible for the Government to provide this kind of support. Its very poor financial condition and the demands placed on it by the agrarian reform effort prohibit such an expenditure. (For descriptions of the Government's financial condition, see such documents as the El Salvador Accelerated Impact Statement, Program Review on El Salvador, and the Agrarian Reform-Organization Project Paper.) This has led the GOES to request U.S. Assistance in obtaining replacement buses.

C. Relationship to A.I.D.'s Accelerated Assistance Program

If the present reform minded Junta is to survive, the country's economic deterioration must be reversed and the Junta's concern for the masses must be clearly demonstrated. To this end A.I.D. is carrying out a program that is intended: (a) to reactivate the economy through direct assistance to the private sector by providing needed foreign exchange for the purchase of imported commodities, as well as through employment generation activities in both the public and private sectors; (b) to help the Junta demonstrate interest in improving the welfare of the poor. A.I.D.'s expanded program will provide special support to the private sector, as it helps entrepreneurs to reopen factories or expand the production of those still in operation. Temporary employment for workers is also being provided through the Public Sector Employment and Managerial Community Improvement projects until the private sector can get moving again. In addition, A.I.D. is assisting the Junta in its efforts to improve the lot of the poor by providing resources to carry out the agrarian reform and by funding health and nutrition activities.

The proposed Transportation Restoration Project will complement these other A.I.L. activities in the following ways:

- (1) It will provide additional direct assistance to the private sector;

- (2) It will demonstrate the U.S. Government's commitment to the Junta and serve as a signal to the private sector of the USG's interest in that sector and thus encourage businessmen to begin investing again;
- (3) As a result of improved transportation, more workers will be able to participate in the employment generation activities and larger labor pools will be available to factories; and
- (4) With improved transportation, greater numbers of the poor will be able to obtain the increased services offered at health facilities and food distribution points.

### III. PROJECT DESCRIPTION

#### A. Goal and Purpose

The long-term goal of this project and of the A.I.D. Accelerated Impact Program is to improve the socio-economic well-being of El Salvador's poor majority. It is intended that this will be achieved by supporting the Government of El Salvador's efforts to carry out economic and social reform, implement social programs and reactivate the economy. However, as noted previously, GOES efforts are being hampered by attacks on the public transportation system and other basic public services. This disruption of the transportation system has been a particularly heavy blow to GOES efforts to reactivate the economy. Not only has it prevented employees from getting to work, but more importantly it has served as a sign to the private sector that the Government is unable to control the situation. This has led to further capital flight, reduced investment and further deterioration of the economy. Further, it has encouraged extreme elements on either side of the political spectrum to attempt greater attacks on the Government. Finally, it has reduced the effectiveness of GOES programs in health and nutrition, and employment generation by restricting the travel of intended beneficiaries.

The primary purpose of this project is to assist the Government to restore the capability of the transportation system to provide adequate transport service to the Salvadoran people. The project will finance buses to replace those damaged or destroyed in the recent civil disorders.

#### B. Detailed Description

Eighty to eighty-five used school-type buses will be provided under the project to the GOES which will in turn distribute them to those bus owners that have suffered losses. Prior to procurement of the buses, the GOES will submit for A.I.D. approval a plan for transferring ownership of the buses and for ensuring that ownership will be equitably distributed.

The total cost of the project is \$2,000,000. A.I.D. will provide \$1,500,000 to purchase used buses, repower them with diesel motors, and ship them to El Salvador. The GOES will contribute \$500,000 (25% of total project cost) to cover compensation for bus owners and salaries of GOES employees managing the project.

The buses will be purchased by A.I.D. in the name of the GOES through a direct A.I.D. contract. Because of high gasoline prices (\$2.00/gallon), the GOES has requested that all buses be powered with diesel motors. Therefore, those buses with gasoline motors will be converted to diesel. In addition, all buses will have rear curbside doors added to permit easier entry and exit. Minimum standards which all buses must meet will be established in the contract with the supplier to ensure that the buses are in good overall condition mechanically, that their bodies are not rusted, and that their interiors are not excessively damaged.

If local currency is generated as a result of the GOES transferring the buses to the private sector, it would be recycled into the private transportation system. The currency would be deposited in a special fund established in the Central Bank which would finance such activities as the construction of central bus terminals and repair/maintenance facilities, the purchase of additional buses and spare parts, or the establishment of training programs for bus drivers. The training programs would cover such subjects as bus maintenance and repairs, cooperative organization, and financial management.

The project will directly benefit bus owners and those who work on the buses. In addition, the project will benefit approximately 38,000 families by providing them with reliable transportation to jobs and improved access to vital social services.

#### IV. PROJECT ANALYSIS

##### A. New vs. Used Buses

Early in the project development process the question of procuring new or used buses was considered and SER/COM was requested to assist in analyzing the two alternatives. The analysis demonstrated three reasons for procuring new buses: (a) new buses could be obtained that exactly or closely meet desired specifications such as seating capacity and type of motor; (b) new buses are guaranteed by the manufacturer against mechanical breakdown; and (c) new buses are likely to encounter fewer early major breakdowns. However, the SER/COM analysts also found that there is a large readily available supply of used buses in the United States from which could be found a sufficient number that satisfactorily met desired specifications except for motor type. For example, one dealer consulted by SER/COM stated that he has on hand or has access to over 325 used buses. The major difficulty would be to find diesel powered buses -- until the last 3-4 years, almost all school buses manufactured in the United States had gasoline motors. For example, only 25 of the 325 buses referred to above were diesel powered. In addition, SER/COM

found that the minimum time required to begin delivery of new buses was 6 weeks from receipt of the order but that it would take only half this time to convert a bus to diesel and add a rear curbside door.

In view of the above findings and in view of the current political situation in El Salvador and the need to respond to a crucial transportation problem as rapidly as possible, it was concluded that the Mission should request a waiver for procurement of used buses based on a political justification. In addition, it was concluded that, in order to simplify and thus speed-up procurement and to ensure that the motor, the most crucial mechanical component of a bus, is in good condition, only buses repowered with diesel motors should be purchased. Three other factors also contributed to the decision to purchase used buses. First, project resources are very limited relative to need and the lower per unit cost used buses (\$17,000 vs \$32,000 for new buses) will permit a larger portion of this need to be filled. Secondly, used buses are preferable in view of the current civil disturbances because they would be less visible and provocative than new ones and consequently less vulnerable to new terrorist attacks. Thirdly, a one year guarantee will be provided with each diesel motor, thereby reducing the probability of early breakdowns.

The following steps will be taken to further ensure that the used buses will be acceptable. The supplier's shop facilities will be inspected by A.I.D. equipment experts to determine that sufficient capacity exists to perform the required work. The contract with the supplier will detail minimum standards that each bus must meet. The contract will require that each bus pass the Florida State School Bus Inspection. Finally, A.I.D. will contract with an independent equipment expert who will perform a final inspection on each bus prior to acceptance at port.

#### B. Motor Conversions

Because of the different operating characteristics of diesel and gasoline motors, SER/COM examined the feasibility of replacing gasoline motors with diesel. It was determined that such replacement can be accomplished with a minimum of difficulty, and that neither transmissions nor differentials would have to be replaced or would require major modifications because of the exchange. Also, it was found that only minor modifications to support the diesel motors would have to be made to the frames of most bus models and, in the case of certain Ford-built chassis, no modifications would be necessary.

#### C. Maintenance Capacity

Because of the emergency nature of this program and the need for a rapid A.I.D. response, a thorough analysis of the maintenance capabilities of the bus owners is impossible. However, the Mission has determined that maintenance will not be a problem. Buses will be distributed only to owners who have suffered losses, and the vast majority of these owners have had several years of experience operating buses. Because of their experience they

understand why and how buses should be maintained. There are several garages and repair shops that are capable of providing maintenance services. The larger transport cooperatives and private firms have their own maintenance facilities. In addition, there are several bus dealers in El Salvador, as well as independent garages, with adequate repair facilities which serve the smaller owners. It should be noted that the procurement contract will require the supplier of the diesel motors to have a factory authorized representative in El Salvador who has adequate repair facilities and who will honor the supplier's one year guarantee.

#### D. Institutional Analysis - Directorate of Transportation

The Directorate of Transportation located within the Ministry of Economy has been designated as the GOES implementing agency for this project. The Directorate has been in operation for twenty years and has the necessary experience and personnel to carry out the project. It has a staff of 85, eleven of whom are professionals in such fields as engineering, economics, and marketing. The remaining employees are field technicians and administrative support personnel. However, because of overall strains on the GOES, the project has been designed to require a minimum of input from the Directorate. A.I.D. will carry out the actual procurement action and arrange for shipping to Guatemala. The Directorate will be required to arrange for shipping from Guatemala and to develop and implement a plan for distributing the buses to bus owners. Because shipment of the buses will be phased -- 10 to 15 buses every two weeks -- the Directorate will be able to carry out the distribution in a slow, orderly manner; once the buses are distributed, the project will be essentially complete and implementation responsibilities will end.

Should local currency be generated under the project, it would be placed in a special fund established in the Central Bank. The Directorate would have to develop and implement a plan to utilize this fund. However, since such a fund would not be very large, any activities financed by it would require a minimum amount of monitoring.

### V. PROJECT IMPLEMENTATION

#### A. Procurement Procedures

Because the GOES is severely strained by the current political conditions and reform activities, it has requested that A.I.D. carry out the bus procurement in its name. Therefore, A.I.D. will negotiate a direct contract with the bus supplier. Also, because prompt delivery of the buses is crucial to U.S. foreign policy objectives, procurement will be negotiated without formal solicitation of competitive proposals. The selection of a shipping firm will be made in the same manner, and A.I.D./W will also negotiate and sign that contract.

The contract with the bus supplier will contain minimum specifications that each bus must meet regarding body design, load capacity, motor type and condition of the mechanical components and the body in order to be acceptable to A.I.D. In addition, the buses must pass the Florida State School Bus inspection and a final inspection be performed by an independent equipment expert contracted by A.I.D. The supplier will be reimbursed for each bus as it passes the final inspection.

The buses will be shipped to Guatemala where the GOES will arrange to pick them up. It is expected that unemployed bus drivers will be hired to drive the buses to El Salvador.

The sub-contractor that supplies the diesel motors will be required to provide a one year guarantee on the motors. In addition, this contractor will be required to have a representative in El Salvador who will honor the guarantee and who has adequate facilities to repair the motors. All disbursements under the project will follow standard A.I.D. procedures.

#### B. A.I.D. Project Management and Monitoring

1. A.I.D./W, SER/CM and SER/COM will be responsible for establishing bus specifications, negotiating and signing the contract with the supplier and monitoring contractor performance. They will also contract the equipment expert who will carry out the final inspection of each bus and they will arrange for shipping.

2. USAID/El Salvador. The Associate Director for Technical Services will be responsible for overall Mission project monitoring. He will be assisted by the Engineering, Capital Development and Controller's Offices.

#### C. Evaluation

Due to the fast disbursing nature of this project, it is anticipated that no evaluation will be completed during the implementation period. However, a normal end of project evaluation will be carried out. This evaluation will primarily examine the effectiveness of project execution. It will also examine the use of local currency if such is generated by the project. In addition, a post project evaluation will be carried out 8-12 months after the project is completed. This evaluation will examine the impact of the buses on the target population. The durability of the buses will also be examined as well as the impact of any sub-projects funded by local currency.



MINISTERIO DE PLANIFICACION  
COORDINACION DEL DESARROLLO  
ECONOMICO Y SOCIAL

DIREPROY No. 140/80

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ANNEX A  
Page 1 of 1

San Salvador, 26 de Septiembre de 1980

**ASUNTO:** Solicitud formal de financiamiento para el programa Reposición de Unidades de Transporte Colectivo.

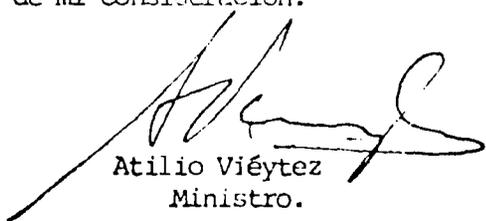
Señor Daniel E. Chaij  
Director Interino  
USAID/EL SALVADOR  
Embajada Americana  
Ciudad.

Estimado señor:

En nombre del Gobierno de El Salvador, presento a usted solicitud formal de asistencia financiera no reembolsable hasta por la suma de (UN MILLON QUINIENTOS MIL DOLARES (US\$1.500.000.-) DE LOS ESTADOS UNIDOS DE NORTEAMERICA), para el Programa denominado "Reposición de Unidades de Transporte Colectivo" cuyo objetivo será la de reponer las unidades dañadas en acciones terroristas, así como también el inicio de un programa de apoyo financiero a las empresas de transporte que les permita proporcionar un servicio más eficiente.

Mucho estimaré dar un trato preferencial a la presente solicitud, en consideración al interés del Supremo Gobierno en ejecutar este programa al más corto plazo, con objeto de superar la crisis actual del sistema de transporte colectivo.

En la seguridad de que usted atenderá esta solicitud a la brevedad posible, le anticipo mis agradecimientos y hago válida la oportunidad para reiterarle las muestras de mi consideración.



Atilio Viéytez  
Ministro.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance  
Project Criteria

N/A

a. FAA Sec. 102(b); 111; 113;  
281a. Extent to which activity will  
(a) effectively involve the poor in  
development, by extending access to  
economy at local level, increasing  
labor-intensive production and the use  
of appropriate technology, spreading  
investment out from cities to small  
towns and rural areas, and insuring  
wide participation of the poor in the  
benefits of development on a sustained  
basis, using the appropriate U.S.  
institutions; (b) help develop  
cooperatives, especially by technical  
assistance, to assist rural and urban  
poor to help themselves toward better  
life, and otherwise encourage  
democratic private and local  
governmental institutions; (c) support  
the self-help efforts of developing  
countries; (d) promote the  
participation of women in the national  
economies of developing countries and  
the improvement of women's status; and  
(e) utilize and encourage regional  
cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs - explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104 (b) or health under sec. 104 (c); if so, a. extent to which activity emphasized low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; and b. extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves.

(ii) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.)

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?

e. FAA Sec. 110(b) Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

2. Development Assistance Project  
Criteria (Loans Only)

N/A

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for  
Economic Support Funds

3.

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

a. Yes.

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

b. No.

5C(3) - STANDARD ITEM CHECKLIST

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

1. Yes, to the extent possible.

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?

2. Yes.

3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will commodities be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in the U.S.

3. Yes.

4. FAA Sec. 604(c). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?
5. FAA Sec. 603. Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.
6. FAA Sec. 608(n). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?
7. FAA Sec. 621. If technical assistance is financed, to the fullest extent practicable, will such assistance, goods and professional and other services from private enterprise, be furnished on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?
8. International Air Transport Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?
9. FY 79 App. Act, Sec. 105; Does the contract or procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

#### Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interests?

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

2. N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million?

3. N/A

C. Other Restrictions

1. FAA Sec. 122(f). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

1. N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Controller General have audit rights?

2. N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

3. Yes.

4. FAA Sec. 636(i). Is financing not permitted to be used, without waive, for purchase, sale, longterm lease, exchange or guaranty of motor vehicles manufactured outside the U.S.

4. Yes.

5. Will arrangements preclude use of financing:

5. The Project Agreement will provide for specific use of A.I.D. funds for agreed upon purposes and thus preclude allocation of such funds for the purposes covered by the legislation cited in items 5.a through 5.i.

a. FAA Sec. 104(f). To pay for performance of abortions as a method of family planning or to, motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization?

- b. FAA Sec. 620(e). To compensate owners for expropriated nationalized property?
- c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?
- d. FAA Sec. 662. For CIA activities?
- e. FY 79 App. Act Sec. 104; To pay pensions, etc., for military personnel?
- f. FY 79 App. Act Sec. 106; To pay U.R. assessments?
- g. FY 79 App. Act Sec. 107; To carry out provisions of E.A. section 209(d) (Transfer of FAA funds to multilateral organizations for lending.)
- h. FY 79 App. Act Sec. 112; To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?
- i. FY 79 App. Act Sec. 601; To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

Draft PROJECT AUTHORIZATION

Name of Country: El Salvador  
Name of Project: Transportation Restoration  
Number of Project: 519-0266

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Transportation Restoration project for El Salvador (the "Cooperating Country") involving planned obligations of not to exceed One Million Five Hundred Thousand United States Dollars (\$1,500,000) in grant funds ("Grant") over a one-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs of the project.

2. The project ("Project") will help to restore the capability of the public transportation system to provide adequate transport service by providing financing for the replacement of buses which have been damaged or destroyed and the transfer of these buses to the private sector. Used, rebuilt or reconditioned equipment is authorized to be procured hereunder.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin in the United States or in countries that are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Condition Precedent to First Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Cooperating Country shall furnish, in form and substance satisfactory to A.I.D., a plan for transferring ownership of the imported buses from the Government of El Salvador to individual, corporate or cooperative owners in the private sector. This plan shall include the terms and conditions upon which the ownership transfers will be made, and shall provide for means to ensure that the ownership of buses will be equitably distributed.

c. Waiver

The special conditions for financing used, rebuilt or reconditioned equipment (as specified in Handbook I, Supplement B, Chapter 4 and Handbook 15, Chapter 5 and Appendix B) are hereby waived. However, such special conditions should be applied to the extent possible under the circumstances of this Project.

ASSISTANT  
ADMINISTRATOR

LAC/DR-IEE-80-43

ENVIRONMENTAL THRESHOLD DECISION

Location : El Salvador  
Project Title : Transportation Restoration, 519-0266  
Funding : \$1,500,000  
Life of Project: One year

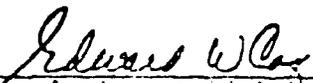
Recommendations:

Based on the Initial Environmental Examination, the Office of Development Resources has concluded that the project will not have a significant effect on the human environment and therefore recommends a Negative Determination.

The Development Assistance Executive Committee of the Bureau for Latin America and the Caribbean has reviewed the Initial Environmental Examination for this project and concurs in the recommendation for a Negative Determination.

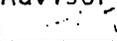
AA/LAC Decision:

Pursuant to the authority vested in the Assistant Administrator for Latin America and the Caribbean under Title 22, Part 216.4a, Environmental Procedures, and based upon the above recommendations, I hereby determine that the proposed project is not an action which will have a significant effect on the human environment, and therefore, is not an action for which an Environmental Impact Statement or an Environmental Assessment will be required.

  
\_\_\_\_\_  
Acting Assistant Administrator for  
Latin America and the Caribbean

Date Aug 26, 1980

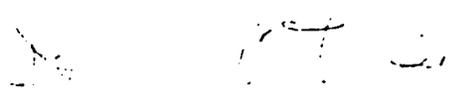
Clearances:

LAC/DR:Environmental Advisor:ROtto   
DAEC Chairman:MDBrown 

INITIAL ENVIRONMENTAL EXAMINATION

Project Location : El Salvador  
Project Title : Transportation Restoration  
Project Number : 519-0266  
FY 1980 CP Reference : None  
Appropriation Category : Economic Support Fund  
Funding : \$1,500,000 (Grant)  
Life of Project : One year  
IEE Prepared by : LAC/DR, Carol Peasley  
Chief, Central America and Panama  
Finance Division  
September 26, 1980

Recommended Threshold Decision: Negative Threshold Decision

  
\_\_\_\_\_  
Marshall L. [unclear]  
Associate Assistant Administrator  
for Development Resources  
Bureau for Latin America  
and the Caribbean

I. Project Description:

The purpose of the project is to restore and maintain a cheap, viable public transportation system by providing replacement buses to the Government of El Salvador (GOES) and, through it, to bus owners/drivers who have recently lost their buses due to terrorist activities. The AID grant will finance importation by the GOES of approximately 80 to 85 used buses which have been repowered with diesel engines and partially reconditioned. These buses will then be transferred by the Government to individual bus owners or transportation cooperatives.

II. Identification of Potential Impact:

No significant impacts on the human environment are anticipated. Project inputs will consist exclusively of buses and some spare parts. The buses will be similar to those already being used in El Salvador. The buses will replace slightly less than half the 200 buses recently destroyed during terrorist campaigns.

III. Threshold Recommendation:

As no significant ecological change is likely to occur as a result of this project, a Negative threshold finding is recommended.