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USAID GUATEMALA

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO GUATEMALA

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September 27, 1989

FEDEPRICAP
Apartado 539-1002
San Jose
Costa Rica

Subject: Cooperative Agreement No. 596-0149-A-00-9278-00
Amendment No. 1

Gentlemen,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, A.I.D. hereby amends the Cooperative Agreement in order to obligate the additional sum of U.S. $80,000, as outlined in Attachment No. 2, to provide funding for transportation activities (port tariff assistance) and women's entrepreneurial activities.

Accordingly cover letter and wherever else it appears total obligation amount is changed from $600,000 to $680,000.00.

Attachment No. 2, Program Description is amended to add the Program Description in Attachment No. 1 to this Amendment No. 1.

This Amendment is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning with the effective date and ending February 15, 1992.

Please sign the original and five copies of this letter to acknowledge receipt of this Amendment No. 1, and return the original and four copies to USAID/Guatemala.

Sincerely,

John P. McAvoy
Regional Agreement Officer

RECEIVED:

By:

Title: Executive Director

FEDEPRICAP
Dirección Ejecutiva

Date: October 3 1989

FISCAL DATA

Appropriation No.:	72-1191021
Budget Plan Code:	LDSA-89-25596-KG13
PIO/T No.:	596-0149-3-90019
Project No.:	596-0149
Total Estimated Agreement Amount	$1,450,000
Amount Obligated Prior to this Amendment:	$ 600,000
Amount Obligated by this Amendment:	$ 80,000
Total Obligated Amount:	$ 680,000

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PROGRAM DESCRIPTION
Amendment No. 1

Objective and Relationship to the Project

The objective of this Amendment to the Private Sector Initiatives Project is to provide additional resources to support expansion of FEDEPRICAP's work under the Project in (a) improving the cargo transportation system in the region, and (b) increasing the participation of women leaders in private sector-led development, especially in trade and capital mobilization.

These activities directly contribute to the Project purpose, which is to strengthen the Central American private sector's capacity to influence the direction of socioeconomic development in the region, and to increase the knowledge and participation of the private sector in the developmental process. Descriptions of these program areas under the Project are in Section III-C of the basic Cooperative Grant Agreement (sections on Transportation) and in the Project Paper Social Soundness section where it states that "FEDEPRICAP will make it a matter of policy to support activities and policies geared toward improving the position of women in and through development processes...broader involvement of women entrepreneurs is currently under development and will be implemented during the course of the Project."

A. Port Tariff Assistance

1. Introduction and Background

Excessive costs in the transport sector have become a major impediment for trade development between the the Central American countries and the rest of the world, especially with the United States. The problems include low productivity in cargo handling, delayed services on the routes, lack of rational systems for distribution of cargo and limited development of cargo collection points, complex management and administrative systems, labor-management conflicts, and laws and regulations that fail to promote greater efficiency or the adoption of new technologies. The ports of the region are particularly vulnerable to these problems. The solution of these problems require cooperation among the ports at the national level, with involvement of users and the government, as well as regional and international participation.

Among the actions to be taken to reduce the cost of international transportation and achieve cooperation among ports and with users, one of the most important is to revise and modernize the the current systems of port tariffs and charges. This activity will render direct and immediate benefits to both import and export enterprises in Central America. The activity will also serve as an

effective mechanism to define and later correct problems related to the financial viability of the ports, as well as their administrative structures, technologies, marketing alternatives, and investment planning.

Each of the ports in the region has a different combination of tariffs covering different items, units of measurement, and even nomenclature. The limitations of the present systems presented below can be characterized as common to all of the region's ports:

a. The ports lack accounting systems that provide exact data on operational costs differentiated by the various functions in the port, which constrains the ability to design tariffs based on real costs.

b. The majority of the ports have tariffs that have been derived from antiquated systems, and are not adapted to changes in shipping technology.

c. Some of the ports are relatively new and still have not developed appropriate cost accounting and tariff systems for their operations. In other instances, the ports have copied tariff and counting systems from neighboring ports which have completely different operating parameters.

d. In some of the older ports, there have been numerous ad hoc adjustments in response to immediate problems related to new operations, new equipment, or sudden inflation. The resulting tariffs are not consistent and do not reflect the real costs of services.

e. Some countries use port tariffs as a mechanism to collect revenue for broader purposes, and this distorts the charges for services, thus penalizing international trade.

f. Many port tariffs do not provide incentives for the efficient use of labor, installed facilities or equipment, and in the process, certain types of cargo are simply not channelled through the port. Examples of these tariff weaknesses can be found in all of the region's ports.

g. Given the many variations in the structure and nomenclature of the port tariffs in the region, it is difficult for users to compare the cost of different ports. As a result, there is widespread confusion with respect to the cost of transport for different routes. Although the charges don't have to be the same in each port, it should be possible for users to make a rational comparison among them.

The regional transportation study carried out by Parson Brinckerhoff identified port costs as one of the principal obstacles to increased Central American external trade.

Subsequently, the national and regional seminars on transportation carried out by FEDPRICAP and its members ratified the necessity to give priority attention to port services and tariffs. In response to this demand, the Federation has included in its Transportation Program work plan actions to improve the ports' charges and administration.

Therefore, following an assessment in each country of the port situation, FEDEPRICAP and ROCAP, with technical support of the Ports and Waterways Institute (PWI) of Louisiana State University and George Washington University, conducted the Executive Seminar on Port Tariffs in New Orleans on December 14-16, 1988. Attendees included managers of the principal Central American ports, and top government transportation officials.

This provided an opportunity for the officials to share views on port management problems, and to identify problems that could be treated regionally (such as the need to develop a common approach to tariffs and cost.accounting). They saw this as a chance to broadly improve port and shipping services on the basis of a known port cost structure. The objectives of the seminar were fully achieved: (1) to establish a mechanism for communication among the port authorities, (2) review port management problems, especially related to cost accounting and tariffs, and (c) develop a plan for technical cooperation in improving port services. The officials were also exposed to concepts of modern port tariff development and administration as tools for operational improvements and more rational port marketing and planning.

The strong interest on the part of FEDEPRICAP's member organizations, as well as of the import-export sector, resulted in a visit on the part of FEDEPRICAP's Transport Program Coordinator and the PWI Director to the ports in the region to develop a more detailed needs assessment for technical assistance in port tariffs.

The FEDEPRICAP members and port authorities have expressed their continuing interest in an early response to this need, including willingness to provide financial and in-kind support to the effort. This activity consists of the first stage of the technical assistance program, covering three of the six major ports.

2. <u>The Activity</u>

The <u>objective</u> ultimately is to improve the productivity of the ports, improving the quality of services to ships and users, thereby lowering the cost of services, and permitting comparisons among ports for movement of similar or different products.

The activity is regional in scope, and covers the four countries of Costa Rica, El Salvador, Guatemala and Honduras. However, given the differing development and financial situations of the ports, and the complexity of the PWI assistance, the activity has been divided into two stages.

The first stage includes the modernization of the tariff structures in three ports:

Santo Tomas de Castilla, Guatemala;
Puerto Cortez, Honduras, and
Puerto Limon, Costa Rica.

Based on the results obtained in the first stage, a decision will be made regarding continuing to the second stage, and working with the ports of Caldera in Costa Rica, Acajutla in El Salvador, and Quetzal in Guatemala.

In the ports of Santo Tomas and Limon, the current tariff structure will be analyzed and improvements proposed, with the target of establishing a modern tariff/accounting systems in accordance with the work plan shown below.

In Puerto Cortez, given that tariff structure improvements are already under way, the advisors will work on harmonizing the tariff structure with others in the region, and will train the port's administrators in more refined cost accounting/tariff techniques.

FEDEPRICAP has selected PWI as the entity with the most known experience in marine transport, ports and navegation management, and with a solid basis of knowledge of Central American ports based on its past work with the ports and with COCATRAM, the Central American Regional Marine Transport agency. Further information on PWI is available from FEDEPRICAP and ROCAP.

The methodology of the activity will focus on tariff modernization aimed at improved efficiency in the use of piers, storage facilities and cargo handling equipment, thereby reducing the delays affecting port users. The changes will also be aimed at increasing the revenues from use of facilities and equipment to allow their improvement and/or replacement. Special attention will be given to the effects on tariffs of labor (stevedore) costs. Working together with port officials, the advisors will prepare an action plan for implementating changes in cost accounting and tariffs; a formal proposal of changes to be presented to the port authority boards; followed by work to install the changes. It is estimated that this effort will require one year, allowing for government approvals and negotiations with stevedoring organizations.

A typical work plan will include:

a. Develop a better accounting structure to analyze and report costs, the basis for cost control and tariff revisions.

b. Prepare the stages of implementation of the improved system, working with local accounting firms or port employees, including more effective use of data processing equipment. In this latter task, existing information will be analyzed, then intensive discussions with port technicians and managers will be held to review problems and solutions and establish targets for an improved information system for tariff administration.

c. The cost structure will be reviewed to determine aggregation levels, effective budgeting, cost control, and appropriate charges for each operation in the port.

d. A series of accounting reports will be defined, including their formats and appropriate frequency and distribution. These will provide data to measure the prouctivity of the port, including deviations from desired performance in graphic form, showing trends in the port's operations, and their relationship to the tariff structure.

e. Examine ways of separating the costs of other development activities financed from port revenues, and finding alternative ways of funding them.

The duration and timing of key events for this stage will take one year, including visits by advisory teams as follows:

a. Initial visit to each port by a PWI financial analyst and accounting analyst to collect information and develop a detailed work plan with the counterparts (a report for the port and FEDEPRICAP will be prepared).

b. With assembled and analyzed data, the team will visit again to develop the detailed analysis of cost accounting and the proposed tariff changes, and to prepare the proposal of changes and a preliminary plan of implementation/training activities. This will be in the form of a report to the port and FEDEPRICAP, to be approved for implementation by the port's maximum authorities.

c. The third visit of the team will be to discuss revisions in the proposal, and work with a local accounting firm and/or port staff to carry out the plan.

d. The fourth visit will be to finalize the implementation of the changes and to conduct the training activities to maintain the improved system.

During the course of these visits, PWI experts will also note and report other port management improvements that would be beneficial to improved port efficiency, and propose these for additional work under the FEDEPRICAP-PWI contract if appropriate.

Local commitment and followup will be provided by FEDEPRICAP, its affiliates, and the port authorities. The work of local accounting firms will be financed out of counterpart funds to be provided by the port authorities in each country. These funds have been promised in principle by each port, with firm commitments and budget estimates to be required by FEDEPRICAP once the A.I.D. funding is in place. Followup and monitoring of the PWI team's work in each country will be carried out by the FEDEPRICAP affiliates, under the overall program monitoring of FEDEPRICAP's Regional Coordinator for Transportation. All major reports will be copied to ROCAP for information, and for use in reviews of achievements under the Private Sector initiatives Project.

3. Financial and Implementation Plan

Attachment 2 provides a detailed budget breakdown, summarized as follows:

Summary Budget - Ports Assistance First Stage
(US$)

PORT	FEDEPRICAP/ROCAP	COUNTERPART	TOTAL
Santo Tomas	29,171	7,292	36,463
Cortez	19,400	7,148	26,548
Limon	31,429	7,857	39,286
TOTAL	80,000	22,297	102,297

This estimate is based on a PWI cost proposal provided to FEDEPRICAP.

FY 1989 funding by ROCAP will be $59,000, with the balance to be funded in FY 1990.

In order to contract with PWI, FEDEPRICAP as the lead entity, along with its member organizations (CAEM/Gremial de Exportatores in Guatemala, COHEP/FEPROEXAH in Honduras, and CINDE-CAAP in Costa Rica) will sign an agreement containing the activity in this description. All funds will be channelled through FEDEPRICAP. The payment plan to PWI will include a 10% payment on signing of the contract, followed by four progress payments as trips (and reports)

are completed (totalling 80%), and 10% on successful completion of the first stage. The payments will be made following approval by the cooperating entities in consultation with the FEDEPRICAP Transport Program regional coordinator, who will provide monitoring, supervision and final approval of PWI's work and payments.

The 12 visits (four to each port) will take place on the following schedule:

PORT	MONTH											
	1	2	3	4	5	6	7	8	9	10	11	12
Santo Tomas		x				x			x		x	
Cortez		x				x			x		x	
Limon			x				x			x.		x

B. Women of Our Hemisphere

1. Introduction and Background

During the past two years, FEDEPRICAP has, in cooperation with private and governmental groups in the U.S. and Central America, participated in bringing together groups of businesswomen and feminine leaders to develop personal contacts and possible business opportunities to improve trade between the U.S. and Central America. Women of the Hemisphere Achieving Together was conceived by Ambassador Holly Coors during her appointment as U.S. representative to the National Year of the Americas (1987). She envisioned bringing together businesswomen from the Americas and encouraging them to learn from one another. These entrepreneurs came together for the first time in Guatemala in September, 1988. A group of 25 women from the U.S. and 26 from Central America met to discuss ways in which they could cooperate for the betterment of their nations. The Central Americans included owners of exporting manufacturing enterprises, tourism executives, leaders of private foundations concerned with social development, the founder of a private university, and a national museum curator.

Following that first encounter, several partnerships among the Central Americans and with North Americans were formed. A group of Salvadoran women met back in their country to form a women's business development foundation. A leading commercial artist from the U.S. will be teaching a two-week workshop at a private university in Honduras. A woman working in social development in the Guatemalan highlands is now receiving donations for her projects through a woman from the U.S. Other Central American women have used these occasions to exchange models of management, establish advisory relationships on debt-swap opportunities, and gain access to efficient technologies for use in development.

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The group met again during the annual Miami Conference in December, 1988 and again in May of '89. The group continues to strengthen its cooperation and network and is scheduled to come together for the fourth time in Washington, D.C. in late September.

2. The Activity

As part of its program commitment to further develop the role of businesswomen in its activities, FEDEPRICAP will finance the attendance of up to 15 women from the region at a conference for entrepreneurial women being conducted in Washington D.C. The Project will finance their travel, per diem, and conference fee.

Each participant will be asked to provide a summary report to FEDEPRICAP on the learning they have derived from this encounter and the ones that preceded it; on followup actions they expect to take that will improve women's participation in trade, capital mobilization; and on other efforts to increase women's participation in private sector actions on development. At a roundtable discussion to be held in Washington, the Central American group will explore future actions to strengthen their cooperation in the region, and to have increased influence in the FEDEPRICAP/member organizations' deliberations. The options may include forming a women's branch of FEDEPRICAP with affiliated groups in each country, or forming plans to involve more women in the existing FEDEPRICAP network. At this meeting, the expectation is that views on these and other options will be aired, and followup steps to be taken back home decided upon.

3. Financial and Implementation Plan

The cost of this activity is estimated at $21,000. The detailed estimate is provided in Attachment 2. FEDEPRICAP will purchase tickets and issue per diem checks from its ROCAP project account, and voucher the amounts on its normal liquidation procedure.

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DETAILED BUDGET ESTIMATE
Port Tariff Assistance

Puerto Cortez/Honduras

Personnel	Amount	Cost (US$)	Total Grant Cost
Project Manager	0.5 person-month(s)	5,400	
Financial Analyst	1.5 person-month(s)	3,000	
Marketing Analyst	1.0 person-month(s)	3,600	
Benefits (21.5%)		2,580	
	Sub-Total	14,580	
Travel/Per Diem			
International Travel	4	2,000	
Local Travel	4	200	
Per Diem (person days)	40	3,800	
	Total Direct Costs	20,580	
	Total Indirect Costs (29%)	5,968	
	Total Cost	26,548	

Puerto Santo Tomas de Castilla/Guatemala

Personnel	Amount	Cost (US$)	
Project Manager	0.5 person-month(s)	3,000	
Financial Analyst	3 person-month(s)	9,000	
Cost Analyst	2.5 person-month(s)	5,700	
Benefits (21.5%)		3,816	
	Sub-Total	21,566	
Travel/Per Diem			
International Travel	4	2,000	
Local Travel	4	200	
Per Diem (person days)	40	3,800	
Communications		700	
	Total Direct Costs	28,266	
	Total Indirect Costs (24%)	8,197	
	Total Cost	36,463	63,011

Puerto Limon/Costa Rica

Personnel	Amount	Cost (US$)	Total Grant Cost
BROUGHT FORWARD			63,011
Project Manager	0.5 person-month(s)	3,000	
Financial Analyst	3.0 person-month(s)	10,800	
Cost Analyst	2.5 person-month(s)	5,750	
Benefits (21.5%)		4,204	
	Sub-Total	23,754	
Travel/Per Diem			
International Travel	4	2,000	
Local Travel	4	200	
Per Diem (person days)	40	3,800	
Communications		700	
	Total Direct Costs	30,454	
	Total Indirect Costs (29%)	8,832	
	Total Cost	39,286	102,297

DETAILED BUDGET ESTIMATE
Women of Our Hemisphere

Each participant requires the following:

Airfare from Guatemala !
El Salvador !
Honduras ! to Washington, DC and return
Costa Rica !

Average airfare $700 per person X 15 =	10,500.00
Perdiem 4 days per person X $121.00 = $484 X 15 =	7,260.00
Misc. expenses ($100 each for taxis, airport fees)	1,500.00
Registration $100 X 15	1,500.00
TOTAL	$20,760.00
Rounded to	21,000.00

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