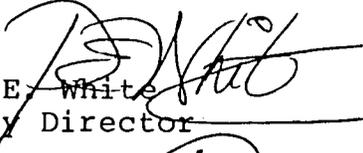
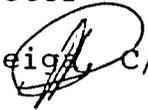


ACTION MEMORANDUM FOR THE DIRECTOR

THROUGH: Paul E. White  May 3, 1989  
Deputy Director

FROM: Felipe Manteiga  C/OPED

SUBJECT: Request for Approval for Further Development of the Entrepreneurial Development Project No. 520-0380 (OPG)

Reference: International Executive Service Corps (IESC) Proposal of November 30, 1988 (attached) to provide technical assistance to small and medium size firms (TA/SME) and to implement the Trade and Investment Services/Guatemala program.

Problem: Your approval is required for further development of subject project based on the proposal in reference which constitutes the equivalent of a Project Identification Document (PID).

Background: On November 30, 1988, IESC submitted the proposal in reference to consolidate and strengthen two previously submitted proposals regarding Technical Assistance and the newly created Trade and Investment Services (TIS) component for small and medium enterprises in Guatemala.

Discussion: The information provided below establishes what purpose is to be achieved by the proposed project, provides a description of its principal activities, identifies intended beneficiaries and provides preliminary financial data:

Project Purpose and Description

IESC proposes to undertake a three-year program which will increase levels of employment, income, productivity and economic growth in Guatemala by offering specialized technical assistance to privately-owned productive enterprises, and by stimulating the demand for and the supply of venture and trade/investment opportunities in the country.

Action Memorandum for the Director  
May 3, 1989  
Page 2 of 4

The proposed project will have national coverage and comprise the following activities:

- Specialized Technical Assistance.- The provision of technical expertise to local firms for: a) Establishing cost-effective ways of improving access to new markets, technologies, and opportunities in fields such as product design and industrial engineering; b) Developing improved management/financial systems and business practices for the efficient delivery of goods and services; and c) Increasing their ability to formulate marketing strategies and to sell goods and services in domestic and external markets.

This activity intends to continue and further develop IESC's existing A.I.D.-supported technical assistance program in Guatemala. The economic, financial and sociocultural feasibility of this program has been demonstrated by the successful and high quality performance of IESC under the Private Sector Development Coordination Project No. 520-0337.

- Trade and Investment Services/Guatemala.- This new activity will comprise:

1. The establishment of an in-country TIS unit dedicated to identification and packaging of local investment/trade opportunities, and targeted to strengthen a competitive manufacturing sector by addressing constraints affecting key industries (e.g., agribusinesses, chemicals, plastics, transportation, metal-mechanics, and tourism). The TIS/Guatemala Unit will have a sister unit in Stanford, Connecticut dedicated full time to support the in-country TIS program. The U.S. unit is funded under a separate cooperative agreement between IESC and AID/Washington.

2. The establishment of collaborative ventures between small and medium Guatemalan and U.S. enterprises, including: a) Partner identification; b) Location of resources; c) Technology search; d) Linkage with intermediaries (e.g., consulting firms, financial institutions and law firms); and e) Research and development.

The genesis of the TIS/Guatemala program were the IESC Joint Venture (JV) and the American Business Linkage Enterprise (ABLE) programs for Guatemala during the period 1985-88. These programs demonstrated the value of IESC's assistance for promoting joint ventures and co-ventures, and proved the feasibility of carrying out the TIS/Guatemala program.

Conformity with GOG/USAID Strategy

The proposed project is consistent with the GOG priority development needs and strategy that combines sustained economic growth with a comprehensive program of social investment that ensures the distribution of such benefits. Achieving sustainable and participatory economic growth requires an expansion of exports, especially nontraditional exports through diversification, increased productivity and opening new markets.

The proposed project also contributes directly to the Mission's strategy to promote private sector-led sustained economic growth that will produce expanded employment opportunities and higher incomes. The proposed project also supports the Mission's objective of strengthening and expanding the private sector by reinforcing the capacity of Guatemalan firms which have limited capital and/or other resources to establish linkages with foreign partners, and by providing technical assistance and other inputs to small and medium enterprises.

Beneficiaries

The primary beneficiaries of the proposed project will be approximately 200 small and medium scale businesses. Other beneficiaries will include businesses which will engage in sub-contracting arrangements, and their management and project-related personnel whose capabilities will be upgraded through exposure to project activities.

Financial Requirements

The total cost of the proposed project is approximately \$6.6 million over a three-year period. Of these funds, an estimated \$1.25 million (approximately 20% of the total cost) would be contributed by USAID/Guatemala, and the rest would be provided by business clients of IESC and by IESC itself. An illustrative budget of the Mission's contribution is broken down as follows:

1.	Technical Assistance	\$970,000
2.	TIS/Guatemala Program	<u>280,000</u>
	Total	\$1,250,000

Mission Review

Per Mission Order 13.2, a Project Development Committee, which included PRM, PDSO, ORD and O/PED, reviewed the IESC proposal. The Committee believes the proposal constitutes the equivalent of a PID. Upon your approval of this Action Memorandum, the Committee will issue guidance to IESC for further development of its proposal so that it represents a Project Paper (PP) equivalent document. The PP equivalent proposal will be reviewed by the Mission's Project Development Committee. The Committee's final recommendation for project authorization will be made to you after completing its review of the revised proposal.

Delegation of Authority

A New Project Description for this project was approved by AID/W via State cable 136184 of May 2, 1989, whereby AID/W concurred with Mission approval of the PID and PP.

Recommendation

That you approve the proposal as a PID equivalent document, and that you authorize IESC to present to the Mission a revised proposal for the development process for the Entrepreneurial Development Project No. 520-0380 by signing below. This revised proposal will constitute the PP equivalent required for project authorization.

Approved:

  
\_\_\_\_\_  
Anthony J. Cauterucci  
Director

5/9/89  
\_\_\_\_\_  
Date

Disapproved:

\_\_\_\_\_  
Anthony J. Cauterucci  
Director

\_\_\_\_\_  
Date

Attachment: IESC Proposal of November 30, 1988

Drafted by: RMejia-Robleda, O/PED RM Date 03/07/89

Cleared by:

PDSO: JLombardo OK  
PRM: TKellermann in draft  
ORD: RTsuji in draft  
CONT: Aakers in draft  
C&SO: JMcAvoy in draft

Date 5/8/89  
Date 03/16/89  
Date 03/08/89  
Date 03/17/89  
Date 03/17/89