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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.  
July 6, 1987

Mr. Mario Sulit  
Director of Operations  
International Executive Service Corps  
San Salvador

SUBJECT: A.I.D. Grant Agreement  
No. 519-0322-A-00-6312-00  
Small Enterprise Development  
Amendatory Agreement No. 4

Dear Mr. Sulit:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D.") hereby amends the above referenced Cooperative Grant Agreement with the International Executive Service Corps (hereby referred to as IESC or "Recipient") for its Small Enterprise Development Program in El Salvador as follows:

1. The total estimated amount of this Cooperative Grant Agreement is hereby increased by \$500,000 (from \$500,000 to \$1,000,000). The total obligated amount of this Cooperative Agreement is hereby increased by \$500,000 (from \$500,000 to \$1,000,000) in accordance with the instruction set forth in the amended Attachment I, "Schedule", Article E, Illustrative Financial Plan, and the amended Attachment II, "Program Description", included herein.
2. In the second paragraph of the Agreement, delete "October 1, 1987" and substitute therefor "May 31, 1988".

The Attachment I, "Schedule", to the original Cooperative Agreement as amended in hereby deleted in its entirety and substituted by the Attachment I, "Schedule", to this Amendment.

The Attachment II, "Program Description", to the original Cooperative Agreement as amended is hereby deleted in its entirety and substituted by the Attachment II, "Program Description", to this Amendment.

This Agreement is made with IESC on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment I entitled the "Schedule", Attachment II entitled "Project Description", and Attachment III to the original Cooperative Agreement entitled "Standard Provisions", which have been previously agreed to by your organization.

Except as hereby modified, all other terms and conditions of the original Cooperative Grant Agreement, as amended, remain in full force and effect.

Please sign the original and three (3) copies of this letter to :  
receipt of the Agreement and your agreement with the terms set fo  
and return the original and two (2) copies to USAID/El Salvador.

Sincerely Yours,



Bastiaan B. Schouten  
Acting Director

Accepted by: Mario R. Sulit  
Mario Sulit  
Director of Operations  
IESC

Grant Officer: John P. McAvoy  
John P. McAvoy  
USAID/El Salvador

Attachments:

I Schedule

II Program Description

FISCAL DATA

Appropriation: 72-1171021.6

Budget Plan Code: LDSA87-25519-KG13

Funding Source: A.I.D. Project 519-0322-A-00-6312-00

Amount Obligated This Action: \$500,000

Total Estimated Amount: \$1,000,000

Total Obligated Amount: \$1,000,000

Employer Identification Number: 13-2503656

## Attachment 1

### SCHEDULE

#### A. Purpose of Grant

The purpose of this Grant is to test and evaluate selected pilot efforts of private enterprises and other Salvadoran organizations to promote the development of small scale enterprises.

#### B. Period of Grant

1. The effective date of this Cooperative Agreement is April 29, 1986. The expiration date of this Agreement is May 31, 1988.
2. Funds obligated under the original \$500,000 grant are available for program commitments from April 1, 1986 to May 31, 1988. Funds obligated hereunder are available for program expenditures for the estimated period from July 1, 1987 to May 31, 1988, as shown in the Revised Illustrative Financial Plan below.

#### C. Amount of Grant and Payment

1. The total estimated amount of this Agreement, as amended, for the period shown in B.2 above is \$1,000,000.
2. A.I.D. hereby obligates the amount of \$500,000 for program expenditures from July 1, 1987 to May 31, 1988, in addition to the \$500,000 previously obligated, as shown in the Revised Illustrative Financial Plan below.
3. Payment shall be made to the Recipient in accordance with the procedures set forth in Standard Provision No. 2, entitled "Payment - Periodic Advance", of the optional standard provisions of Attachment III, "Standard Provisions for Grant to U.S., Nongovernmental Grantees".

#### D. Financial Plan

1. The Revised Illustrative Financial Plan for the Agreement, as amended, is presented below. Reprogramming of Management funds between line items of the Management portion of the Revised Illustrative Financial Plan will be permitted up to 15% of the programmed amounts without modifying the Plan. Any reprogramming of Management funds which exceeds 15% will require a written request from IESC to A.I.D. and A.I.D.'s written approval of that request. Similarly, any revision of the total amounts allocated for Management and Sub-Project Implementation will require a written request from IESC/El Salvador to A.I.D. and A.I.D.'s written approval of the request.

REVISED ILLUSTRATIVE FINANCIAL PLAN

	<u>Previous Amount</u>	<u>Amount Added</u>	<u>New Total</u>
A. <u>MANAGEMENT</u>			
- Project Management Unit*	\$ 89,750	\$ 50,000	\$139,750
- IESC Administrative Support**	\$ 27,000	\$ 27,000	\$ 54,000
- Miscellaneous Expenses	\$ 30,443	\$ 23,000	\$ 53,443
SUB-TOTAL	<u>\$147,193</u>	<u>\$100,000</u>	<u>\$247,193</u>
 B. <u>SUB-PROJECT IMPLEMENTATION</u>			
20 sub-projects, each to fund services and materials in accordance with the guidelines contained in Attachment III.			
	<u>\$352,807</u>	<u>\$400,000</u>	<u>\$752,807</u>
T O T A L	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$1,000,000</u>

\*As currently envisioned, will consist of a Project Director, three Project or Assistant Project Managers.

\*\*Includes U.S. or local support such as technical assistance, accounting, legal administration, travel, secretarial services, office costs as required.

## 2. Local and Dollar Costs of this Grant

Local currency costs of the Agreement as amended are estimated at the colón equivalent of \$940,000 in local expenditures. Dollar costs of the Grant are estimated at \$60,000.

## 3. Exchange Rate

The exchange rate to be utilized by the Recipient in converting dollars from this Grant to local currency shall be the highest rate which is not unlawful in El Salvador. As stipulated in Standard Provision No. 25 entitled "Conversion of United States Dollars to Local Currency," the IESC Country Director shall consult with the USAID Director who shall provide, in writing, the procedures the Recipient and its employees shall follow in the conversion of United States dollars to local currency.

## E. A.I.D. Involvement

USAID/El Salvador will participate in the activities under this Agreement in the following manner:

1. USAID/El Salvador will approve the selection of the Project Director, the Project Manager, and the Assistant Project Managers and any changes thereto during the effective period of this Agreement as amended;
2. USAID/El Salvador will approve in writing all sub-projects funded under the Agreement prior to the Recipient's disbursement of funds to the implementing institutions;
3. USAID/El Salvador will monitor project implementation to assure that the terms and conditions of this Agreement are met. Project monitoring will be exercised principally by the Project Manager so designated by USAID/El Salvador's Private Sector Office.

## F. Reporting and Evaluation

1. Financial Reports - The financial reporting requirements are detailed in Standard Provision No. 2 entitled "Payment - Periodic Advance (November 1985)" of the Standard Provisions attached to the original Cooperative Agreement. In accordance with this provision, the financial report entitled "Request for Advance or Reimbursement", SF-270, shall be submitted, in an original and two copies, at least monthly to USAID/El Salvador. One copy of the financial report entitled "Federal Cash Transactions Report", SF-272, shall be submitted to USAID/El Salvador no later than 15 working days following the end of each quarter. The financial report entitled "Financial Status Report", SF-269, shall be prepared on an accrual basis and submitted, in an original and two copies, quarterly to USAID/El Salvador no later than 30 days after the end of the period.

2. Monthly Lists of Sub-Projects - On a monthly basis, the Recipient shall submit to USAID/El Salvador's Private Enterprise Office a list of sub-projects proposed and approved by USAID/El Salvador, and the status of the sub-projects underway and completed. The list will be used to monitor project implementation as described in E.3 above.

3. Program Progress Reports - The Recipient shall monitor performance under the Agreement and report if projected work units by time periods are being accomplished and other performance goals are being achieved. Based upon this monitoring, the Recipient shall submit quarterly performance reports to USAID/El Salvador that present the following information for each activity under the Agreement:

- a. A complete list of sub-projects approved, status of sub-projects underway, and completed. This list should include beginning dates, completion dates, and the nature of technical assistance on an estimated and actual basis;
- b. As appropriate, the reasons why established objectives, in terms of number and types of assistance sub-projects carried out were not met, and
- c. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

The Recipient shall submit the quarterly performance reports to USAID's Private Sector Office. If any performance report by IESC discloses the need for change in the budget estimates, in accordance with the criteria established in Section D.1 of this Attachment, IESC shall coordinate the submission of a request for budget revision by the sub-project implementing institutions, or shall submit a request for budget revision, as appropriate.

4. Final Project Report - Agreement sub-projects will be reviewed upon their completion. IESC will submit a final report to A.I.D. for each sub-project which indicates if the sub-project's objectives were met and, if not, the reasons why they were not met. The report shall also reach conclusions on each of the implementing organization's ability to serve its small business constituency. The experience gained in the course of sub-project implementation will be analysed by IESC with the participation of USAID/El Salvador so it will be relevant to USAID/El Salvador's design of an assistance strategy for small scale enterprise development and a small business assistance project.

#### G. Special Provisions

1. Prior to any disbursement of funds or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Recipient shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- a. A statement of the name of the person empowered in IESC, whether in IESC/El Salvador or IESC Headquarters in Stamford, Ct., to receive the funds provided under this Agreement and of any additional representatives, together with a specimen signature of each person so designated; and
- b. Evidence that IESC has established a bank account to control the receipt and disbursement of the Grant funds, including the complete account number, name and address.

2. IESC covenants to pay no more than reasonable prices for any goods and services financed in whole or in part under this Agreement. Such items will be procured by employing fair and good commercial practices to assure the most effective use of the funds provided.

#### H. Title to Property

Conditions governing title to property financed under the Grant are as set forth in Standard Provision No. 20 entitled "Title to and Use of Property (Grantee Title)".

#### I. Authorized Geographic Code

The authorized geographic code for procurement of goods and services under this Agreement is code 000, the United States, or El Salvador and other member countries of the Central American Common Market, except as A.I.D. may otherwise agree in writing.

## Attachment 2

### PROJECT DESCRIPTION

#### A. Title

Small Enterprise Development.

#### B. Objective

The objective of the Project is to carry out, with different Salvadoran business organizations and private enterprises, at least twenty sub-projects that are designed to promote small scale enterprise (SSE) development and to report on these activities to provide input into the development of USAID/El Salvador's assistance strategy for the small scale enterprise sector and a small business assistance project.

#### C. Project Development

IESC will serve as administrator of the program, responsible for its overall coordination and reporting on each sub-project activity. Each sub-project will be designed by the sub-grantee and reviewed by IESC in accordance with criteria mutually agreed upon between USAID and IESC and will be submitted to the USAID for approval. IESC will:

1. Contract a Project Manager who shall have overall responsibility for Project direction, sub-project review, and evaluation of sub-project results. He/she will function and engage in Project activities in El Salvador;
2. Contract Assistant Project Managers and any other staff deemed appropriate by A.I.D. for the management and implementation of this project;
3. Recruit experts and/or IESC Volunteers in the United States and El Salvador, if required, to provide short-term assistance for the design, implementation and evaluation of the USAID approved sub-projects;
4. Contract services, if required, to support the approved activities;
5. Employ the facilities currently financed under A.I.D. Project No. 519-0302, to the maximum extent feasible;
6. Administratively monitor the activities of the Project Manager and the Assistant Project Managers; and
7. Administer all disbursements for operating expenses and sub-project activities funded under the Grant.

#### D. Project Activities

Salvadoran small and micro enterprises account for a great deal of the economic activity and employment of the country. These businesses, in spite of the handicaps inherent to the sector, continue to weather the adverse economic conditions affecting the country and have contributed to maintaining production and employment levels. The Project will assist in the sector's development by carrying out activities that will fall under the small and micro-enterprise sector's development by carrying out activities that will fall under the four broad categories outlined below.

1. Business Associations - Assistance will be provided to Salvadoran private business associations in delivering technical assistance, training and credit to their SSE members and in developing SSE linkages to larger firms in their membership. The business associations will carry out these activities with the prior approval of and close supervision by IESC and USAID/El Salvador.

2. Linkages to large Enterprises - Activities under this category will be carried out by large firms which will provide SSE's with sub-contracts in their production and/or marketing processes, or will help SSE's in establishing ties to the financial system. As an example, one activity under this category may involve a large shoe manufacturing company; the inputs necessary to start a program that will allow the large company to sub-contract pieces of work to small scale enterprises would be financed.

3. Financial System - The project will involve financial institutions, mainly commercial banks, by providing support for their SSE operations that will result in expanded and more effective credit assistance to the sector.

As an example, the financial institutions involved may select small scale beneficiaries from their loan applicants. Assistance would be provided by the institution to the applicant to determine the latter's needs for financial and technical assistance. The bank would then ensure that the applicant receives the necessary training or assistance.

4. Training - Training will be provided to SSE's by different institutions in this field. The Project will provide support for the design and implementation of a series of courses and seminars that will increase the management and technical capabilities of the beneficiaries.

Small scale enterprise development projects are perceived to be inherently risky worldwide. While this is recognized, all sub-projects will serve to provide valuable inputs to A.I.D.'s overall strategy in the small business sector by identifying institutional strengths and weaknesses that may be addressed in A.I.D.'s small business program.

E. Target Group

The principal target group to benefit by the Grant shall be composed of Salvadoran small scale enterprises, defined as those with assets of less than \$25,000 and employing less than 10 persons.

F. Criteria for Selection of Activities

The following general criteria will be utilized by IESC as guideline for financing activities under the Grant:

1. The assistance provided should lead to the generation of income producing employment;
2. No recurring costs of a beneficiary organization will be financed with Grant funds; and
3. The activity will provide, upon its completion, significant input to USAID/El Salvador's Small Scale Enterprise strategy and Small Business Assistance Project.