

USAID GUATEMALA



AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES A.I.D. MISSION TO GUATEMALA

USAID GUATEMALA  
AGENCY ADDRESS

U.S. Agency for International Development  
Washington, D.C. 20505, U.S.A.

June 22, 1988

Central American Research Institute for Industry  
Avenida la Reforma 4-47, Zona 10  
Guatemala City, Guatemala

Sub: Cooperative Agreement No. 596-0128-A-00-8474-00

Gentlemen:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter known as AID or USAID) hereby provides to the Central American Research Institute for Industry (hereinafter known as Recipient or ICATI) the sum of one million three hundred seventy thousand dollars (\$1,370,000) to provide support for a program which responds to the technical service needs of Central American export-oriented industries on a more demand-driven and self-sustaining basis as more fully described in Attachment No. 1 entitled Schedule and Attachment No. 2 entitled Program Description. Notwithstanding the amount indicated above, the Recipient acknowledges that the U.S. dollar amount that is presently obligated for this Cooperative Agreement is shown in Paragraph C.2 of Attachment No. 1 hereof. Until such time as the obligation is increased by amendment to this Agreement, the AID obligation is limited to the amount provided for in the Attachment No. 1 paragraph cited above.

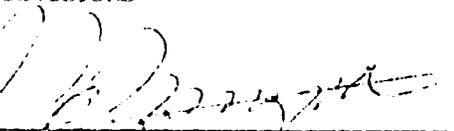
This Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the recipient in furtherance of program objectives during the period beginning with the effective date and ending 19 June 1990. Notwithstanding the foregoing, it is agreed that the funds obligated by this agreement are anticipated to be sufficient for program activities through the period indicated in Paragraph C.2 of Attachment No. 1. This Agreement is made to ICATI on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1 entitled the Schedule, Attachment 2 entitled "Program Description" and Attachment 3, entitled "Standard Provisions" which have been agreed to by your organization.

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Please sign the original and five (5) copies of the letter to acknowledge your receipt of this Agreement and return the original and four (4) copies to the USAID/Guatemala, Attention Regional Contracts Office.

Sincerely,  
  
S.R. Nivitt  
Regional Contracting Officer

- Attachments:
- 1. Schedule
  - 2. Program Description
  - 3. Standard Provisions

ACKNOWLEDGED:   
By: \_\_\_\_\_  
Title: Acting Director  
Date: June 23, 1988

Appropriation No.:	72-1181021
Budget Plan Code:	LDGA-88-25596-KG13
PIO/T No.:	596-0128-3-80037
Project No.:	596-0128
Total Estimated Amount:	\$1,370,000
Total Obligated Amount:	400,000

SCHEDULE

A. Purpose of Agreement

1. The purpose of the Agreement is to improve the institutional capability of ICAITI to respond to the technical service needs of Central American export-oriented industries on a more demand-driven and self-sustaining basis as more fully described in Attachment No. 2 entitled Program Description.

2. Project Summary

a. The Resources for Industrial Development Project is conceived as a two year transitional effort. The project will support the Central American Research Institute for Industry (ICAITI) in its transition towards a more demand-driven and market-responsive institution. The project will strengthen ICAITI's capacity to deliver relevant, efficient and competitive production-oriented, income-generating services to the private export-oriented industrial sector in Central America. Particular emphasis will be placed on developing the capability of ICAITI to provide services on a self-sustaining basis.

b. The project purpose is to improve the institutional capability of ICAITI to respond to the needs of Central American industries on a more demand-driven and self-sustaining basis.

c. The project contains three interrelated components:

- (1) A Market Assessment and Strategic Business Plan
- (2) Technical Reorientation
- (3) Improved Support Systems

d. Through these efforts, the project can be expected to result in: 1) a well-defined strategy for implementing a self-sustaining industrial outreach program; 2) an improved organizational and management system geared to responding to industrial needs in a number of sectors; 3) strengthened

linkages to international technical centers to assure that technology is up to date; and 4) linkages to national industrial development programs and private chambers of industry to assure that services are relevant.

### 3. Background

a. Numerous studies, including those financed in recent years by ROCAP, have highlighted the importance of technological progress and industrial growth if greater socio-economic development in Central America is to be achieved. Historically, the Central American economy has been characterized as having little diversity in production, relying principally on a few basic agricultural crops.

b. Until the late 1970s there was a strong tendency for increased industrialization within the region's economies. This occurred in the context of relatively vigorous overall economic growth and intra-regional trade in industrial goods protected by the Central American Common Market (CACM). In 1978, more than 25% of exports were intra-regional, and most of these exports were industrial products.

c. The political and economic situation worsened dramatically after 1979. Contributing factors were a deterioration in the terms of trade, the high cost of foreign debt capital, and the exacerbation of armed conflict in Nicaragua, El Salvador and Guatemala. A process of economic contraction continued until 1983, characterized by negative GDP growth (down 16% in per capita terms), a sharp fall in investment, and massive capital flight. Stabilization and a very modest recovery began in 1984, but has been inadequate to reverse the decline in per capita GDP or to increase the level of investment.

d. One fairly predictable consequence of the economic downturn in the region has been a reversal of past industrialization trends. With the exception of Nicaragua, the value added by manufacturing has fallen relative to GDP in all countries. Another consequence of the crisis has been a collapse in intra-regional trade. This has fallen more than 60% and now accounts for little more than 10% of total exports. The decline has continued despite the modest economic recuperation since 1984. As a result of both recession and regional trade dislocation, there is considerable excess capacity in many industries.

e. Increasing extra-regional industrial exports is recognized as critical for achieving sustained economic recovery, and is a priority of ROCAP and every USAID mission in the region. Many barriers to such an increase have been

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identified. High among these are problems of policy (e.g. exchange rates, and legislation bearing on trade and exports), financing, availability of foreign exchange for equipment and inputs, and marketing information. As a result, technical issues related to quality and cost control, improvements in overall productivity, and achieving new quality standards or product lines have been relegated to a second order, along with professional capacity and existing or impending deficiencies in key infrastructure sectors (electricity, telecommunications, air, sea and land transport systems).

f. There is a need both for technical services to businesses and training for mid-level management, technical personnel for productivity improvement, quality control and new export product development. The need for technical services in which private sector capability is poorly developed, include primarily the following areas:

- (1) assistance on plant and product design, material flow, equipment selection, quality standards, analysis, certification, production systems and procedures;
- (2) feasibility and commercialization of new products including marketing and market research;
- (3) technical, management, productivity and quality audits;
- (4) research, adaptation and dissemination of technical advances, principally from outside the region.

g. Designing services that meet the needs of industry and of key business/industrial sectors, and channeling these services to the target groups without heavy subsidy, is a key challenge for a program designed to strengthen technical and management competitiveness. Required is an institution that is structurally and attitudinally oriented to the potential client population. Also required is a strategy based on expressed target group needs and market demand.

ICAITI has a clear comparative advantage in supplying a broad range of services to Central American industries. If the Central American economies revive, there should be growing demand for existing and new quality services that ICAITI can provide for a competitive price. However, in order to better meet that demand there exist two clear needs for institutional improvement in ICAITI:

- (1) ICAITI must increase its contact and involvement with private and public sector client groups in the region, and keep itself better informed of their needs and priorities, and

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(2) ICAITI must develop outreach capabilities and modify internal organization procedures in order to develop a "market orientation" and provide a better response mechanism to meet industries' needs. Services and skills need to be readily available to address the private and public sector technical assistance needs for market information and production technology transfer services.

i. ICAITI has taken initial steps to review its role in the region and raise its own awareness as to how it can better utilize resources and direct efforts as an institution for the development of Central American industry.. A recent meeting of the Board of Directors resulted in a mandate by ICAITI to develop further the possibilities for increased levels of technology transfer and information linkages and dissemination.

j. The proposed Resources for Industrial Development project represents the vehicle by which ICAITI can develop a market-oriented approach to providing the most relevant technical assistance skills and services to Central American medium-size industry.

B. Period of Agreement:

The effective date of this Agreement is the date of the Agreement Cover Letter. The expiration date of this Agreement is 19 June, 1990.

C. Amount of Agreement and Payment:

1. The total estimated amount of this Agreement for the period shown in B above is \$1,370,000.
2. AID hereby obligates the amount of \$400,000 and it is anticipated that such amount will be sufficient for program expenditures through 31 December 1988. AID anticipates adding additional funds to this Agreement up to the total estimated amount shown in Para. C.1. However, until this Agreement is amended to increase the obligation, AID's total obligation is limited to the amount shown in this Para. 2.
3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3, Optional Standard Provision No. 2 entitled "Payment - Periodic Advance".

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D. Financial Plan:

The Financial Plan for this Agreement is shown as Exhibit A to Attachment No. 1. Revisions to the plan shall be made in accordance with the Standard Provision of this Agreement entitled Revision of Grant Budget. The Financial Plan is illustrative in nature and the Recipient may adjust individual cost lines by a factor not to exceed 15%. Any adjustment exceeding 15%, or any increase in the total Agreement amount requires the prior written approval of the Agreement Officer.

E. Reporting and Evaluation:

Reporting and evaluation requirements are specified in Section II of Attachment No. 2 of this Agreement. All reports shall be delivered in two (2) copies, in either English or Spanish, to the Agreement Officer's Technical Representative (AOTR) identified pursuant to Para. F. below.

F. Special Provisions:

The AOTR for the performance of this Cooperative Agreement is the ROCAP Director, ROCAP/Guatemala, or his/her designee. The AOTR shall be named in writing and the Recipient will be notified in writing should the AOTR changed. The AOTR shall have the following duties:

1. Certification of work performed on all vouchers submitted
2. Necessary clarifications of, or minor, non-cost-related adjustments to, the program descriptions in Attachment II
3. Approval of all reports, plans, timetables or other such technical submissions required under the Program Description;
4. Approval of all short and long term personnel charged to this Agreement provided that their salary does not exceed their current salary or the salary of an AID employee at the FS-1 grade, whichever is less; and
5. Approval of travel and procurement of commodities.

G. Establishment of Overhead Rate:

1. Pursuant to the General Provision of this contract entitled "Negotiated Indirect Cost Rates - Provisional" a rate or rates shall be established for each of the Recipient's accounting periods during the term of this Agreement. Pending establishment of final overhead rates for the

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initial period, provisional payments on account of allowable indirect costs shall be made on the basis of the following provisional rate applied to the base which is set forth below.

<u>Type of Rate</u>	<u>Rate(s)</u>	<u>Base</u>	<u>Period</u>
Overhead:	30.00%	Total Direct Cost	Effective date of Agreement until amended

H. Authorized Geographic Code:

The authorized Geographic Code for procurement of goods and services shall be in accordance with Optional Standard Provision No. 6 of the Standard Provisions.

\_\_\_\_\_ End of Schedule \_\_\_\_\_

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ILLUSTRATIVE BUDGET - SUMMARY  
(MAY 1988 - MAY 1990)

Line Item		Current Obligation 5/88-12/88
1. PERSONNEL	698,000	222,000
-Direct Salaries	298,000	
-Consultants	400,000 <u>1/</u>	
2. TRAINING	200,000	
3. COMMODITIES	75,000	8,800
-Computer/Communic. Equip.	45,000	
-Office Equip. (P&DB Dept)	8,000	
-Technical Equip. (for new menu of services)	22,000	
4. OTHER DIRECT COST	81,000	76,900
-Travel & Per Diem	38,000	
-Communication	11,500	
-Office Supplies	31,500	
5. OVERHEAD <u>2/</u>	<u>316,000</u>	<u>92,300</u>
TOTAL	1,370,000	400,000

1/ Evaluation 25,000  
Financial Mgmt. 45,000

2/ 30% is the current overhead rate. This overhead rate is provisional, and will be reviewed by external auditors and any adjustments necessary will be made accordingly.

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Detailed Illustrative Budget

By Components	<u>Component 1</u>		<u>Component 2</u>	<u>Component 3</u>		TOTALS
	Market Assess	Strategic Business Plan	Technical Reorientation	Support Systems	Internal Systems	
<u>Line Items</u>						
1. PERSONNEL	179,000	88,000	102,000	205,000	124,000	698,000
-Direct Salaries	64,000	36,000	30,000	109,000	50,000	299,000
-Consultants	115,000	52,000	72,000	96,000	65,000	400,000
2. TRAINING	20,000	17,000	118,000	30,000	15,000	200,000
specialized	5,000	7,000	32,000	20,000	8,000	72,000
practical (on-job)	15,000	10,000	86,000	10,000	7,000	128,000
3. COMMODITIES	9,000	0	41,000	20,000	5,000	75,000
-Computer/Communic. Equip.	5,000	0	15,000	20,000	5,000	45,000
-Office Equip. (P&BD Dept)	4,000	0	4,000	0	0	8,000
-Technical Equip. (for new menu of services)	0	0	22,000	0	0	22,000
4. OTHER DIRECT COST	22,500	26,500	13,000	10,000	9,000	81,000
-Travel & Per Diem	17,000	12,000	6,000	3,000	0	38,000
-Communication	3,000	1,500	3,000	4,000	0	11,500
-Office Supplies	2,500	13,000	4,000	3,000	9,000	31,500
5. Overhead	69,150	39,450	82,000	79,500	45,900	316,000
TOTAL	299,650	170,950	356,000	344,500	198,900	1,370,000

I. PROGRAM DESCRIPTION

The Resources for Industrial Development Project is conceived as a two year transitional effort. The purpose of the project is to improve the institutional capacity of ICAITI to respond to the needs of Central American industries on a more demand-driven and self-sustaining basis. Particular emphasis will be placed on developing the capability of ICAITI to provide technical services to export-oriented private industry.

A. Expected Achievements

1. By the end of the two years ICAITI will have: (1) a well-defined strategy for implementing a self-sustaining industrial outreach program; (2) an improved organizational and management system geared to responding to industrial needs in a number of sectors; (3) strengthened linkages to international technical centers to assure that technology is up to date; and (4) linkages to national industrial development programs and private chambers of industry to assure that services are relevant.

2. Progress towards these objectives will be measured against the following milestones:

- a) A new, focussed menu of "profitable" services will be established, based upon a market assessment.
- b) A functional and effective industrial advisory committee will be in place, made up of private sector representatives from each country, and with clearly defined responsibilities.
- c) A long term planning and strategy process will be in place with inputs from the advisory committee and approved by the Board of Directors. In addition to information on goals and priorities, this will include a clear definition of "core" ICAITI staff, facilities, and annual budget requirements, including projected sources for its support. Also, an institutional mechanism will be in place for reviewing and updating the long-term strategy on a regular basis.
- d) A clear marketing strategy will be devised and implemented to promote the new menu. Also, a system will be put in place to update the market assessment and correspondingly adjust the menu/marketing strategy.

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- e) ICAITI personnel will be technically trained for the new menu and a 10% increase in absolute value of sales of services of the operative divisions to the private sector will result in year one, and another 20% increase in year two.
- f) Allocation of resources in the annual budget preparation process will be made in accordance with the long-term strategy and medium term objectives.
- g) An improved cost control system will be in place and will provide monthly reports to management on the costs and progress of service activities.
- h) A financial analysis of ICAITI overhead will be completed and a clear set of policies and procedures established for overhead recovery and allocation.
- i) An effective system for contracting technical back-stopping will be in place to support the new menu.
- j) An administrative system of approved procedures for improving internal productivity will be operative.
- k) A system for internal evaluation of procedures and of client satisfaction and benefits will be operating.

3. Upon approval of the Grant, outside Technical Assistance provided by the project will: 1) help develop a comprehensive market assessment and strategic plan for carrying out the proposed activities and 2) access financial management systems to improve ICAITI's internal financial reporting and cost-base accounting procedures. In addition, a detailed analysis will be conducted utilizing outside Technical Assistance to determine an appropriate overhead rate. This analysis will be coordinated by the ROCAP Controller's Office and financed using PD&S funds.

4. There are three inter-related components to this project: (A) A Market Assessment and Strategic Business Plan; (B) Technical Reorientation; and (C) Improved Support Systems. Each component is described below, followed by an approximate allocation of AID inputs to be applied to the component. ROCAP and ICAITI understand that more precise plans and funding allocations will result from the Strategic Planning exercise, and will be the subject of a possible reprogramming in early CY 89.

5. ROCAP will provide a declining portion of institutional budget support as the process takes place.

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B. Market Assessment and Strategic Business Plan

1. Activities

a. The first component will establish the framework for the other two. The objective of the market assessment is to identify areas where ICAITI has a clear comparative advantage in providing the types of services that the private sector in Central America requires. The study will estimate the demand for present and potential ICAITI services and identify those services which provide the greatest potential for ICAITI to charge a price which will recover its full costs.

b. Under the guidance of outside Technical Assistance, ICAITI will review present activities in the region and establish a complete inventory of its current services, pricing structures, present demand for those services, client classification (type of industry, location, size), its capacity to increase or add services, and relevant information on other public or private entities in the region which may offer similar services. Actual ICAITI costs and potential to recover costs will be reviewed. An additional effort will attempt to identify alternatives for reducing costs, increasing benefits and sales, and modifying prioritized services to increase demand. A demand study will be carried out by outside consultants in close collaboration with ICAITI personnel. The market assessment will concentrate on medium-size industries.

c. A direct product of the above assessment will be the preparation of an appropriate set of ICAITI services to be promoted through specific, client-targeted campaigns. A private sector industrial advisory committee will assist ICAITI with the orientation of the assessment, and in interpreting the results.

d. Evolving out of the market assessment process will be the design of a strategic business plan and the establishment of procedures and criteria for the identification and introduction of new services and pricing structures. These procedures will be based upon external and internal data regarding markets, sales, requests, ability and willingness to pay, expressed needs and interests, future projections and trends. The system will include procedures for regular review and modification of existing services based upon continual monitoring.

e. Current services will be restructured to increase focus in the areas where ICAITI has the greatest advantage and the greatest demand for services. Services which do not meet minimum requirements in terms of market demand, capacity and cost recovery will be modified or removed.

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f. The principal objective of the planning exercises is to develop a long-term institutional strategy for ICAITI and to define the actions required for its realization. This process will pay special attention to the question of financial viability by examining such issues as self-sufficiency, commercial ventures, an endowment fund and other forms of financial diversification.

g. The planning activity will be managed so that there is increased private sector input to the ICAITI planning process. The intent is to assure direct communication between ICAITI and its private sector clientele as a key element for increasing market-responsiveness; developing more business-minded ICAITI operations; and increasing ICAITI's visibility and recognition with the private sector industrialists.

h. The long-term strategic planning process will address and define strategies relating to the following issues:

1. financial viability (sources for core budget support, targets for growth, diversification, etc.)
2. allocation of resources according to source and institutional priorities;
3. methods to be used in setting priorities: internal ICAITI mechanisms, private sector and public sector roles;
4. clarification of ICAITI role in (a) evaluating, promoting and adapting modern technology from other parts of the world; (b) promoting and facilitating industrial R&D; (c) vis-a-vis other institutions, its ability to provide unique services and facilities to the region; (d) influencing policy concerning science, technology and industrial development; and (e) the establishment of new industries in the region (direct commercial involvement); establishment of directions and concrete targets related to future activities; and

presentation of a logical and workable process (critical path) to carry the institute from its present day status to that desired and defined in the long-term plan, with intermediary milestones.

i. A medium-term plan will be prepared to define clear objectives according to the critical path identified in the long term plan. The initiation of the specific activities necessary to adjust institutional operations to the long-term strategy and especially to increase financial viability will be programmed (administrative, physical and organizational modifications including human resources, training, etc.). A conscious effort will be made to identify adjustments necessary in present and future programs to reflect the long-term strategy from the results of the market assessment.

j. Short-term planning (annual budget and objectives) will then be executed as a function of the medium-term objectives. Special effort will be made to improve consistency between annual budgets and institutional strategy and objectives through close interdepartmental coordination. This will occur in October-November of each year.

k. Finally, an internal system will be established to facilitate communication within the institute in order to improve institutional identity and provide feedback on progress towards institutional goals.

## 2. Inputs:

ROCAP will provide \$470,600 for this component. \$167,000 is allocated for consultant services to assist with the demand study and strategic plan. \$37,000 is included for training of ICAITI managers and staff in skills related to market analysis and team planning. \$9,000 will be used for computers and software related to market analysis and planning, and to equip the new Planning and Business Development Department. \$257,600 will cover ICAITI salaries, other direct costs (travel, communications, supplies), and overhead.

## C. Technical Reorientation

### 1. Activities

a. As discussed previously, the market assessment will result in the preparation of a new offering of technical services by ICAITI. The basic objective is to increase the provision of services while recovering costs. The new services will reflect ICAITI's institutional strategy and objectives, as well as the demand and willingness to pay which will be identified through the market assessment.

b. Technical reorientation will potentially involve a number of steps related to human resources, facilities and equipment, and access to technical information and skills. The existing complement and structure of technicians will be

evaluated in light of demand and the menu of services that it indicates. New staff may be hired, current staff will be scheduled for continuing education or retraining, and the overall level of permanent staff adjusted. Requirements for short-term technical expertise, whether local or international, will also be estimated.

c. A training needs assessment will be factored into the strategic planning exercise, both in terms of institutional goals and priorities as well as allocation of resources. The training plan will be developed with input from managers, outside technical assistance, technical staff and the Private Sector Advisory Committee. The plan will reflect ICAITI goals, list measurable training objectives, identify appropriate intervention modes and identify ways in which training will advance institutional priorities.

d. Light equipment for technicians to use in providing on-site services (meters, gauges, etc.) will be upgraded, or if overaged, replaced. Sources of technical information and skills will be identified, and Scopes of Work or requisitions prepared to acquire the needed support in areas where ICAITI's technical capacity is insufficient.

e. The development of increased technical capacity for the provision of services will be complemented by effective marketing techniques to promote the sales of its services. The objective of this component will be to develop a clear marketing strategy and establish the institutional framework and procedures necessary to successfully implement the strategy. Within the context of a coordinated, inter-departmental effort, a plan will be developed for increased interaction with targeted client groups, especially within the private sector.

f. Specifically, a promotional strategy for prioritized services will be defined based on clientele data and taking advantage of ICAITI's existing regional network. The strategy will be implemented through ICAITI's public relations office. This office will supervise the development of appropriate materials and supplies to support the promotional strategy.

## 2. Inputs:

ROCAP will provide \$356,200 for this component. Technical assistance on new technologies and methods, estimated at \$72,000 is planned. The major input to this component is for training of staff and managers, either on-site, elsewhere in the C.A. Region, or in

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the United States, at an estimated cost of \$118,000, primarily in technical material, possibly integrated with concepts of technology transfer and consultation skills. Commodities, primarily technical equipment for field use, technical manuals, as well as computers and software, will be funded at an approximate cost of \$41,000. \$125,000 will be used for staff salaries, direct costs and overhead.

C. Improved Support Systems

1. Activities:

The focus of this component is on improving such key supporting elements as (a) overall management, supervision, and teamwork within the Institute; (b) financial planning, management and controls; (c) technical support; and (d) performance, productivity, and the evaluation of the results of ICAITI's work.

a. Improving overall management will involve clarifying managers' and supervisors' authorities and responsibilities in carrying out plans; defining reporting relationships and procedures that may change as the organization is redirected to new objectives; setting up quick-response mechanisms that may require action by more than one unit (business development, technical, and administrative); and installing time-keeping and cost-tracking systems. Areas currently identified for upgrading managerial skills include: business and strategic planning processes, institutional development and administration, human resource management, market analyses and marketing strategies, and systems for sales and promotion. The training will take the form of external short-courses, internal courses using outside expertise, and some on-the-job training and guidance from outside consultants contracted for specific objectives.

c. In the financial planning and management areas, operating budgets will have to be adjusted to mesh with the planning process and objectives. Basic accounting procedures need to be made more efficient, and a cost control system put in place that allows realistic accounting for specific services, and pricing adjustments when necessary.

d. In order for the technical reorientation to be successful, the administrative system for contracting technical specialists will have to be strengthened in order to permit rapid, yet competitive contracting of experts, either through institutional linkages or directly with individuals. Technical support improvements may also be needed in the area of procurement of supplies and equipment to respond to client needs.

e. ICAITI will establish a technical support system by forming working relationships with international sources of specialized technical expertise in the fields prioritized in the market assessment and planning process. Procedures will be developed so that these specialists can be brought in to assist with a given activity on short notice and at pre-arranged costs. The costs of the outside technicians will be charged to the users as a part of the service cost. ROCAP support will assist ICAITI to organize the linkage system and make it operable.

f. Project funds will be utilized to help cover the costs of travel and communications associated with the process of identifying appropriate institutions and establishing linkages. Some consultant and ICAITI staff time will also be financed to help develop the most appropriate systems for managing the linkages.

g. ICAITI will develop linkages with technical institutions for the provision of technical assistance based on a number of criteria: the needs identified and priorities established as a result of the demand analyses and institutional strategic planning process; the ability of the technical institution to respond effectively to those needs and priorities; the degree of interest of the institution; shared areas of expertise; potential to develop long-term mutually beneficial and productive relationships; and similarities in terms of relative size and needs to generate income, provide technical services and market analyses.

h. Internal evaluation procedures will be established and put into operation to measure the effectiveness of promotional efforts and to assess client satisfaction related to services provided. As necessary, systems will be developed and put into operation in order to streamline internal procedures for responding to client requests, or to correct any deficiencies. Additionally, the costs of promotional activities will be evaluated and rationalized according to the ability to generate self-sustainable financing and institutional budgetary requirements.

i. The personnel system's performance evaluation system may need revision to assure that it accurately assesses the productivity of staff members, both technical and administrative, and provides appropriate rewards for those contributing the most to the new menu and activities. A system will also be needed to assess the results of tasks performed by ICAITI with client firms, not only in terms of satisfaction, but in terms of improved company performance (production, quality, sales, profits, etc.).

2. Inputs:

The support systems improvement component will receive an estimated \$543,400 of AID funds. About \$206,000 of this amount will be used for on-site advisory services (\$161,000) and training of managers and staff (\$45,000). \$25,000 will be used to purchase computer and communications equipment for financial systems, record-keeping, and business development efforts. Salaries, direct costs and overhead will require \$312,400.

II. PROJECT IMPLEMENTATION AND ROCAP INVOLVEMENT

A. Work Plans and Reporting

1. Within 30 days of approval of the agreement and prior to initial disbursement of funds, ICAITI will submit for ROCAP review and written approval a general, two-year implementation plan showing key milestones for each component, and a detailed work plan for the remainder of the 1988 calendar year. The work plan is to provide a summary of proposed activities and expenditures, with itemization of each component, its subcomponents and a quantification of the level of effort. The work plan will provide the basis for ROCAP approval of the CY 1988 budget.

2. ICAITI will implement and monitor the performance under this agreement to ensure that the work is progressing as planned and that targets are being met. Based upon this monitoring, ICAITI will prepare for ROCAP review and approval, quarterly progress reports which will include the following information:

- a. Comparison of actual accomplishments with the targets established for the period and reasons why targets were either exceeded or not met.
- b. When considered necessary, revised targets and justification for revisions.
- c. Any problems being encountered, and action being taken to resolve them.
- d. Financial information regarding expenditures and adequacy of remaining funds to meet targets.
- e. Other pertinent information as requested by ROCAP.

3. Additionally, on a semi-annual basis, detailed work plans for the coming six months should be presented with the quarterly report. These plans should be prepared following the guidelines given above for the initial work plan.

4. The schedule for presenting the quarterly reports and work plans will be as follows:

June 1, 1988 (approx.)	Initial work plan
October 15, 1988	First quarterly report and work plan for first semester of 1989
January 15, 1989	Quarterly report
April 15, 1989	Quarterly report and work plan for final semester of 1989
July 15, 1989	Quarterly report
Oct. 15, 1989	Quarterly report and work plan for first semester 1990
January 15, 1990	Quarterly report
April 15, 1990	Quarterly report
July 15, 1990	Final project report

5. The initial work plan should include a narrative to provide specific details about how the market assessments will be conducted and describing the role of outside technical assistance in this process.

6. ROCAP requires prior approval of work plans and budgets and any substantive changes ICAITI wishes to make in an already approved plan for a given period. ICAITI should ensure that plans are presented with sufficient lead time to permit ROCAP review and approval without creating delays in implementation. This also applies to the following activities which require prior written approval from ROCAP:

- a. Contracts for technical assistance and outside specialists (follow AID Handbook 11 Procurement Regulations and submit copy of proposed contract and scope of work prior to signing);
- b. Commodity purchases over US\$25,000, and any commodity purchases for lesser amounts not specified in approved work plans;
- c. The training plan (for training to receive ROCAP support, include: justification in terms of Agreement objectives; where training is likely to take place, personnel to be trained, costs to be covered by AID, and approximate dates); and
- d. All travel outside the region not specified in the training plan (or which would take place prior to its approval).

7. ICAITI shall present monthly reports on accrued expenditures and liquidations, with a summary page using a format consistent with that presented in the work plans. The monthly reports should serve as management tools to monitor expenditures against planned activities and budgets, and as such should facilitate the preparation of the progress reports and work plans. Requests for advances shall be presented quarterly.

B. Monitoring and Evaluation

1. During the initial weeks of project implementation, ROCAP and ICAITI will develop a limited set of key indicators of institutional change and of impact that are related to both service delivery and supporting systems. These indicators will be tracked during the life of the project as measures of the effective use of project resources, principally technical assistance and training. As technical assistance resources are brought into the project, the indicators may be refined. These should be measures that can be built into the daily work of the Institute, and that can be reported on a regular basis to the Director, division heads, and ROCAP. On a quarterly basis, the indicators will be jointly reviewed to see whether change is occurring at a satisfactory pace, and if not, what changes need to be made in the project.

2. In the fourth quarter of 1989, ICAITI and ROCAP shall jointly carry out a mid-term evaluation of the project with the primary objective of making adjustments in project design and implementation to improve results and the achievement of established objectives.

3. The evaluation should answer such questions as: What evidence exists to demonstrate that specific project objectives are being met? What project-financed activities have been most successful in terms of achievement of these objectives, and which have been least helpful? What processes should be improved or modified? Should the types of activities to be financed be revised? Is rescheduling necessary? What follow-on activities will be required (as part of a new project or otherwise)?

4. The scheduling of additional evaluations and planning for any second phase activities will be dependent upon the results of this mid-term evaluation.

C. Procurement

Upon approval of the Grant, ICAITI will solicit interest from industrial development institutions and productivity centers in the United States to submit proposals for providing technical assistance and training services to ICAITI on a long-term basis. Using normal AID Host Contracting procedures, ICAITI will select two or more qualified institutions and enter into Indefinite Quantity Contracts with these institutions to provide the required services. Individual contract procedures for acquiring other Technical Assistance and Training Services will follow normal AID contracting procedures.

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