



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY
SAN SALVADOR, EL SALVADOR, C. A.

August 10, 1978

ACTION MEMORANDUM FOR THE DIRECTOR

FROM: Sidney A. Chernenkoff CDO

SUBJECT: Authorization for Technoserve Operational
Program Grant (OF

1. Technoserve (TNS), a U.S.-based Private and Voluntary Organization (PVO), has applied to USAID/El Salvador for a four year, \$500,000 OPG. Funding requested is \$120,000 for FY1978, \$160,000 in FY1979 and in FY1980 for each year, and \$60,000 in FY1981. The goal of the proposed project is to improve the economic and social well-being of the poor majority in El Salvador through implementation of a self-help enterprise development process. The purpose of the project is to facilitate the establishment or expansion of small enterprises in El Salvador.

2. Technoserve has a very well developed process for identifying and assisting small enterprises. The prospective self-help enterprise is considered in terms of the following criteria:

- a. Potential for economic viability;
- b. Potential broad-based community multiplier effect in addressing the needs of low-income people;
- c. Ownership base (as wide as possible) in the form of cash investment;
- d. Adequacy of local leadership;
- e. Degree of labor-intensiveness;
- f. Utilization of locally available raw materials;
- g. Non-discrimination in terms of a particular group or sex;
- h. Absence of access elsewhere to resources and services which Technoserve provides.

TNS will fill any or all of the following roles in support of participating enterprises:

- a) Catalytic Role - TNS will assist members make their aims and objectives operational through improved management ability;
- b) Management Assistance and Training Role - TNS will conduct feasibility plans, prepare a detailed business plan, provide short-term management personnel, and train employees to take over management responsibility;
- c) Technical Assistance Role - TNS will advise the enterprise on the selection, procurement, and installation of new technologies;
- d) Capital Assistance - TNS will assist the enterprise identify capital support;

3. The Mission Project Committee has reviewed the two draft proposals and has raised and discussed the following concerns:

- A. What exactly will AID finance?
- B. How can AID measure the impact of its financial inputs?

Would it not be cheaper to simply hire individual consultants for selected enterprises?
- C. Is the TNS process too sophisticated or inappropriate for small enterprises in El Salvador?
- D. Why are many projects rejected and so few actually selected?
- E. Should AID have any control over the selection of individual projects or activities?
- F. What is the likelihood of institutionalizing the TNS approach and operation in El Salvador?

4. The Committee accepts the TNS concept of supporting the development of small enterprises as viable. Under the project USAID would finance part of the TNS operation in El Salvador through an operational program grant (OPG). The Committee took special note of the fact that the Ministry of Planning has already granted \$226,000 in cash since 1975, has obligated \$136,000 for 1978, and will provide at least \$246,000 in 1979 and 1980, a remarkable commitment by the GOES. AID inputs, however, cannot be specifically isolated in terms of their contribution to certain outputs, so

