

PD-ABC-112

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

EL SALVADOR

PROJECT PAPER

RURAL ENTERPRISE DEVELOPMENT II

AID/LAC/P-551

Project Number: 519-0382

UNCLASSIFIED

PROJECT DATA SHEET

A C = Change
D = Delete

2. COUNTRY/ENTITY: El Salvador/TechnoServe
 3. PROJECT NUMBER: 519-0382
 4. BUREAU/OFFICE: Latin America/Caribbean (LAC) 05
 5. PROJECT TITLE (maximum 40 characters): Rural Enterprise Development II
 6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY
 7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4):
 A. Initial FY 90 B. Quarter 3 C. Final FY 92

8. COSTS (\$000 OR EQUIVALENT \$1 = 9.05)

A. FUNDING SOURCE	FIRST FY 90			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total (Grant)						
(Loan)	(4,500)	()	(4,500)	(6,500)	()	(6,500)
Other U.S. 1. TechnoServe	165		165	567		567
2. Host Country		420	420			
Other Donor(s)					1,000	1,000
TOTALS	4,665	420	5,085	7,067	1,000	8,067

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	200	030				6,500		6,500	
(2)									
(3)									
(4)									
TOTALS						6,500		6,500	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 220, 240, 840, 920
 11. SECONDARY PURPOSE: 240
 12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each):
 A. Code: BS B. Amount: COOP PVOII

13. PROJECT PURPOSE (maximum 480 characters):
 The purpose is to develop self-managed enterprises and assist institutions which service these enterprises. The goal is to increase rural employment, income and production.

14. SCHEDULED EVALUATIONS: Interim MM YY 05 92 Final MM YY 02 94
 15. SOURCE/ORIGIN OF GOODS AND SERVICES: 000 941 Local Other (Specify) El Salv.

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment)
 I certify that the methods of payment and audit plans are in compliance with payment verification policy.

Signature: Frank Breen, A/CONT
 USAID Mission El Salvador

17. APPROVED BY: Henry H. Bassford, Mission Director
 Date Signed: MM DD YY 12/21/90
 18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/AMENDMENTS, DATE OF DISTRIBUTION: MM DD YY

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.

PROJECT AUTHORIZATION

Name of Entity:	TechnoServe
Name of Project:	Rural Enterprise Development II
Number of Project:	519-0382

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Rural Enterprise Development II Project, entailing a Cooperative Agreement with TechnoServe and involving a total planned obligation of not to exceed SIX MILLION FIVE HUNDRED THOUSAND United States Dollars (US\$6,500,000) in grant funds, subject to the availability of funds in accordance with A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the project is four years from the date of the initial obligation.

2. The project consists of providing technical assistance and training in production, accounting and financial management, marketing and social development to cooperatives in the land reform (Phase I and III) and non-reformed sectors in order to improve their management and profitability. The purpose will be to develop self-managed enterprises and assist institutions which service these enterprises. The beneficiaries of the project will be 50 cooperatives (15 at the beginning of the period plus 35 to be added). Assisted cooperatives will be those that have the potential of becoming "self managed".

3. The Cooperative Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the applicable Standard Provisions for U.S. Grantees and U.S. Sub-Grantees.

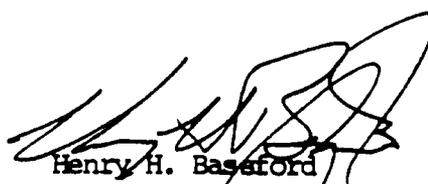
A. Source and Origin of Procurement of Commodities and Other Services

Commodities and services financed by A.I.D. under the Project shall have their source and origin in the United States and El Salvador.

B. Conditions Precedent to Disbursement

Prior to initial disbursement of funds under this Cooperative Agreement, the Grantee will, except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

1. A statement of the name of the person(s) empowered in TechnoServe and empowered to act for TechnoServe with reference to the A.I.D. Agreement, along with a specimen signature of such person(s); and
2. Evidence that TechnoServe has established a separate account to control the receipt and disbursement of A.I.D. grant funds.



Henry H. Basford
Director
USAID/El Salvador

Drafted by:	PRJ:SNovellino (draft)	Date	05-16-90
Clearances:	PRJ:TLandau (in draft)	Date	05-17-90
	PRJ:DKennedy (in draft)	Date	05-21-90
	RDO:Kellis (in draft)	Date	05-24-90
	ACONT:FBreen	Date	6/1/90
	CO:LKMcGhee (in draft)	Date	05-31-90
	DPP:TMcKee	Date	6/4/90
	DDIR:RCArchi	Date	6/5/90

4975B

b'

ACTION AID2 INFO AMB DCM ECON

VZCZCS40806
PP RUEESN
DE RUEEC #8627 1702110
ZNR US000 225
R R 192116Z JUN 90
FM SECSTATE WASHDC
TO RUEESN/AMEMBASSY SAN SALVADOR PRIORITY 0202
INFO RUEESJ/AMEMBASSY SAN JOSE 8449
BT
UNCLAS STATE 198627

LOC: 144 227
19 JUN 90 2111
CN: 37269
CRG: AID
DIST: AID

USAID/AMEMBASSY
No. **027000**
C + R
Date: JUN 20 1990

AIDAC SAN SALVADOR FOR LANDAU, SAN JOSE FOR

E.C. 12300: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR RURAL ENTERPRISE DEVELOPMENT II PROJECT (TECHOSERVE, 519-0382)

ROCAP FOR ZADROGA

ACTION COPY

1. LAC DEPUTY ENVIRONMENTAL OFFICER J. WILSON HAS REVIEWED AND MADE A NEGATIVE DETERMINATION FOR THE SUBJECT PROJECT. THIS NEGATIVE DETERMINATION WAS BASED ON POTENTIAL IMPACTS ARISING FROM PROJECT COMPONENT THAT PROVIDES TECHNICAL ASSISTANCE AND SUPPORT TO AGRICULTURAL COOPERATIVES AND FARMERS FOR CROP PRODUCTION AND PROTECTION ACTIVITIES, POSSIBLY INCLUDING PESTICIDE USE. FOR THIS REASON, THE PROJECT DOES NOT QUALIFY FOR THE CATEGORICAL EXCLUSION RECOMMENDED BY THE MISSION.

ACTION TO: **PRJ**
ACTION DUE: **6/25**

2. NO FURTHER ENVIRONMENTAL ANALYSIS NEEDS TO BE UNDERTAKEN, UNLESS THE NEED ARISES FOR THE PROJECT TO BECOME DIRECTLY OR INDIRECTLY INVOLVED IN ASSISTANCE FOR THE PROCUREMENT OR USE, OR BOTH, OF PESTICIDES. CONDITION MUST BE PLACED IN PROJECT AGREEMENT THAT NO FUNDS WILL BE USED FOR THE PROCUREMENT OR USE OF

Info:	ECON	AREA
DIR	PRJ	PROJ
DCR	FIN	CF
EXO	CONT	PRJ
AMC	CFI	CF
DPO	IFD	AMC
PRJ	PROJ	ECON
AMC	PROJ	PROJ

PESTICIDES WITHOUT FIRST CONDUCTING AN ENVIRONMENTAL ASSESSMENT FOCUSING ON PESTICIDE USE, ON A CROP BY CROP BASIS, AND HAVING IT APPROVED BY THE LAC BUREAU ENVIRONMENTAL OFFICER, AS REQUIRED BY A.I.D. PESTICIDE PROCEDURES, 22 CFR PART 216.3(B).

Subject: **TEE decision**

3. THE NUMBER IS LAC-IEE-90-32. COPY OF ENVIRONMENTAL THRESHOLD DECISION IS BEING POUCHED TO MISSION FOR INCLUSION IN PROJECT FILES. BAKER

ACTION TAKEN **noted & filed**

BT
#8627

DATE: **6-21-90**
INITIALS: **SDH-PRJ**

NNNN

RECEIVED

20 JUN. 1990

P.R.J

TechnoServe



TNS/AID COOPERATIVE AGREEMENT FOR
FUNDING PERIOD: APRIL 1ST, 1990
THROUGH MARCH 31ST, 1994
PROJECT TO INCREASE EMPLOYMENT,
INCOME AND PRODUCTION IN EL SALVADOR
THROUGH THE DEVELOPMENT OF SELF-HELP
ENTERPRISES AND ASSISTANCE
TO LOCAL INSTITUTIONS.

RECEIVED BY OFFICE
OF PROJECTS
'90 MAR 29 PM 3 59
USAID/SAN SALVADOR

SAN SALVADOR

MARCH 1990.

TechnoServe



148 EAST AVENUE
NORWALK, CONNECTICUT
06851-5721
U. S. A.

(203) 852 0377
CABLE ADD.: TECHNOSERVE - TELEX 965-981

PROJECT TITLE:

TOTAL OPG REQUEST:

PROJECT LOCATION:

PVO NAME AND LOCATION:

CENTRAL HEADQUARTERS:

CONTACT PERSON:

DATE OF SUBMISSION TO AID:

81 AVE. NTE. Y 11 CALLE PTE.
No. 4216
COLONIA ESCALON
SAN SALVADOR

TEL. 24-0475 /24-5734 /24-5368
FAX. 23-4060

TNS/AID COOPERATIVE AGREEMENT FOR
FUNDING PERIOD: APRIL 1ST, 1990
THROUGH MARCH 31ST, 1994
PROJECT TO INCREASE EMPLOYMENT,
INCOME AND PRODUCTION IN EL SAL-
VADOR THROUGH THE DEVELOPMENT OF
SELF-HELP ENTERPRISES AND AS-
SISTANCE TO LOCAL INSTITUTIONS.

US\$ 7,108,000

EL SALVADOR, CENTRAL AMERICA

TechnoServe, Inc.
Apartado Postal (05) 38
San Salvador, El Salvador
Central America

TechnoServe, Inc.
148 East Avenue
Norwalk, CT. 06851-5721, USA

F. Lino Osegueda J.
Country Program Director
El Salvador

Gerald L. Schmaedick
Vice-President/Latin America
Division

March, 1990

2

TABLE OF CONTENTS

<u>CHAPTERS</u>	<u>PAGE NO.</u>
I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	3
A. <u>General Background</u>	3
1. Background at Country Level	3
2. TechnoServe's General Background	5
B. <u>Project Rationale</u>	17
III. PROGRAM STRATEGY	19
A. <u>Strategies for Enterprise Development</u>	19
B. <u>Institutional Assistance</u>	22
C. <u>Replica and Dissemination</u>	24
IV. RURAL ENTERPRISE DEVELOPMENT PROJECT	25
A. <u>Project Purpose and Description</u>	25
1. Goal and Purpose	25
2. Objectives	25
3. Beneficiaries	26
4. Selection Criteria	30
5. Assumptions	31
6. Project Components	32
7. General Scheme of Technical Assistance	32
8. Projection of Effort Distribution by Assistance Component	35
9. Classification of the Assistance	41
B. <u>Project Analysis</u>	42
1. Economic Social and Financial Effects and its Relationship with Government Policies.	42
2. Statement of the Technology	44
3. Statement of the Pertinent Socio Cultural Factors and Implementing Agency Environment	45
4. Statement of the Project Relationship	45
5. Self Management Plan	46
6. Measurement and Evaluation of Project Accomplishment	46
7. Output Indicators	47
8. Methodology Followed in the Projection of Indicators	48

C.	<u>Staff and Budget</u>	54
1.	Staff	54
2.	Program Cost and Financing	59
3.	Project Cost by Activities and Main Components	64

V. APPENDIX



I. EXECUTIVE SUMMARY

TechnoServe has been recipient of USAID/RDO grants to carry out works related to the improvement of agriculture production and productivity, with the ultimate purpose of improving the beneficiaries income, mainly campesinos who become or are entrepreneurs. Most of the work and experience derived is with Cooperative-Enterprises. The work and management of TechnoServe is known by the local Mission.

Recently, an evaluation was carried-out by CHECCHI under AID request. Findings and recommendations were presented to USAID/RDO El Salvador Mission and meetings were held thereafter between RDO and TechnoServe Officers for the purpose of this new grant request.

The purpose of this project is to increase rural employment, income and production through the development of self-help, self-managed enterprises of the rural sector and assistance to strengthen local institutions which service these enterprises, including those of the reformed and the traditional sectors. Institutions may be GOES or private.

El Salvador's economy and social development still depends on the agriculture sector. Out of the total land area of 2,080,000 hectares, or 20,800 sq. kilometers, 1,500,000 hectares are dedicated to forest land, natural parks and agriculture. Cultivated and arable land is estimated in 1.2 million Has. Coffee continues as the main labor generating agricultural activity and export crop. Other important areas are sugarcane, cattle and seafood products.

In 1980 the initiation of the Agrarian Reform affected about 20-23% of the arable land and near 30,000 peasants-workers were transferred the responsibility to manage the expropriated farms, highly influenced by GOES institutions. After 10 years, there are a lot of experiences and lessons learned. There are examples of successes and failures and in between results.

There are new intends in the GOES to make necessary corrections and identify new ways of doing things, including strategies and methods which relates to structures, organizations, institutions involvement, members or beneficiaries participation, policies, etc., as a means to achieve the social and economic purposes of agrarian reform and all other activities related to the more balanced, sound development of the agriculture sector.

TechnoServe, as recipient of AID/El Salvador Mission support, has been conscious of its role. For the last 15 years at the local level, has dedicated all its efforts in the process of rural enterprise development as one of the means to achieve social and economic improvement, not only for the owners and workers of the enterprises assisted, but to members in the community as well. The size and complexity of the groups assisted

has reached levels of national impact in the reformed sector up to 1988, ranging from 25-27% of the total land area cultivated with coffee, 52% rice and about 60% with henequen.

This request is based in the 1990-1994 TechnoServe's Strategic Plan presented to AID, as well as AID evaluation recommendations for the last Cooperative Agreement and other adjustments related to our Program strategies to broad up our scope and impact in El Salvador's social and economic development, through the rural enterprise assistance and institutional support.

It is estimated that the coffee production influenced by TechnoServe may move from 1.0 to 1.3 million cwt., for the 1990/91 year, with 27% of the national areas cultivated with coffee under TechnoServe influence, the estimated production will be 37% of the total national production. During the 4 year period, the project would have an influence in the production of several commodities having a value of approximately US\$450 million (at current prices). This production would come from directly assisted cooperatives, as well as enterprises organized under federations or organizations.

Yields per unit of land are expected to increase after 2 to 3 years of assistance as estimated in Chapter IV of this document. In addition, during the proposed period April 1, 1990/March 31, 1994 of this project, employment for near 52,000 persons/year are estimated to be either sustained or newly created in the 51 cooperatives/enterprises to be directly assisted by TechnoServe. The impact should be higher via the indirectly assisted cooperatives related to the institutions mentioned in the purpose of the project.

Total cost for Operation Budget and In-Kind Contribution for the period April 1, 1990 through March 31, 1994 is US\$8,440,000. Including cost for Capital Expenditures (CE) of US\$308,000 and Program/Project Evaluation cost of US\$50,000 in 1992, the total Project Cost is estimated at US\$8,798,000.

Because of the current economic and social conditions in El Salvador and the difficulties in raising local money, mainly as In-Kind and project fees at devaluated exchange rates, TechnoServe kindly requests to USAID/RDO El Salvador Mission an 80% of the total cost, as presented in Chapter IV.

Total amount requested to USAID/RDO El Salvador Mission is US\$6,750,000 for operation budget, rounded figures and US\$308,000 for CE, for a total grant of US\$7,058,000. Including the project evaluation cost in 1992 estimated at US\$50,000, total AID contribution would be US\$7,108,000.

TechnoServe Contribution will be US\$744,000 and the In-Kind US\$946,000, for a total match of US\$1,690,000.

II. INTRODUCTION

In August 17th, 1989, TechnoServe formally expressed to AID/RDO its purpose to present a funding request to continue working in the Rural Enterprise Development Program which has been the field of TechnoServe's expertise over the last 14 1/2 years in El Salvador.

Since AID-TechnoServe ongoing Cooperative Agreement for the period May 28/86 - March 31/90 was to be evaluated by AID, the discussion and final preparation of the funding request was postponed until the evaluation was carried out and its findings and recommendations were known.

The evaluation was finally conducted by a highly professional team integrated by Checchi & Co. and the first draft of the paper was available by November 6, 1989. Because of known circumstances in November and December/89, a final document was not available until January/90 for the local AID/RDO Mission. Findings and recommendations have been discussed and analyzed with TechnoServe and fit into the latest strategies and Program's focus in the area of Rural Enterprise Development as stated in TechnoServe El Salvador Strategic Plan for the period 1990-1994. Thus, TechnoServe agrees to continue working with the support of AID El Salvador Mission, with continuous and acceptable adjustments in the strategies and methodologies as related to the evaluators recommendations and findings, TechnoServe own focus and AID suggestions.

A. General Background

This section presents a summarized description of both, at country level and a TechnoServe background and how the work done by TechnoServe relates to policies addressed to the improvement of rural enterprises which in turn will support and improve the economy and the social well-being of salvadorans. Also, some of the internal and external factors that may influence the project in which TechnoServe's assistance has an important role, are also considered.

1. Background at Country Level

Agriculture continues being the main source of employment generation and export income and basically most of the national economy depends on this sector. About 75 percent of the total country area is related directly to agriculture. Land for agriculture and forestry amounts to 1.5 million hectares (3.7 million acres or 6,000 square miles). About 80% may be considered as real agricultural land, most cultivated with coffee, sugarcane, grain crops and grazing land. In the last ten years there has been a decreasing use of land area because of political problems and low international market prices for El Salvador traditional

export crops, among others. This trend is also influenced by poor management in most of the farm enterprises in the country; however, this may gradually change with a sound program. TechnoServe agrees with the evaluation team considerations such as: "Agriculture currently provides approximately 30 percent of El Salvador's GDP, 75 percent of its foreign exchange earnings, and 50 percent of its employment. Foreign exchange earnings from the sector (largely coffee, cotton, and sugarcane) traditionally have financed much of El Salvador's economic development, while taxes on coffee, the country's primary agricultural commodity, continue to constitute a major source of public revenues. It is commonly considered that the quality of life for two thirds of the nation is strongly predicated upon the state of economic affairs in the agricultural sector.

The land distribution pattern in El Salvador historically has been among the most inequitable in the Western Hemisphere. As the pressure for change grew during the 1970's, access to the land was recognized as a critical constraint to social, economic and political progress. One of the first, and perhaps the most controversial actions of the new government in 1979 was the sweeping agrarian reform. To date, the reform has redistributed about 25 percent of the farmland in El Salvador to former rural laborers, renters and sharecroppers.

Phase I of the agrarian reform program was launched in 1980 and affected approximately 469 properties pertaining to landholdings greater than 500 hectares. These properties, predominantly in coffee, cotton, sugarcane and cattle production, were essentially converted overnight into collective production cooperatives. Under this model, the cooperative is the owner/operator of the land and infrastructure, and the former laborers as a group manage the enterprise, provide all or a major share of the labor force utilized, and share in the income in accordance with the labor they have provided. Approximately 220,000 hectares were redistributed under Phase I to approximately 30,000 rural and farm families. The GOES has incurred very high costs in providing management, technical, and credit assistance to these cooperatives with what appear to be only mixed results to date.

A major limitation on cooperative self-management continues to be the high percentage of illiteracy found among the rural population. The continuing political instability and violence associated with current political and social unrest also tends to have a very adverse impact on the risks and uncertainty of all economic endeavors in most rural areas of the country."

TechnoServe, in an effort to achieve the corporate objective of improving the social and economic well-being of low income people through enterprise development, has found that its methodologies and strategies may help El Salvador overcome some of the problems detected in agriculture, by improving enterprise

management and transferring to the beneficiary groups the highly needed "know how" in the various functions and areas of enterprise development, with the essential active participation of the membership and the training of the staff at the middle management level, identified as paratechnicians.

2. TechnoServe's General Background

TechnoServe was incorporated in 1969 under New York State Law. TechnoServe programs are supported by contributions from churches, foundations, corporations, individuals, as well as project fees which consist of sums agreed upon with project sponsors as payments for certain TechnoServe's expenses incurred in providing assistance. Additional support comes from host country institutions, the U.S. Agency for International Development and other development institutions.

What is TechnoServe?

TechnoServe is a non profit corporation. The Central Office is located in Norwalk, Connecticut, United States of America. TechnoServe has programs in Africa and Latin America.

TechnoServe has assisted enterprises and local institutions in Africa and Latin America since 1968. The enterprises are high-risk, complex businesses of significant scale. They are usually related to agriculture. The institutions are equally complex, with political, economic and social dimensions. TechnoServe has developed a high level of competence and expertise in assisting them, with the result that most enterprises assisted become viable, and the institutions become effective.

Corporate Mission Statement

-It is TechnoServe's aim to improve the economic and social well-being of low-income people in developing countries through a process of enterprise development which increases productivity, jobs and income. TechnoServe accomplishes this by providing management, technical assistance and training to enterprises and institutions primarily related to the agricultural sector.-

TechnoServe's activities are routed in the development and rehabilitation of locally owned enterprises of significant scale, giving central importance to the local community in which these enterprises are located. TechnoServe seeks to use these activities to help develop institutions and positively influence policy. The resulting jobs, productivity and income are intended to benefit these communities and ultimately to contribute to a more viable economy for the nation. Our enterprise activities are designed to enhance sustainable agricultural production and systems.

TechnoServe's Corporate main purpose are in full agreement with the purposes of AID for this project.

Means for achieving TechnoServe's objectives/purposes

-The creation, strengthening or rehabilitation of self sufficient enterprises owned by low-income people. The creation or strengthening of institutions that can allow TechnoServe to achieve a multiplicative effect of its assistance, thus benefiting as large a number of people. Organizations and Federations are also part of the objectives/strategy.

The main means of attaining its objectives is to train members of the different groups/enterprises/institutions in order to enable them to carry-out activities that can lead them to self-sufficiency. This is done with a highly participatory approach.

Another strategy followed is that of achieving a multiplier effect of TechnoServe's product by using TechnoServe's work and achieved targets for dissemination purposes.

Services offered by TechnoServe

TechnoServe assists cooperative/enterprises and some institutions in Africa and Latin America. Among the assisted enterprises there are cooperatives, processing companies; agricultural and agroindustrial; marketing; credit and loans associations; technical and commercial services enterprises.

TechnoServe in El Salvador

TechnoServe has been working in El Salvador since May, 1975. In the past 14 1/2 years more than 70 enterprises and more than 300 projects have been assisted, mainly related to the agricultural sector. Most of the projects are small, medium and some are large enterprise cooperatives of production, services or marketing, including traditional products and export crops, such as grains, cattle, coffee, sugarcane, henequen, etc., and some are in the agri-industry area. About 60% of the assisted enterprises belong to the Phase I cooperatives. About 40% belong to the traditional sector, mostly in services and production.

In addition to cooperative enterprises, TechnoServe has worked, in a formal and informal basis, with various institutions and organizations, such as MAG, BCR, BFA, ISTA, CENTA, FESACORA, UCAFES, UCRAPROBEX, etc. to support the strategy of dissemination, replica and transference of methodology, lessons learned, know how, etc.

In the institutional assistance area TechnoServe has had working relations with about 21 institutions, including the Ministry of Agriculture and Livestock (MAG), Central Reserve Bank (BCR), Instituto Salvadoreño de Transformación Agraria (ISTA), Banco de Fomento Agropecuario (BFA), Federación Salvadoreña de Cooperativas de la Reforma Agraria (FESACORA), etc. in order to join efforts to obtain better levels of impact and influence in the direction of the agrarian reform sector. An important product has been achieved through changes in local policies related to agricultural development and enterprise management as implemented by those institutions private and governmental which have been induced or promoted by TechnoServe advising through seminars, technical and administrative assistance, etc. The impact in this area includes a better coordination and understanding between those institutions and cooperatives, as part of an integrated system.

TechnoServe El Salvador most important product is the well being of the people assisted. Not only fosters self-confidence, but also encourages understanding of the local environment and understanding of what profitable businesses can do for the members of their communities, process in which they discover a new sense of dignity and pride. It should not be a model of isolated success; it should involve as many salvadorans as possible. So far, more than 210,000 have been directly benefited and we expect, with our new strategies on institutional support and transferring of our learning and capabilities to others, to rapidly scale up the number of salvadorans benefited in the near future.

In addition there is an impact at the productive level, in terms of land cultivated by the various cooperatives/enterprises which is around 30,000 hectares from 1980 to date (75,000 acres) and also in terms of impact since TechnoServe has an influence on near 2.5% of the arable land, mainly in crops such as coffee, sugarcane, rice henequen (similar to sisal), cotton, etc. In specific crops, coffee is the most important export product in El Salvador and the national economy depends on a large extent on coffee activities. Coffee represents about 10% of the National Gross Output and near 50% of the exports in the latest 5 years. TechnoServe has had influence on about 3% of the national production of coffee and now, with UCAFES and UCRAPROBEX which groups 30-40 coffee growing cooperatives, some with coffee milling facilities, may reach up to 30% of the national production.

Direct sustained employment is near 10,000 per year and in addition, during the coffee and sugar cane harvesting seasons, more than 7,000 jobs a day are created in those three to four months.

TechnoServe has well understood that building up confidence and friendship between the beneficiaries and this Corporation is essential. But the main goal can only be achieved if the beneficiaries acquire a sufficient level of "know how" in making decisions, understanding and using their abilities to manage their enterprise and their destiny. The business includes the areas of administration, accounting, production, marketing, social, etc. in which woman plays an important role. The emphasis has been focussed in the preparation of the "paratechnicians" whom strengthen significantly the mid management level and makes the enterprises less susceptible to the changes in the board of directors.

TechnoServe strongly believes that its methodologies have proven to be good and useful and counts with physical resources as well as qualified staff in various specializations, backgrounds, skills and with a special mystics to serve others, placing the organization in a good position to participate in the improvement of social and economic well being of salvadorans. This fits well with government policies to strengthen the private sector.

The staff of TechnoServe/El Salvador share a special mission to serve others. They have been trained in the TechnoServe methodology for reaching those who have been kept at the margin of developing societies. TechnoServe El Salvador provides beneficiaries with a new opportunity to become proud, self-confident of their society.

Lessons Learned

- In the identification and diagnosis of a cooperative's problems, and the planning of solutions, it is essential that there be active participation of the membership and that full consideration be given to both social and economic parameters. Assistance must identify strongly with the perceived needs of the cooperative members.
- Probably the most important key to success of the Phase I segment of the agrarian reform program lies in the quantity and quality of the training and technical assistance programs that effectively reach the affected campesinos.
- There also is a special need in projects of this nature, which can have important political and social impacts, to adequately keep informed the related policy making institutions, in this case the Ministry of Agriculture and the agrarian reform agency.

- If its assistance to cooperatives with multiple problems is to be effective, TechnoServe must work in an integrated and comprehensive manner, encompassing all cooperative activities, in close coordination with other institutions which work with or provide support to the cooperatives.
- The advantages of publicizing the TechnoServe program in El Salvador have not yet been fully realized. Such publicity could highlight achievements and disseminate lessons learned through TechnoServe's methods of providing technical assistance and inducing socio-economic development.
- Longer lasting results can be realized by concentrating more of the assistance staff in the cooperatives -the paratechnicians trained by TechnoServe - since this staff is more key than the rotating administrative councils to achieving and maintaining real change in the cooperatives. More than one person must be trained in the principal areas of administration and production, for longer lasting results.
- When assistance to a cooperative is terminated, it is important to continue a process of monitoring and follow-up over an adequate period adjustment in order to avoid regression in goals which have been achieved.

AID/TechnoServe Cooperative Agreement No. 519-0312 Project Background

The purpose of the ongoing Agreement is to increase rural employment, income and production through the development of self-help enterprises and assistance to strengthen local institutions which service these enterprises. Emphasis was given to Phase I cooperatives and, to a lesser degree, traditional cooperatives. The project period is from May/86 thru March 1990. Total AID grants amounts to \$5,320,000.

In the last quarter of 1989, an evaluation was carried out by a Checchi team. Findings and recommendations were presented and are well known by AID/RDO local Mission and are partially included in this document for reference purposes.

Although TechnoServe concentrates its efforts in enterprise development, it recognizes that, while the development of a successful business is an essential step in the process, it is not generally the end product.

Due to the TechnoServe process, the community begins to see other opportunities for community development. Sometimes the process leads to another business, sometimes in completely different areas, such as schools, roads, electrification, or social activities. Although TechnoServe does not build schools or

roads, if the community considers they are important, TechnoServe will assist the community in making the necessary contacts with agencies which can directly help them to achieve a proper social and economic development.

Thus, TechnoServe's program can be evaluated in two levels. First, economic benefits from enterprises TechnoServe helps develop can be compared with the costs of assistance to determine the net benefits. While these economic effects can generally be measured directly or estimated fairly closely, they do not provide a full picture of the value of TechnoServe's Program. The other level is the community development process, which is difficult to quantify, but it is an important TechnoServe product. When community members in an area or region where TechnoServe advisors are working decide to build ponds, electrify their homes, or start a community library, chances the project will be successful are high. Some of the major achievements follow:

- a. Enterprises projects and major institution activities, at March/90.

A summary of indicators are presented in Table II-1, with data through December 1989, estimates for the period January-March/90 and total achievements.

All indicators will be achieved by March/90 and most of them have already been exceeded such as project activities analyzed, project plans, project plans implemented, training program and activities with government institutions, etc.

Definitions for these various indicators have previously been presented to AID.

Thirteen cooperatives were under TechnoServe assistance at the beginning of May/86, and 23 were incorporated for a total of 36 cooperatives assisted by March/90. About 90% were Phase I cooperatives. During the same period 20 cooperatives were either graduated or assistance was terminated; after a reasonable time of assistance.

It is the evaluation team opinion that: TechnoServe has been very active and successful in encouraging cooperatives to renovate marginal coffee plantings, renew old sugarcane fields, upgrade the quality of livestock, and otherwise bring about improved land and resources use. In many cooperatives, these programs are well underway and are increasing yields and generating more employment, production, and income. In others, the process is at different stages, sometimes for different reasons.

The achievements are usually a result of the methodology followed by TechnoServe which includes a high percent of effort in training and showing the groups farm management and functions of

the enterprise general management, financing and accounting, production, marketing and social areas. All is considered within the specific ambients of the cooperative/enterprise and the institutions relations. But the principal ingredient is the motivation build up and participation of key officers and members of the enterprise cooperative responsible of the various functions. This will continue as a main component of TechnoServe El Salvador strategy and methodology.

TABLE No. II - 1
ACHIEVEMENT INDICATORS UPDATE
AT MARCH 1990

INDICATOR	GOAL MAY/86 MAR/90	ACHIEVED BY DEC. 1989	TO BE ADDED JAN/MAR '90	TOTAL CUMULATIVE	DIFFERENCE
ENTERPRISE INDICATORS					
COOPERATIVES ASSISTED	36	35	1	36	0
COOPS W/ASSISTANCE COMPLETED	17	14	6	20	3
PROJECT REQUEST INVESTIGATED	48	43	6	49	1
PROJECT AGREEMENTS	64	84	3	87	23
PROJECT ACTIVITIES ANALIZED	183	265	12	277	94
PROJECT PLANS	133	167	8	175	42
PLANS/PROJECTS IMPLEMENTED	98	107	8	115	17
INSTITUTION BUILDING INDICATORS					
TRAINING PROGRAMS/SEMINARS	28	50	1	51	23
ACTIVITIES W/GOVERNMENT INST. 1/	47	57 2/	1	58	11
ACTIVITIES W/PRIVATE INST. 1/	32	33 3/	1	34	2

- 1/ ACTIVITIES ARE COUNTED ONLY IN THE QUARTER INITIATION OCCURS, THEREFORE, THOSE ACTIVITIES THAT STARTED IN ONE QUARTER AND CONTINUE THE FOLLOWING ONES ARE ONLY COUNTED ONCE.
- 2/ THESE ACTIVITIES ARE OF A CONTINUED NATURE AND HAVE BEEN CARRIED OUT WITH 21 GOVERNMENT INSTITUTIONS.
- 3/ THESE ACTIVITIES ARE OF A CONTINUED NATURE AND HAVE BEEN CARRIED OUT WITH 31 PRIVATE

Institutional Assistance

During the Agreement, TechnoServe made efforts to emphasize institutional relations with government and private institutions. Table No. II-1 shows 57 activities with government institutions and 33 activities with private institutions in order to enhance coordination and improve relations with those, that in one way or another, influence in the assistance to cooperatives and enterprise development.

It should be pointed out that the main activities with the government were carried out through 21 institutions, including 3 institutions that were under regular contract: MAG, BFA and ISTA/MAG (Instituto Salvadoreño de Transformación Agraria). Likewise the activities carried out with private institutions involved 31 of them, including 2 under regular contract: FESACORA and the Central Reserve Bank (BCR).

Positive results are confirmed by a better understanding of cooperatives/enterprises problems visualized by means of the seminars imparted, workshops, meetings, etc. There is also a better response to cooperative credit applications and financing, better knowledge and confidence of cooperativism, rural enterprise management, and consequently a contribution to rural development and the work TechnoServe intends to perform. Several institution's agents and officers are willing to work with TechnoServe in a joint effort to improve enterprise rural development.

With FESACORA, in addition to the assistance provided through September 1988, three large projects were carried-out, in the areas of farm machinery services, cattle feed preparation and Ag-Input services. The latter includes several stores in the various regions of the country. All projects are owned by groups of cooperative members of FESACORA which charges fees for the orientation and support given.

Training

With government and private institutions by December/89 52 training events were held with 1074 attendees. The seminars were imparted to professionals, managers, accountants, members of the board and employees of some cooperatives, technical staff, etc.

Attendance came from several institutions such as MAG, ISTA, BCR, cooperatives, etc. and were trained on various topics like rural accounting, financial statement analysis, management of cooperative enterprises, integral assistance to rural enterprises, cooperative organization and marketing among others.

This specific area is classified in the effort matrix as external training and is oriented to institutions, organizations or cooperatives upon request independently of the enterprises/cooperatives assisted in the regular portfolio.

b. Employment Generation and Land Area

During the period of the ongoing Cooperative Agreement, approximately 10,000 employments were generated as cumulative figure in the assisted cooperatives enterprise, including the groups with graduated-terminated assistance and the ongoing projects. About 25% is new and 75% is sustained employment. In some cooperatives like San Isidro, employment per year averages 2100 workers/year.

As related to the cooperatives assisted per year, and taking as a base line data at December/85 with 1426 employments, by December 1988, the average for the year was 6413, which is more than four folds that of the base year, mainly because larger projects-enterprises with more land area were added to the portfolio.

Direct beneficiaries are approximately 168.000 during the period of this Agreement, including FESACORA. The number of beneficiaries has a tendency to increase in cooperative-enterprises as a result of increments in employment generation.

Cumulative land area assisted in the period 1986-1989 is about 22,800 hectares. Some cooperatives have 60-75% of the land used for agricultural purposes and the average is 50% of the land cultivated with coffee, sugarcane, grain crops, grazing land, etc. Accordingly to the cooperative activities.

c. Profitability and other Indicators

It is well understood that enterprise development and rehabilitation takes time. The natural base line of managerial abilities and know-how the assisted groups present at the beginning of the project is low. Thus, financial data is better analyzed after 3 to 5 years of assistance and it should also be compared with proposed projections and targets. The following facts should also be taken into account before analyzing the data presented.

-Because of the nature of the long-term effects from the assistance, only coops that had a reasonable period of assistance are considered. Therefore, a sample of 11 cooperatives that had over two years of assistance were used for a profitability analysis. Five of these coops had also graduated by December 1989.

-For comparison purposes, a 3 year overview was used (1987, 1988 and 1989). This excludes the analysis and conclusions that would be drawn by looking at each individual cooperative within the context of their assistance period.

-There is a small group of cooperatives TechnoServe started assisting when they had deep management, financial and production problems. This group was segregated from the rest and it's been labeled "Group II". The remaining 8 are under "Group I".

Table II-2 presents some profitability and other financial indicators for 11 cooperatives that have had more than Two years of assistance.

Global operating profits represent the value of crop sales less the direct costs of production including inputs, labor, and interest on production credits. This global figure increased from \$ 5,834,871 in 1987 to \$ 7,777,991 in 1989. The increase was observed both in group I and group II coops.

Profits prior to deductions for interest on old debts and land mortgage (deuda agraria) interest payments went from \$2,594,509 in 1987 to (\$1,231,270) in 1988 and then reverted back to \$294,861 in 1989. It is noteworthy to see that group I coops increased their Profits before interests on old and land debt from (\$68,117) in 1988 to \$1,470,324 representing a very significant \$1,538,441 increase in absolute terms. This is very important since the majority of TechnoServe assisted coops are either making profits or are near their break-even points, a situation that may not be seen when looking at global figures.

Profitability levels were being affected mainly by severe drought and winds in 1988 and by increased overhead expenses such as administrative expenses, debt service (current and old) and especially maintenance and repair costs.

Total net worth for 8 cooperatives under group I amounted to \$4,143,984 by 1989. Total net worth for the 3 cooperatives under group II was (\$13,231,801). This is another example of how a small sample of cooperatives affects the whole group under analysis.

TABLE II-2
SELECTED PROFITABILITY INDICATORS

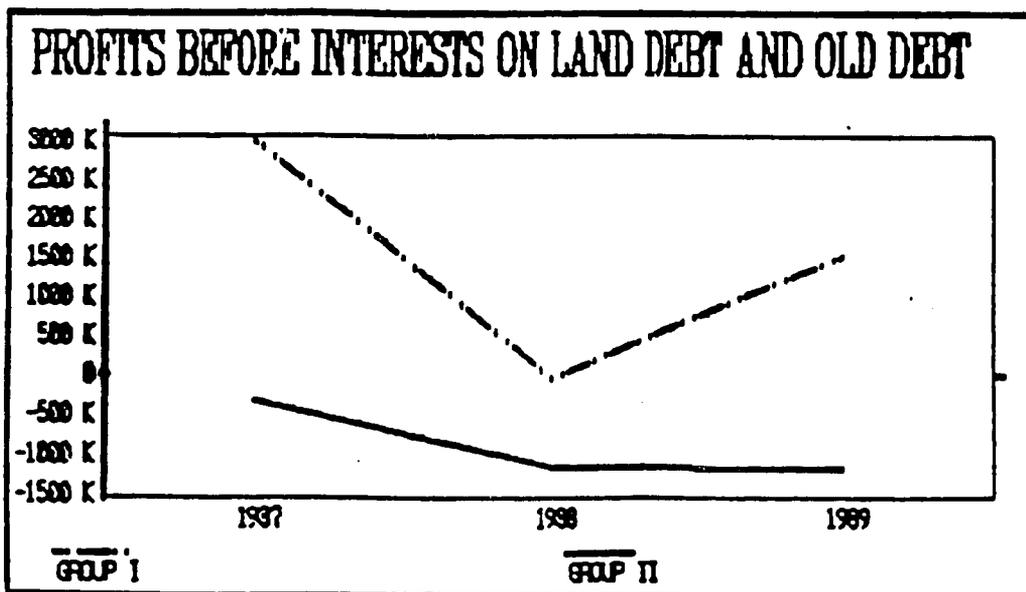
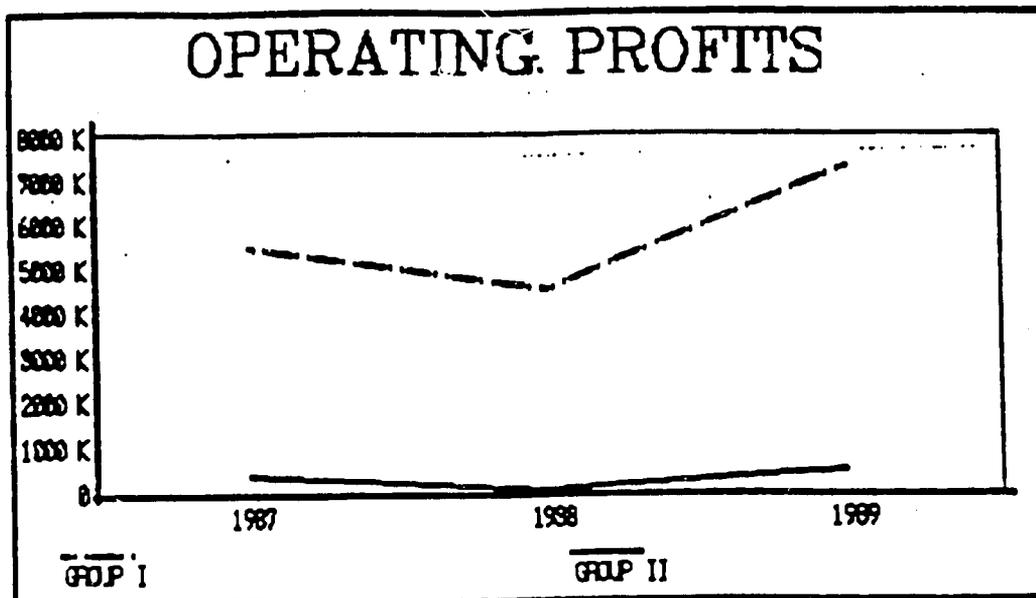
COOPERATIVE	1987	1988	1989
OPERATING PROFITS (ACTIVITIES)			
GROUP I	5,449,041	4,539,231	7,269,083
GROUP II	385,830	85,338	508,908
TOTAL	5,834,871	4,624,569	7,777,991
PROFITS WITHOUT INTERESTS ON OLD AND LAND DEBT			
GROUP I	2,928,412	(68,117)	1,470,324
GROUP II	(333,903)	(1,163,153)	(1,175,463)
TOTAL	2,594,509	(1,231,270)	294,861
OVERHEAD EXPENSES /1			
GROUP I	2,669,106	4,958,376	6,367,894
GROUP II	1,342,054	2,122,849	2,663,237
TOTAL	4,011,160	7,081,225	9,031,131

1/ INCLUDES: ADMINISTRATIVE EXPENSES, DEBT SERVICE
(CURRENT AND OLD), MAINTENANCE & REPAIR COSTS.

NOTE: LIMITED INFLUENCE OVER THESE COSTS IN THE REFORM
SECTOR, ESPECIALLY OVER DEBT SERVICE

GROUP I: COOPS NILO 1, NILO 2, SAN ISIDRO, LAS LAJAS,
LA MAGDALENA, SAN JOSE MIRAMAR, LAS VICTORIAS
AND PLAN DE AMAYO.

GROUP II: COOPS AMATE DE CAMPO, TONALA AND MIRAVALLS



B. Project Rationale

Fourteen years of a growing Program have provided several lessons, including a stronger organization with more visibility.

With the support of AID, in the last 7-8 years the Program has increased in size and quality. Many more salvadorans know about TechnoServe, not only by its name but its methodology and success as well. The new strategy being implemented since 1986, which includes more efforts in institutional relations and institutional building, and a high level of training and transfer of capabilities to local entities, is proving to be the right track. Various local enterprises are gradually being improved by the institutions that have requested TechnoServe's assistance and orientation.

Since there have been notorious changes in some local policies and approaches toward helping low incomes with better understanding of rural and community development, TechnoServe will continue working hard in this strategy of policy orientation and analysis.

The lessons learned and the methodology developed in the last years by TechnoServe also cuts down the time needed to turn each enterprise-cooperative into a sound business. For example, 9 years ago 3.8 years were needed to fully advise a group with moderate complex problems; currently the average has been cut down to about 2.7 years, with large, complex cooperative-projects related to agricultural production and industry. This has allowed TechnoServe to increase the number of enterprises in the regular portfolio from 12 to 21 and to work with larger groups and a greater land area, so that many more salvadorans can experience better housing, food, health and education.

Much has been said about agrarian reform processes in El Salvador and elsewhere. There are positive and negative stories. But it is impossible to evaluate social development in short time periods because it is a long term process involving many variables and the truth must be found face to face with the beneficiaries: some may agree and some may oppose depending on the opportunities each one had in building up its know-how and self-confidence.

In El Salvador most of the agrarian reform cooperatives assisted by TechnoServe are improving more than others and they recognize the support given to them by TechnoServe.

The statistics speak clearly. TechnoServe assisted projects produce above 31% of the total sugarcane harvested in the agrarian reform cooperatives, 52% of rice, 28% of coffee near 65% in 1989/90 with the inclusion of UCRAPROBEX and 60% of henequen within the agrarian reform sector.

El Salvador has well understood that its social and economic development depends basically on the Agricultural Sector. At present time this country is trying again to improve production and productivity in agrarian reform and traditional cooperative enterprises, as well as all other farmers of the private and non private sector. Among others, the strategies include production cooperatives, service cooperatives, individual farmers and enterprises.

Key factors supportive of TechnoServe consideration:

- TechnoServe has been developing cooperative enterprises in the rural sector of El Salvador for over 14 years with a high success rate.
- Due to this experience and excellent relations with GOES, TechnoServe is in an ideal and good position to significantly increase its rural enterprise development activities.
- TechnoServe has successfully demonstrated its program management capabilities both internationally and at the program level in El Salvador.
- TechnoServe's experience and capabilities now make it possible for the organization to expand its role in cooperation and sharing with GOES and private institutions.
- TechnoServe's past experience in El Salvador makes it possible for the organizations to be increasingly cost effective in rural development work.
- TechnoServe is now working with larger, higher impact projects which often involve multi-institutional coordination and support. This in turn represents transferring of capabilities and experiences.

There is broad shared consensus that TechnoServe's approach to technical assistance and training is uniquely appropriate to the project's target group, and that it is critically needed if a significant portion of cooperatives in this group are to remain as viable production units.

III. PROGRAM STRATEGY

The program strategy in El Salvador falls within TechnoServe's mid range overall strategy for Africa and Latin America. Enterprises/cooperatives in rural areas will continue being the main target. However, to faster disseminate abilities and lessons learned, more efforts will be allocated to related institutions.

TechnoServe assisted projects in El Salvador are not established in isolation, but are often linked with the national development plans of the government.

TechnoServe activities fall into two broad categories:

- Direct assistance to individual private enterprises, including cooperatives and similar organizations.
- Assistance to local institutions with the responsibility of fostering the development of private enterprise.

In spite of its significant contribution to the economic and social development of the country, TechnoServe believes that the impact of the program may be further expanded and TechnoServe undertakes efforts to improve efficiency in order to reach a greater number of beneficiaries.

One element of the focus aimed at achieving a greater impact of the program is that of strengthening enterprises in a direct way through the allocation of more resources to the assistance and relations with private and public institutions by fostering development of small and medium scale enterprises. This transfer of TechnoServe methodology and experiences will be complemented with activities of replica and dissemination (publications, case studies, and other training aids).

Internal and external training, also have a greater importance in the new focus as seen in the time effort Matrix with an increase from 8% in 1989 to 12.1% in 1994. Besides the traditional training of paratechnicians, training in the areas of production and management to other members of the cooperatives will be considered. The idea is to have a wide-strong pool of trained people whom the cooperatives can depend on for proper enterprise management.

A. Strategies for Enterprise Development

In order to capitalize on the 14 years of experience of TechnoServe in El Salvador and increase the impact and cost effectiveness, the global strategies now include more emphasis on the transfer of lessons learned, methodologies and know-how to the local ambient, including enterprises, institutions, organizations, commercial businesses related to agriculture, etc.

The following are components of the global strategy:

Regional/Sectorial Approach

Based on its experience with the enterprise development process and principles, community-based enterprises, its methodology and systems approaches, as well as the proven success of the commodity sector approach, TechnoServe will further aggregate and integrate its activities at the regional/sectorial levels. The purpose is to assist more enterprises through the minimization of distances and allocating more time to direct assistance/training to the group. This also improves the sectorial impact by crops or economic activities.

Wholesaling

TechnoServe's views institutional assistance as a way to increase its impact and as a wholesale strategy to reach more people. By disseminating TechnoServe's methodology among different institutions, enterprise development is better understood, assuring a permanent enterprise building among rural groups. In addition people trained from other institutions put in practice TechnoServe's approach to the benefit of a great number of people.

Implementation and Standard Procedures

TechnoServe has developed extensive policies and procedures, including outlines and guides for proper planning and implementation, to improve project development and the management and training of its staff. A current manual of project procedures related to the implementation of the assistance is available to all staff members. A legal manual is in use. An updated personnel and administration policies manual approved by AID Washington is also available to the staff for the administration of the program. These documents are available for AID review upon request. TechnoServe elicits inputs and feedback from its field staff on the revision and updating of these policies and procedures.

School Projects

Under special conditions and related to the sectorial assistance or identified problems of a common nature in a given region or of sectorial nature, TechnoServe works more intensively with an enterprise and links the work and the people of other groups and institutions to what is called "School Project". These enterprises are visited reciprocally by members of the assisted and non assisted groups, to further disseminate the learnings and experiences. Some examples are Las Lajas, Las Victorias, Obrajuelo, Santa Rosa de Lima, Acopalim, etc.

Training by Levels of the Coop's Organization

The target group will be those persons who constitute the middle management. These persons have leadership characteristics and soon become either directives or member of advisory teams to Administrative Councils. The effects of TechnoServe's assistance are therefore felt even after it leaves the groups graduated.

In all enterprises being assisted, TechnoServe, with the groups, identifies members with more ability to learn and communicate, sometimes natural leaders, for an intensive training in specific areas in which they may show more skills. These members become "paratécnicos" (parathecnicians) and strongly improve the dissemination of know-how among the members and workers in areas related to their specific activity. Besides, the paratécnicos will contribute, to a minor or major extent, to improve the community's abilities in the areas in which they have been trained.

Participation of Beneficiaries

Another key strategy is the participatory process: assisted groups are the first owners of the projects and activities. They must learn to make up proper decisions and solid participation since the early phases of assistance is essential, TechnoServe has improved its techniques and procedures to induce/promote a participatory approach to all activities. This subject is so important, that a general guide has been prepared and each member of the advising team is acquainted with. The guide is available for AID in TechnoServe's files.

Integral Assistance

Assistance services by the majority of firms are generally limited to production, ignoring important areas vital to increasing production. The management, accounting and marketing methods are rudimentary. TechnoServe's approach is a combination of training and integral assistance in the areas of management, organization, accounting, marketing, production and the social areas.

Selection of Enterprises

The selection of the cooperative enterprises to be assisted in the life of the project will be based on TechnoServe's project selection criteria, well known by USAID El Salvador Mission. The enterprises must have a potential to be "winners" and contribute to the efforts of improving production, productivity and employment for social sound achievements. Assistance will be more intense during the first 1 to 1.5 years of the assistance period.

The enterprises that have been assisted in the recent past include mainly phase I production cooperatives; however, the mix will be modified so that more traditional cooperatives will be included.

In addition, cooperatives with a service, marketing or mix activity focus will be taken into account.

B. Institutional Assistance

TechnoServe views institutional assistance as a way to increase its impact and as a wholesale strategy to reach more people. By disseminating TechnoServe's methodology among different institutions, enterprise development is better understood, making easier the task of enterprise building among rural groups. In addition, people trained from other institutions put in practice TechnoServe's approach in benefit of a greater number of people.

In the provision of assistance to local development institutions, TechnoServe works with entities which are philosophically attuned to a just development process and which generally have established experience in the development field.

Assistance to institutions and organizations can take many forms; there will be formal contracts or working relations. A list of institutions and organizations to be assisted under formal agreements is shown in Graph IV-2.

There is no significant differences between assistance to institutions or organizations; both have the same assistance areas described below. Some examples of institutions and assistance types are presented below:

<u>INSTITUTIONS/ORGANIZATION</u>	<u>ASSISTANCE AND/OR RELATION TYPE</u>
ISTA (Instituto Salvadoreño de Transformación Agraria).	Training programs for their field staff; institutional analysis, training programs for field staff; institutional analysis.
IRA (Instituto Regulador de Abastecimientos).	Project analysis.
BCR (Banco Central de Reserva de El Salvador).	Training programs for field people cooperative members and professionals/technicians assisting rural enterprises.
FEPADE/EHA	Project analysis.
BFA (Banco de Fomento Agropecuario)	Training for field staff.

<u>INSTITUTIONS/ORGANIZATION</u>	<u>ASSISTANCE AND/OR RELATION TYPE</u>
FINATA (Financiera Nacional de Tierras Agrícolas).	Project analysis.
DIVAGRO (FUSADES)	Coordination and cooperation regarding the promotion of non-traditional export products.
Foster Parents	Project analysis.
ABANSA (Banking System).	Coordination activities regarding the financing of assisted groups.
UCS (Unión Comunal Salvadoreña).	Project analysis, assistance to cooperatives under UCS, training to field staff.
UCRAPROBEX (Unión de Cooperativas de la Reforma Agraria Productoras Beneficiadoras y Exportadoras de Café).	Institutional analysis, project analysis, training programs.
UCAFES (Unión de Cooperativas Cafetaleras de El Salvador).	Project analysis, assistance to cooperatives under UCAFES.

Main areas in which TechnoServe can assist are:

-Training Role

TechnoServe can work with the institutions' senior management in the design and implementation of training seminars and on-the-job training sessions in areas which management wishes to upgrade and in accord with TechnoServe's field of expertise. See Graph IV-2.

-Project Analysis

Due to the complexity of the reform process and the scarcity of skilled manpower in El Salvador, TechnoServe can assist institutions in the preliminary and in-depth analysis of their projects, including general or specific diagnosis. Recommendations are made to the institutions and further work with their projects, in regard to implementation and operation, can be coordinated if warranted.

-Institutional Analysis

TechnoServe will also do analysis of the institutions policies and procedures, management and control systems, financing sources and needs; and work with the organizations in the improvement and revision of these elements so that the organizations may become more effective, upon request.

-Link between the Base and Top of the Institutional Triangle

The institutional triangle of the land reform environment has at its base the cooperatives, the institutions at the middle and the political decision making at the top.

TechnoServe operates as a bridge that communicates the problems and issues from the top the bottom and viceversa. This helps understand the national policies at the bottom and provides feedback to the top in contributing to policy definition. TechnoServe will attend formal and informal meetings with officers of various related institutions, at the national and regional levels.

C. Replica and Dissemination.

TechnoServe intends to further explore various avenues of replica and dissemination, such as the development of curriculum-teaching materials, bulletins and other publications which, along with seminars and other events, may contribute to share experiences, methodologies and lessons learned. Written and improved material will go into more depth than ordinary public relation brochures and should foster the transference strategy and replication possibilities.

IV. RURAL ENTERPRISE DEVELOPMENT PROJECT

A. Project Purpose and Description.

1. Goal and Purpose.

The goal of the project is to increase rural employment, income and production. The purpose will be to develop self-managed enterprises and assist institutions which service these enterprises. Project activities will primarily emphasize strengthening cooperative-enterprises of both, traditional and Ag. Reform sectors, with support to improve the operational capacities of the GOES and some private institutions related to the enterprises.

The project intends to build up a broader know-how on matters related to the rural enterprise development process, with social and economic improvement as the main product. Thus, it will contribute to the improvement of the well being of low income Salvadoreans: The project will have a positive impact in the agricultural sector of the country, especially in crops such as coffee and basic grains including agri-industry. This is to be accomplished by pursuing the following:

- Assist cooperatives in the reformed and non reformed sectors in order to improve their management and profitability.
- Provide technical and management assistance to federations or organizations of producers such as UCRAPROBEX (Unión de Cooperativas de la Reforma Agraria Productoras, Beneficiadoras y Exportadoras de Café) FESACORA, (Federación de Cooperativas de la Reforma Agraria), etc.
- Assist or work with private and public agencies related to cooperatives and private enterprise activities in El Salvador (e.g. BFA, ISTA, FINATA, INSAFOCOOP, IRA, CENTA, CENCAP, MAG, etc.)

The period of the project will be from April 1st, 1990 through March 31st., 1994. The total estimated cost is US\$8,798,000 with an AID financing of US\$ 7,108,000, and will be implemented under a Cooperative Agreement between USAID/El Salvador and TechnoServe. Budget and funding are presented at the end of this chapter.

2. Objectives.

The specific objective of this project is to convert a target group of agricultural Cooperatives characterized by moderate to serious management and or production problems into profitable self sustained, self-managed enterprises.

a. General

- The main objective of TechnoServe is to improve the level of living of low-income people in developing countries by fostering and rehabilitating community based enterprises.

To contribute to the economic and social development of El Salvador. TechnoServe aims to contribute to the economic and social recovery of the agricultural sector which is the backbone of the economy through the assistance to enterprises and institutions and thereby having a national impact.

b. Specifics

- To continue providing integral assistance to agricultural enterprises composed of low income people in order to substantially improve existing productive activities by reorienting or introducing innovations aimed at obtaining profits.
- Special attention will be given to institutional assistance in aspects related to institutional development, personnel training and the elaboration of studies and projects' implementation with a regional/national impact, derived from enterprises directly or indirectly assisted.
- To expand a systematic formal and learning by doing training program, addressed to personnel of the cooperatives being directly assisted by TechnoServe and to personnel of cooperatives indirectly assisted, as well as professional and technical personnel working in different institutions of the agricultural sector.
- To disseminate through different publications or by other means, the scientific-technological knowledge of TechnoServe in enterprise development.
- To provide assistance to private or service organizations and institutions with some economic and technical stability. The assistance would be focused to studies or projects aimed at searching solutions to different problems such as that of creating productive employment in the agricultural sector.

3. Beneficiaries.

During the 4 years of the project, TechnoServe will directly assist 51 cooperatives (15 at the beginning of the period plus 36 to be added). This means that the number of cooperatives in a particular year will range from 21 to 29.^{1/} See Table No. IV-1 and Graph IV-1. Additional beneficiaries will be an undetermined number of cooperatives indirectly assisted via institutions and those under short term assistance (SATCOR).

Specific activities being developed with TechnoServe assisted groups include coffee milling, rice production, dairying, beef cattle, other grains and vegetable production, mainly.

^{1/} Most with integral assistance.

Assisted cooperatives will be those that have the potential of becoming "self managed" (autogestión) rather than those cooperatives which are already considered to be successful.

The direct beneficiaries of projects will include the members of fifty one target cooperatives who will benefit from the cooperative's diversification, increased production and improved administrative efficiency and profitability. Membership, at the end of the period, in these cooperatives is estimated at around 6,900 persons. The accumulate employment for the period is estimated to be 52,000 person years which will represent approximately \$201 million of family income during the project (See Table IV 9) The accumulated direct beneficiaries are expected to be around 238,000 persons.

Indirect beneficiaries include the public institutions supporting agricultural development of cooperatives and private sector organizations. For example ISTA employees working on target and secondary cooperatives will improve their skills and effectiveness, thanks to the projects' technical assistance and training programs. MAG will have an increased impact on development as more projects are implemented on the basis of their feasibility studies. Both the demand for agricultural loans and the repayment rates should increase as a result of the assistance, therefore increasing the effectiveness and profitability of the banks involved in agricultural loans/credits.

TABLE IV-1
COOPERATIVES ASSISTED

	APR/90	OCT/90	OCT/91	OCT/92	OCT/93
	SEP/90	SEP/91	SEP/82	SEP/93	MAR/94
a) Cooperatives assisted at beginning ^{1/}	15	20	12	21	20
b) Cooperatives added	8	7	12	8	1
c) Cooperatives terminated	3	15	3	9	5
d) Cooperatives ^{2/} assisted during period	23	27	24	29	21

Note: The total number of cooperatives to be assisted, in the regular portfolio is estimated to be 51; 15 at the start of the period plus 36 to be added. Cooperatives with assistance terminated during the same period is expected to be 35, also in the regular portfolio.

^{1/} a = (a) previous year + (b) previous year - (c) previous year.
^{2/} d = (a) + (b)

4. Selection Criteria

a. Principal Areas of Operational Activity.

In direct furtherance of its aim TechnoServe focuses its efforts in three key areas -- community based enterprises, assistance to institutions, and new country programs -- as described below.

-Community-Based Enterprises.

The enterprises or businesses with which TechnoServe works can take many forms. However, TechnoServe focuses on "Community Based Enterprises" which may be newly-started enterprises or "turn around" situations. These enterprises are usually characterized by:

- Being an agricultural based, rural cooperative;
- Being relatively of a big economic impact
- Employing the discipline of business but not depending upon an individual entrepreneur
- Being consistent with local culture.

TechnoServe has had for many years standardized criteria for evaluating enterprises requesting TechnoServe assistance. These criteria state that each enterprise should:

- Have measurable potential for achieving economic viability;
- Have the potential to engage in the production of non-traditional crops such as melons, sesame, soy beans, cucumbers, tomatos, etc.
- Be rated A or B by the financial institutions or rated C under certain circumstances; for example, those with good potential of becoming B.
- Have a potential for improving the social well being of low-income people;
- Respond to the needs of low-income people and the local community;
- Have a potential for replication;
- Have as broad a base of ownership as it is possible and practical;
- Have appropriate local leadership;
- Be labor intensive when technically and economically feasible;
- Use locally available raw materials, particularly agricultural products whenever possible;
- Have adequate local participation in equity investment;
- Be ecologically appropriate to the local environment;
- Not discriminate in favor of a particular group or sex; for instance, men and women should have an opportunity to be employed in the process of the enterprise management and project implementation;

- Not have ready access elsewhere to the services which TechnoServe provides.

b. Assistance to Institutions.

For TechnoServe's purposes "institutions" are usually host country private or public development organizations working in the Third World. Institutional assistance activities have the following general characteristics:

- Training "capability transfer", and "institutional building" are key factors.
- TechnoServe's role will be helping to create and/or strengthen the institutions.
- Institutional assistance generally arises from Technoserve's field work in enterprise development;

TechnoServe focuses on those institutions which have a high potential for demonstrating the effectiveness of enterprise development as a sound method of assisting low-income people. Institutions seeking assistance are evaluated on the basis of the following criteria. Each institution should:

- Have as one of its objectives the improvement of the economic and social well-being of low-income people through the enterprise development process;
- Have the potential to become effective in demonstrating the value of enterprise development;
- Have potential for increasing the impact of its activities on low-income people;
- Have potential for becoming a strong, viable institution;
- Have demonstrated a willingness to provide counterpart personnel, share information and increase its effectiveness as a development institution;
- Have a commitment to, and/or direct or indirect links to, grassroots development projects, or be in a position to influence policy bearing on development activities;
- Compliment, and make more visible, TechnoServe's work in that country or region;
- Not have as one of its objectives partisan political activities.
- Not have ready access elsewhere to the services TechnoServe provides;
- Be viewed by host country nationals as having a positive ideological, moral, and legal image.
- Not utilize TechnoServe's services so as to inappropriately benefit the institutions or individuals connected with it.

5. Assumptions.

The project is based on three assumptions:

- a. Credit availability: Production and investment credit will continue to be available to cooperatives from B.F.A. and other banks of the system.
- b. Stable business climate. The political and economic environment will not significantly deteriorate, guerrilla activities will not jeopardize the enterprises operations.
- c. Institutional support.

The project will coordinate with other agencies working with cooperatives, including B.F.A., the MAG'S Enterprise Development Division, CENTA Extension Service and the ODER credit project. Project activities will therefore depend upon support from GOES institutions.

6. Project Components.

The component of this project for enterprise development is divided in two major areas: a) direct enterprise assistance and b) institutional assistance with the purpose of providing indirect enterprise assistance.

a. Direct enterprise assistance.

Direct enterprise assistance will be strengthened by capitalizing on TechnoServe's past experiences as well as by using specialized professionals on a temporary basis. This will reduce the average man/months necessary for graduating an enterprise. The increase in efficiency will free more resources to the second component.

b. Institutional assistance.

This component aims at increasing the coverage of enterprises assisted (in addition to the 51 to be assisted under the regular portfolio) using the resources of institutions and organizations. Some of the strategies to be followed under this component include the use of pilot enterprises assisted under component ("a"), where their good experiences will be replicated in other cooperatives. This last activity is an element of enterprise assistance known as replica and dissemination. A detail of those institutions/organizations TechnoServe will work with is presented in Graph IV-2.

7. General Scheme of Technical Assistance.

In the 14 years since TechnoServe initiated its program in El Salvador, the staff has grown from three people to a core staff of 44. These employees are all Salvadoreans with specialized backgrounds and skills. The carefully recruited staff of

TechnoServe/El Salvador share a special mission to serve others. The staff has been meticulously trained in the TechnoServe/U.S. philosophy and methodology adapted to El Salvador, designed to reach those who have been kept at the margin of developing societies. The methodology is characterized by assigning around 85% of assistance time to field work and the rest to office work where the analysis and elaboration of documents is carried out more efficiently. See Graphs IV 3-A and B. The development of this process can take from 18 months to 4 years. The main phases are described below.

-Preliminary Contact.

The initial relationship with the prospective client begins with an informal request for TechnoServe's services. This is followed by an initial evaluation of the group's operation by TechnoServe staff. If the group qualifies for assistance (see criteria in IV A-4), a formal letter requesting assistance is required. Time projected for this activity is 1 week.

-Preliminary Investigation and Auditing.

After receiving the formal request for assistance, TechnoServe discusses with the prospective client its working conditions, range of services offered, etc. TechnoServe staff then conducts an analysis of the client's operations covering such factors as leadership, experience, credit situation, financial performance, level of commitment to the project idea, etc. This document serves as a benchmark to be used by the group and TechnoServe for selection purposes.

The judgment of the Project Selection Committee, formed by the TechnoServe Country Program Director and key staff, is basic in determining the nature of the assistance. The group is notified of the Committee's decision and steps are taken to formalize the first contract for an initial period of assistance. Time projected for this document is 3 weeks.

-Diagnostic Study Phases.

After signing the initial contract with the group, and when considered as necessary TechnoServe carries out a complete diagnosis study of the project/enterprise covering socio-economic as well as the legal, financial and organizational aspects. At this stage, benchmark data are collected for monitoring and evaluation purposes. The groups participate in the collection of this information. In the course of the diagnostic study, TechnoServe frequently provides technical

assistance in solving short term problems for which the beneficiary group requests immediate and direct advice: The document is used by the group to understand their real situation, by the financing bank to assess the group capabilities and by TechnoServe as a base for planning. Time projected for this document is 8 weeks.

-Project Concept.

Once the diagnostic study is completed, TechnoServe prepares a document called "Concepto del Proyecto" (Project Concept Paper) and develops its projection of the additional technical assistance needed under contracts of from one to two years, depending on the complexity of the project. Time projected for this document is 2 weeks.

-Planning Phase

With the information gathered during the diagnostic study stage, TechnoServe and the group begin the planning stage. This phase comprises prefeasibility studies, medium term operating plans, annual operating plans, financial studies, and systems design. These documents are also important to the cooperatives, the financing institution and TechnoServe. Time projected is 18 weeks. ^{1/}

-Implementation Phase

After signing a new contract (the Assistance Contract or Management Contract), TechnoServe in conjunction with the group develops implementation chronographs and plans which define and assign the responsibilities and actions to be taken within specified time frames. Technology and planning skills transfer is an important aspect of this stage. Time projected is 44 weeks.

-Follow-up Steps

A Follow-up phase is carried out by TechnoServe and the group starts making routine decisions. Continued training is based on the needs of the group for some corrections and adjustments.

^{1/} 9 weeks needed for Medium Term Operating Plan and 9 weeks needed for 3 Annual Operating Plans during the life of the project (30 months).

-Evaluation Phase.

Evaluation is a continuous process during the assistance. It starts with the findings of the preliminary investigation with benchmark data and the investigation of the group and the project needs which are later compared with the final evaluation report data. The final report serves as a yardstick to measure the progress accomplished throughout the different stages. TechnoServe uses the evaluation reports to detect lessons learned and ways of improving its methodology. After the group is graduated (members and employees have learned and understood how to operate the cooperative enterprise), a monitoring activity is carried out for some time; and later one or two visits a year are made to evaluate the ongoing activities and make suggestions, when necessary. Time projected for the participative evaluation is 8 weeks.

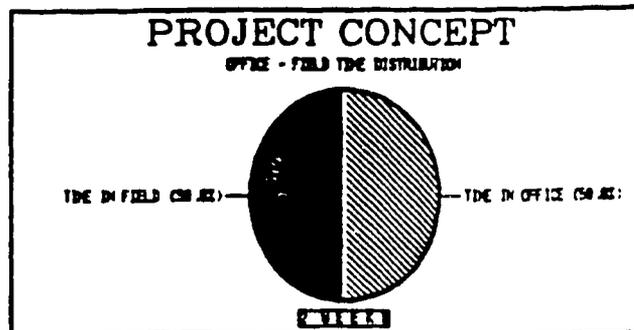
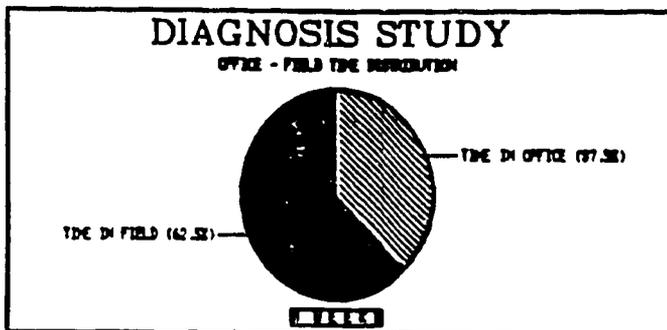
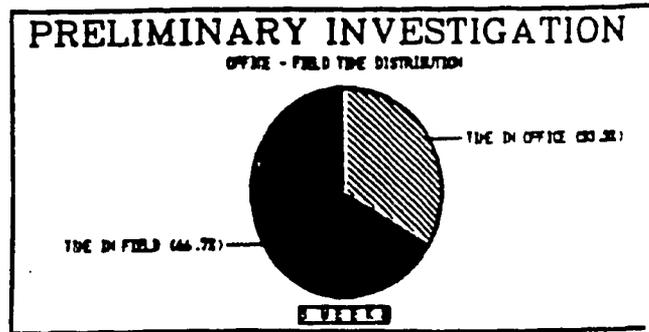
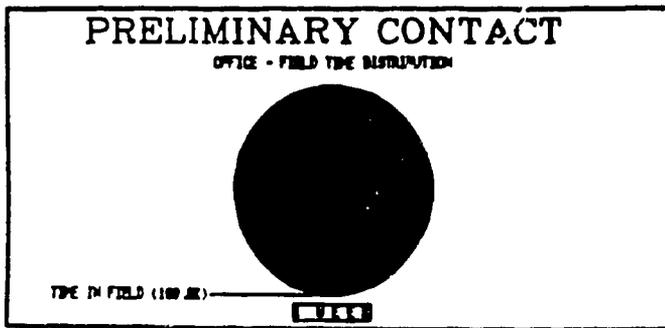
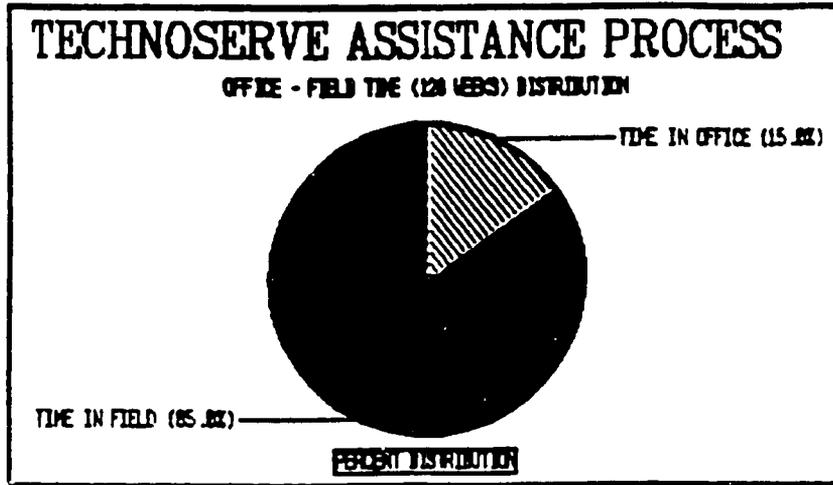
-Training Phase.

Similar to the evaluation, it is a continuous process in all phases of assistance and it is carried-out as "formal" and "in service" training. Time projected for in-service training is 30 weeks and 8 for formal training.

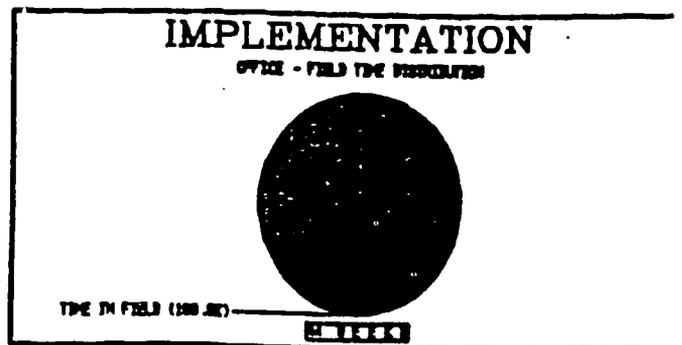
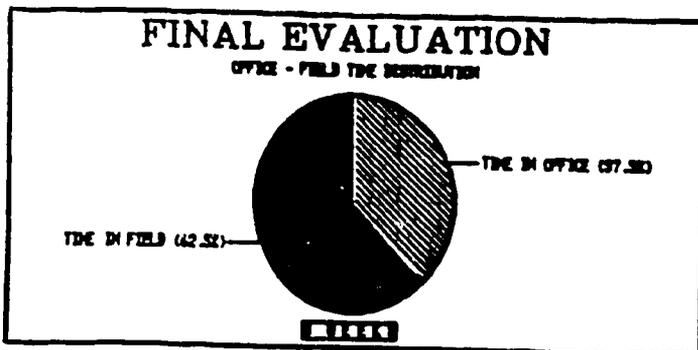
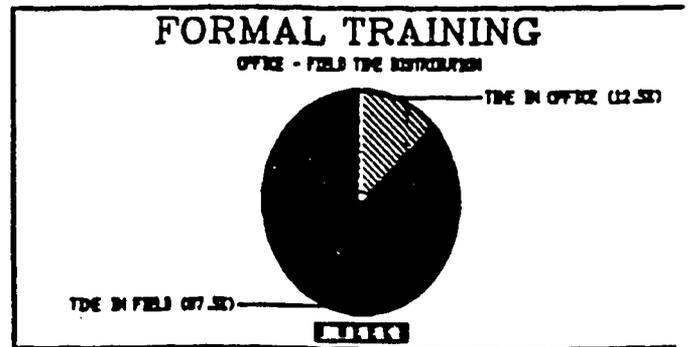
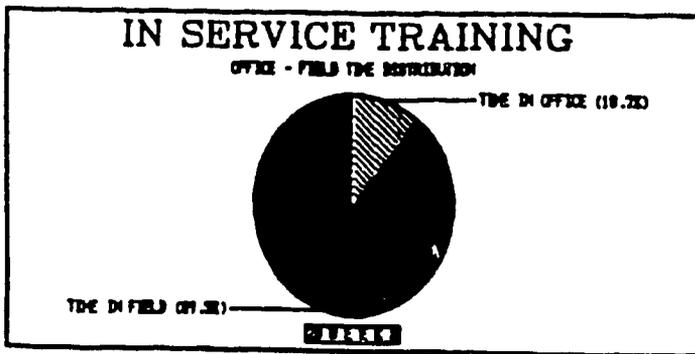
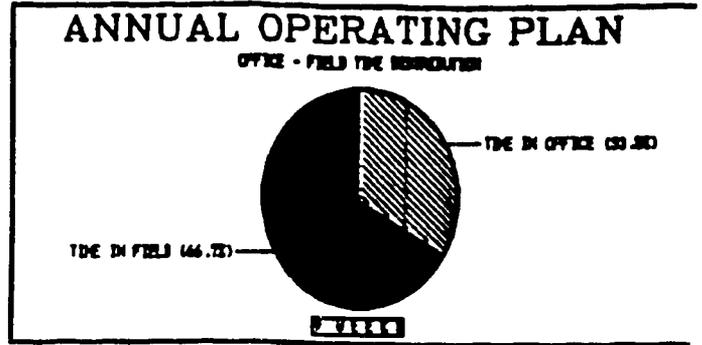
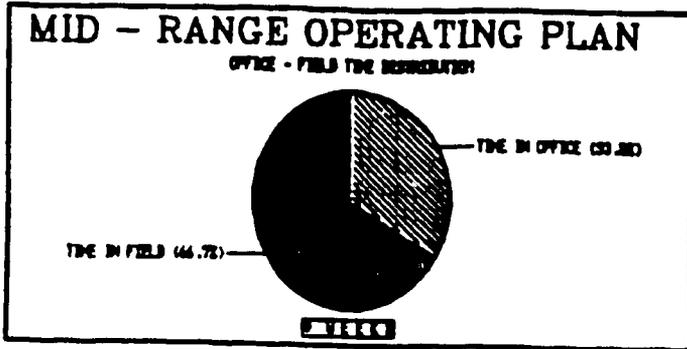
-Participation.

All stages of the assistance are carried-out in a participatory way. Despite the additional time needed to accomplish a task, the experience obtained by the group is worthwhile, especially during the evaluation, planning and implementation phases.

GRAPH No. IV-3A



GRAPH No. IV-3B



8. Projection of Effort Distribution by Assistance Component.

Technoserve's approach to enterprise development will allocate during the life of the project an average of 87% of its installed capacity (7,440 man/days/year) to the enterprise assistance component and close to 10% to the assistance to institutions and organization component, see tables IV 3 and IV 4.

Table IV 2 shows a time use matrix by individual activities including "direct enterprise assistance". Each of these activities has an enterprise assistance and/or an institutional/organization assistance component. For example, 80% of training is related to enterprise assistance and the rest to institutional/organizations assistance. Table IV 3 shows the allocation of these activities.

Although, the number of enterprises to be assisted is high in relation to previous years, the man/months needed per enterprise will decrease from an average of 42 to 30 as a result of increased assistance efficiency. This situation is reflected in a decrease of direct enterprise assistance from 60% of total time in 1989 to 50% in 1994. However, the enterprise assistance component of the rest of the activities will be increased so that the enterprise assistance component will range from 88% to 86% of the total installed capacity.

T A B L E I V - 2
T I M E U S E M A T R I X B Y A C T I V I T I E S

A C T I V I T Y	Y E A R S						AVERAGE LIFE OF PROJECT
	BASE YR 1989	1990	1991	1992	1993	1994	
I. ENTERPRISE ASSISTANCE 1/	60.0%	58.0%	55.0%	52.0%	50.0%	50.0%	53.0%
II. INSTITUTIONAL ASSISTANCE	17.0%	18.0%	20.0%	22.0%	23.0%	23.0%	21.2%
III. PRELIMINARY INVESTIGATIONS	2.2%	1.8%	1.8%	1.7%	1.5%	1.5%	1.7%
IV. SATCOR (SHORT TERM ASSISTANCE)	3.3%	3.9%	3.9%	4.2%	4.8%	4.8%	4.3%
V. TRAINING	8.0%	10.0%	10.0%	11.3%	12.1%	12.1%	11.1%
VI. EVALUATION	2.5%	2.4%	3.3%	3.0%	2.8%	2.8%	2.9%
VII. REPLICAS & DISSEMINATION	2.2%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
VIII. MARKETING	1.5%	1.8%	1.8%	1.6%	1.6%	1.8%	1.8%
IX. OTHERS	3.3%	1.9%	2.0%	1.8%	1.8%	1.8%	1.9%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1/ Real effort is greater, due to indirect assistance through Institutions and direct assistance through the activities of SATCOR and Training.

In sum, it is estimated that between 80% and 88 % of the time effort reaches the enterprises.

9. Classification of the Assistance.

According to the scope or number of functions of the cooperative enterprise to be addressed in the proposed technical assistance, the assistance is classified as Integral or Partial. Integral Assistance is supposed to cover all or a majority of the enterprise functions of the assisted group. It is understood that these enterprise functions include:

- Farm Management;
- Accounting/Financial Management;
- Production;
- Marketing;
- Social Development

With integral assistance, TechnoServe has a better possibility of developing enterprises capable of sustained self-management.

Partial Assistance is usually of a short term nature and covers only one or two of these enterprise functions. As a general rule, this assistance scheme gives TechnoServe a limited opportunity to help the recipient group develop self-management capabilities.

B. Project Analysis.

TechnoServe's rural development project has in the past had an important positive impact in the economic and social well-being of the groups and communities it has worked with. The impact has even had national repercussions in the reform sector. The enterprise development philosophy also brings new positive concepts and thinking to rural areas and thereby easing important socio-cultural constraints rural development is faced with. The positive effects TechnoServe will bring are described in more detail below.

1. Economic, Social and Financial effects and its relationship with government policies.

The economy of El Salvador has seriously deteriorated in the past decade; gross national product increased at a rate below the population increase rate, accumulated inflation caused 1 colon of 1989 to buy what ¢ 0.22 bought in 1980, ^{1/} the trade deficit increased from (¢337.4) millions in 1983 to (¢2,052.80) millions in 1988. ^{2/} Most of this decline was caused by the violence, low international prices for export products and especially by a decline in agricultural production, which alone, represented 25% of the Internal National product in 1988.

Agriculture continues to be the backbone of the economy, it's the major employment generator as well as the main source of foreign exchange earnings, coffee exports have in the past represented 60-70% of total exports. ^{2/}

All efforts to reactivate the economy are now being focussed on production increases in the agricultural sector.

This project has been designed to enhance the efforts of the El Salvador government at increasing production of traditional and non-traditional agricultural products, in order to increase incomes. Furthermore, almost any increase in production is accompanied with an increase in employment, especially in rural areas, where creating or sustaining jobs is a most. The government policy to increase production is in line with TechnoServe's purpose. This project pretends to contribute to the improvement in the level of living of low income people by increasing production through the creation or strengthening of existing enterprises, where the transfer of know-how in management, production, accounting, marketing and social aspects play an important role.

^{1/} Based on Consumer Price Indexes (1989 = 100) developed from inflation rates reported in "The International Financial Statistics Yearbook, IMF".

^{2/} Revista del Banco Central de Reserva de El Salvador Ene-Mar/89

The impact of the proposed project in the economy will be reflected in production increases stemming mainly from improvements in yields resulting from the transfer of better technology and also from a better use of resources.

Coffee production under TechnoServe influence is estimated to go from 1,096,368 qq. of green coffee beans in 1990/91 to 1,309,000 qq. in 1993/94 reaching a total of 4,781,000 qq. during the period. Coffee productivity in directly assisted cooperatives is intended to be raised from a current 7 qq./Mz. to 16 qq./Mz.

Likewise, rice productivity under TechnoServe assistance is expected to be increased in about 14 qq./Mz.

Besides the commodities mentioned, efforts will be made to introduce proven non-traditional activities such as sesame, melons, soybean, grain sorghum, and feed lots. Joint efforts with NCBA/CLUSA will also continue in the line of non-traditional crops for export.

It is worthwhile stating that for the 90/91 year with 27% of the national area cultivated with coffee under TechnoServe influence the estimated production will be 37% of the total national production. In the case of rice, with 4.65% of the national area under TechnoServe assistance, production will be 5.24% of total national production. TechnoServe efforts at increasing production and productivity will continue through 1990/94. The results from efforts in Short Term Assistance (SATCOR) are not included in the previous analysis nor are production figures from cooperatives in the 207 (Finateros) and the traditional sectors, since most of their production is in basic grains. Also, there will be some cooperatives in TechnoServe's portfolio classified as "service cooperatives" where the production of commodities is not the main activity.

During the proposed period of April 1990 to March 1994, employment amounting to 52,300 person years is estimated to be sustained and/or created. (See Table IV 9)

This figure was arrived at, based on the experience had with the group of cooperatives studied by the Checchi Evaluation Team where it was found that for each member 1.75 jobs were created or sustained. (also refer to the indicators methodology section)

It is estimated that the average number of member's per cooperative will be 100. The accumulated employment of 42 enterprises to be assisted during the period was used. This methodology takes into account the employment generated by ongoing cooperatives, as well as those that graduate during the period.

The employment to be generated through short-term assistance as well as via institutional assistance is not reflected in the figure provided, neither is the indirect employment.

As far as foreign exchange generation or saved is concerned, the project is expected to have an influence on approximately 100 million dollars, for 1990/91 from coffee production, and 13 million dollars from other commodities including milk.

During the 4 year period, the project would have an influence on foreign exchange earnings or savings in approximately US\$450 millions from the mentioned products.

The project has enterprise development as the main component. This component in turn has 2 areas of work: a) direct assistance to enterprises and b) indirect assistance.

In order to increase coverage, the project plans to diversify the portfolio and it will include enterprises in the reformed sector (Phase I, Phase III and others) as well as enterprises in the traditional sector, known as independent or private.

Also, by working very closely with federations, organizations and institutions the project will increase coverage since people in those entities, will apply TechnoServe transferred technology and thereby creating a multiplying effect on other beneficiary groups. Using that strategy TechnoServe's work will be more efficient and instead of using an average of 42 man/months to "graduate" an enterprise it will only use 30/man/months, making it possible to continue with a regular portfolio of an average of 25 enterprises assisted per year, without increases in permanent staff. The reduction in the time needed per enterprise will free resources to assist more enterprises jointly with federations, organizations and institutions and some non-traditional crops/activities.

2. Statement of the Technology

TechnoServe assistance is oriented to the transfer of appropriate technology rather than changes of an existing one. Technology in the areas of management and accounting is already known and the work of TechnoServe gears around correct use and the why it has to be used that way. In the area of production, the better use of human, physical and financial resources is more important than the change in technology. In many cases, given the existing technology just better control of production, labor or inputs renders positive results to the enterprise.

3. Statement of the pertinent socio-cultural factors and implementing agency environment.

During the life of the project, TechnoServe will continue promoting the human values and self confidence in rural people, that for centuries had been excluded from decision making processes, education, health, etc. Many of them are now realizing that they are not just tools of the production function.

Moreover, TechnoServe will continue promoting the role of women not only as housewives but as valuable human resources of the assisted enterprises. The good results previously obtained in appointing women as members of board of directors, clerical work and the accounting field in several cooperatives assisted by TechnoServe will be replicated. The example in cooperative El Castaño where a group of rural women run the business will be used as a model to convince other groups to have more confidence in women, not just in applying fertilizers but also in the decision making level. Efforts will be made to have, at least, one woman in the board of directors of each cooperative, and to increase the number of women members. It has been estimated that membership in the cooperatives assisted will increase by 3 percent each year. Efforts will be made so that most of this increase be represented by women.

Women have participated in many training programs during the assistance. This participation will be encouraged even more in the coming years. The new government policy of equal salaries for both men and women, makes easier the job of TechnoServe at promoting positive changes regarding sex discrimination.

4. Statement of the Project Relationship

It is very clear that this assistance project is in line with the government policies of rural development.

In order to avoid duplication of efforts, TechnoServe will have good working relations with many institutions, but mainly with MAG, ISTA and the BFA; as these 3 institutions are responsible for several programs directed to the rural area. In the past years, TechnoServe had relations with IRA and in this proposed project, they will be enhanced in order to help in the marketing of the agricultural output produced by the assisted cooperatives. By working closely with TechnoServe, MAG could cover areas that are now without assistance. Concerning their extension service, TechnoServe has the experience and knowledge needed to provide an entrepreneurial approach to the work done by extension agents, thus making production and management important elements in the efforts of increasing the well being of rural people.

5. Self-Management Plan

The project supported by TechnoServe begins by mobilizing the talents and hard-work of the people it serves. TechnoServe highly trained staff teach the members of cooperatives agricultural production and management skills. The members to be trained are chosen from all ranks of the group and special attention is given to the middle management or those persons with key roles who stay in positions regardless of changes in directive bodies. They are taught advanced skills that enable them to gradually assume management of their farming operation. A total of 700 paratechnicians are estimated to be trained in the different areas of the enterprise. TechnoServe firmly believes that more than shipments from overseas, the people it serves need to learn how to manage their own resources to achieve abundance on their own.

6. Measurement and Evaluation of Project Accomplishments

In order to measure accomplishments and to facilitate the evaluation process, a set of economic and social indicators are proposed for this project, these are listed below.

-Production

Changes in production and productivity will be monitored for the main activities and comparisons with performance of other sectors will be carried-out.

-Changes in Net Profits

Will enable the evaluation of the degree of accomplishment in the generation of profits in each enterprise, as well as in the group of assisted cooperatives. This indicator will also be presented at a level where financial charges for refinanced bad debts and the Agrarian Reform land debt are not taken into consideration due to the fact that TechnoServe has limited influence over these external variables.

-Changes in Net Worth

Will present the degree of confidence of the group in their enterprise. The assumption is that the more the group trust in their cooperative the more equity they will be willing to invest.

-Employment

This indicator will be presented as a whole and also divided into employment for men and employment for women; only direct jobs will be reported, since efforts to calculate indirect employment are time consuming. Employment generation will also be a good indicator of family income.

-A detail of institutional indicators is presented in Table IV 7 and IV 8.

-TechnoServe will design a computerized management information system that will periodically gather information in the areas of production, financial, economic and social performance. The system will provide for quick comparisons among actual and planned performance on a considerable number of indicators allowing for more frequent evaluations.

-Periodic reports will also monitor project performance: the Quarterly Report of Anticipated Activities will provide information regarding activities in the prior 3 months as well as those planned for the following 3 months. These reports will be submitted within 45 days after the end of each quarter, beginning on the second quarter of 1990.

7. Output Indicators

TechnoServe will have an important influence in activities such as coffee, rice, dairy production, and others. Total estimated production, areas and yields for the first 3 activities is presented in table IV 5.

It should be pointed out that coffee production under TechnoServe influence is broken down into that coming from directly assisted cooperatives and that coming from indirectly assisted cooperatives through federations like UCAFES, and UCRAPROBEX.

Institutional indicators will include training programs to institutions as well as activities with both private and government institutions, also see table IV 7 and IV 8.

It has been estimated that 64 training programs will be provided to different institutions. Similarly, 104 coordination activities have been estimated to be carried out with both private and public institutions.

Many of these activities will include high level meetings with policy making leaders and high and medium ranking officials. These activities will provide for a link between the base and the

top of the institutional triangle which has at its base the cooperatives, the institutions at the middle and the political decision making at the top. TechnoServe will operate as a bridge that communicates the problems and issues from the top to the bottom and vice-versa. This will help understand national policies at the bottom and will provide feedback to the top, contributing to policy definition.

Even though, financial projections can not yet be made given the fact that financial information for new cooperatives to be assisted is not known, efforts will be made to have a positive impact in operating profits, net profits and net worth.

A recent analysis of a group of 8 cooperatives showed that operating profits during a 3 year period increased an average of 15% per year. Similar results are expected to be obtained for the group of cooperatives to be assisted in the future.

The analysis also showed that overhead expenses increased an average of 70% per year causing net profits to show a negative trend. Important emphasis will be given to assist in implementing effective measures aimed at curbing this negative trend, with lower overhead increase rates.

Enterprise input indicators have also been projected. These indicators are the same achievement indicators that were in effect during the May/86 through March/90 period. A detail of these indicators is presented in Table IV 6.

In the past, a good experience has been had with several school project as an effective means to replicate TechnoServe's work. Such experience will be capitalized by creating more school projects during the proposed period.

8. Methodology Followed in the Projection of Indicators.

The projected dynamics of assistance to projects (Graph IV 1) was used as the base on which to project the indicators described below (the methodology to calculate them is also explained).

-Projected Enterprise Input Indicators

The enterprise input indicators that have been included in Table IV 6 are the same achievement indicators that were in effect during May/86 through March/90 and therefore, their definition is the same. However, it should be pointed out that the projected indicators refer to enterprises only.

The number and type of documents prepared per cooperative per year during the May/86 through March/90 period was analyzed. However, the number of documents per cooperative is expected to decrease somewhat and therefore, a lower number of documents per cooperative was used.

It is expected that there will be at least 2 documents supporting project activities to analyze per cooperative per year (the previous relation was 3 per coop/year) except for the Apr./90-Sep./90 and the Oct./93-Mar/94 periods (6 months periods) where 1 activity/coop was used. Likewise, it has been estimated that there will be from 1 to 2 documents supporting project plans per cooperative per year (the previous relation was 2 per coop/ year). According to the recent history 70 % of project plans were implemented and thus, the same relation was used for projection purposes.

Finally, for each cooperative to be added, 2 preliminary investigations and 2 contracts are expected to be carried out.

-Members

In order to calculate total cooperative members for the first period (Apr.-Sep./90) for the 15 ongoing cooperatives at the beginning of the period, the available statistical data for each one was used (members they had at Dec./89). Membership for the 36 projects to be added was projected on the basis of an average estimate of 100 members at the beginning of assistance.

Membership is expected to increase at an annual rate of 3%.

-Employment

Employment for the 15 ongoing cooperatives at the beginning of the period was based on statistical data available for 1989 (employment shown in 1989). In order to estimate employment for those cooperatives to be added, an analysis of the relationship between employment and membership of a group of cooperatives (those selected by the checchi evaluation team) was done where it was found that for each member 1.75 persons were employed. This same relationship was used for the new coops.

A 10 % annual increase has been estimated for the remaining periods.

-Direct Beneficiaries

The calculation of benefited population was done using the formula that has previously been used. This formula was arrived at after a past study TechnoServe carried out regarding this matter. The formula uses an average family size of 6 and is shown next:

$$\text{Direct Beneficiaries} = (\text{Membership} + (\text{Employment} * 0.25)) * 6$$

-Family Income

Family income is broken down into Salaries, fringe benefits, and distributed profits.

A recent calculation of family income for a group of cooperatives showed that 85.3 % of this income came from salaries, while 14.7 % came from fringe benefits and distribution of profits. This same relation was used for projection purposes.

Using the mentioned relation the next step was to project global family income, using the minimum wage and the employment projections for the different periods.

Additionally, an individual family income projection was estimated as follows: It is expected that person years (1 person employed during 250 days a year) employed per family will go from 1 in the base year to 1.4 in the fourth year; using a daily salary of \$15.15 (minimum wage), 250 days and fringe benefits and distribution of profits calculated at 14.7 % of total family income, this figure will go from \$3,854 in the base year to \$5,170 in the fourth year. This methodology considered distribution of profits and fringe benefits for 1 member of the family only. It should also be pointed out that while the employment (person years) - members relation is higher (1.7 in the base year and 2 in the 4th. year), a lot of this is seasonal employment supplied with outside labor.

-Area

In order to project the area for phase I and traditional cooperatives to be added the average existing area of the ongoing cooperatives was used (793 has.). The average area of 207 cooperatives was estimated to be around 150 has.

TABLE IV 5
ESTIMATED PRODUCTION AND PRODUCTIVITY PROJECTIONS
UNDER TECHNOBERVE INFLUENCE

YEAR	AREA MZ.	C O F F E E		1/ YIELD QQ/MZ	AREA MZ.	R I C E		D A I R Y C A T T L E		
		PRODUCTION Qq.				PRODUCTION Qq.	YIELD Qq/MZ	AREA MZ.	PRODUCTIO: BOT. IN (1,000'S)	YIELD BOT/MZ
BENCHMARK										
1988/89	82,800	1,027,000		16.4						
1989/90					580	34,800	82	880	2,500	2,841
PROJECTION										
1990/91	82,800	1,098,000		17.5	920	65,300	71	500	3,450	6,900
1991/92	82,800	1,156,000		18.5	790	57,500	73	570	4,100	7,193
1992/93	82,900	1,220,000		19.5	860	64,700	75	570	4,100	7,193
1993/94	82,900	1,308,000		20.6	1,030	78,700	76	570	4,100	7,193

1/ It includes the area and production from the UCAFES cooperatives whose production will indirectly be influenced.

TABLE IV 6
PROJECTED ENTERPRISE INPUT INDICATORS

INDICATOR	GOAL						
	APR/90- MAR/93	APR/90- SEP/90	OCT/90- SEP/91	OCT/91- SEP/92	OCT/92- SEP/93	OCT/93 MAR/94	
COOPERATIVES ASSISTED	51 1/	23	27	24	28	21	
COOPS W/ ASSISTANCE COMPLETED	35	3	15	3	9	5	
PROJECT REQUESTS TO INVESTIGATE	72	16	14	24	16	2	
PROJECT AGREEMENTS	72	16	14	24	16	2	
PROJECT ACTIVITIES TO ANALYZE	204	23	54	48	56	21	
PROJECT PLANS	142	12	40	36	43	11	
PLANS/ PROJECTS TO IMPLEMENT	98	8	28	25	30	7	

1/ 15 Cooperatives at the beginning plus 36 to be added

TABLE IV 7

PROJECTED GOALS - FEDERATIONS/ORGANIZATIONS AND
INSTITUTIONS (PUBLIC AND PRIVATE) APRIL 90/MARCH 93.

A. FEDERATIONS AND ORGANIZATIONS						
Activities	APR 90 SEP 90	OCT 90 SEP 91	OCT 90 SEP 92	OCT 92 SEP 93	OCT 93 MAR 94	TOTAL
Training Activities	4	8	8	8	4	32
Preliminary Investigat.	4	8	8	8	4	32
Diagnosis Studies (or Activities analyzed)	4	8	8	8	4	32
Feasibility Studies (or project plans)	2	4	4	4	2	16
Coordination Activities	8	12	12	12	6	48
B. INSTITUTIONS (PUBLIC AND PRIVATE)						
Training Activities	4	8	8	8	4	32
Preliminary Investigat.	2	4	4	4	2	16
Diagnosis Studies (or Activities analyzed)	2	4	4	4	2	16
Medium Term Operat. Plans (or project plans)	1	2	2	2	1	8
Proposals (plans)	2	4	4	4	2	16
Assembly Centers Studies (activities analyzed)	0	1	1	1	0	3
Coordination Activities w/public institutions.	4	8	8	8	4	32
Coordination Activities w/private institutions.	4	8	8	8	4	32

TABLE IV 8
TRAINING INDICATORS WITH INSTITUTIONS AND ORGANIZATIONS

TRAINING INDICATORS	TARGET
TOTAL TRAINING ACTIVITIES WITH INSTITUTIONS	32
TOTAL TRAINING ACTIVITIES WITH ORGANIZATIONS	32
TOTAL TRAINING ACTIVITIES	64
PROFESSIONALS TRAINED	600
PERSONS IN MIDDLE MANAGEMENT POSITIONS TRAINED	600
TRAINED MEMBERS FROM COOPS OTHER THAN THOSE DIRECTLY ASSISTED BY TNS	1,600
TOTAL PERSONS TO BE TRAINED	3,200
POSSIBLE TRAINING TOPICS	-ENTREPRENEURIAL DEVELOPMENT -IRRIGATION SYSTEMS -MAINTENANCE OF COFFEE MILLS -CLOSING OF ACCOUNTING BOOKS -TECHNOLOGICAL TRANSFERENCE -MARKETING OF MELONS AND OTHER NON-TRADITIONAL CROPS -COFFEE MILLING

TABLE IV 9
ESTIMATED MEMBERS, EMPLOYMENT, DIRECT BENEFICIARIES, FAMILY INCOME AND AREAS OF PROJECTS UNDER DIRECT TECHNOSERVE ASSISTANCE

PERIOD	MEMBERS	EMPLOYMENT (Person-years)	DIRECT BENEFICIARIES	GLOBAL FAMILY INCOME (colones)	FAMILY INCOME (colones)	AREA (Has.)
OCT/89 - SEPT/90	3,350	5,700	26,646	21,974,000	3,854	14,860
OCT/90 - SEPT/91	4,270	7,400	36,791	28,614,000	4,183	16,850
OCT/91 - SEPT/92	5,570	10,500	49,182	40,435,000	4,512	24,800
OCT/92 - SEPT/93	6,600	13,700	59,780	52,542,000	4,840	29,860
OCT/93 - SEP/94	6,900	15,000	64,046	57,796,000	5,170	30,000
TOTAL		52,300		201,361,000		118,190

C. Staff and Budget

1. Staff

This proposal is a component of TechnoServe's Strategic Plan for the period 1990-1994, which contemplates a "freeze" in the size of the program staff, "core-budget" at 46 members, which include 1 Director, 1 Assistant Director, 29 professionals working in the enterprise development process and 15 persons in the administrative area, including two more professionals. In 1989 there were 44 persons for a total of 32 professionals and 12 supportive staff.

Table No. IV-10 presents the distribution of the staff for the forthcoming years, by main area of work and Table No. IV-11 presents a distribution by major field of expertise. Turn over rate has been very low for the past years and most have been with TechnoServe for more than 5 years and others more than ten. Besides, most have several years of experience. The biosketches for professional staff are presented in Appendix No. A.

In addition to the regular core staff, there are other services provided by consultants and other professionals under special circumstances and as work load so demands. The consultant contracts or outside services are considered under budget item 06 and includes individuals or firms with backgrounds in marketing, irrigation, coffee production and other needed fields of expertise. Most of the work done under 06 is of short term nature. List is presented in Table No. IV-12. Beginning the fiscal year Oct-90/Sep-91, an estimated of US\$20,000 are included for contracting of local private consultant/service firms and involve more professionals in the project.

The management ability of TechnoServe to work with this type of project is well known by USAID El Salvador Mission and USAID Washington.

Diagram No. IV-1 presents the current Organization Chart by major functions. The Program Management is supported by the projects Management, the administrative management and the support unit, to carry out the various activities of TechnoServe work, such as enterprise assistance, institutional assistance and assistance to special projects, the latter not included in the cooperative agreement with AID.

The assistance is provided through multidisciplinary teams composed by project advisors of different specializations and background, assigned depending on the nature of the project. Each multidisciplinary team may have several enterprises under their responsibility.

TABLE No. IV-10
 TECHNOSERVE EL SALVADOR PROGRAM
 PROFESSIONAL AND ADMINISTRATIVE PERSONNEL (1)
 (PLANNED FOR THE PERIOD 1990-1994)

PERSONNEL CATEGORY	(YEAR)	BASE					
		1989	1990	1991	1992	1993	1994
<u>PROFESSIONAL</u>							
Directors		2	2	2	2	2	2
Professional Advisors		28	29	29	29	29	29
SUB - TOTAL I		30	31	31	31	31	31
<u>ADMINISTRATIVE</u>							
Professional		2	2	2	2	2	2
Secretarial / Technical		10	11	11	11	11	11
Service		2	2	2	2	2	2
SUB - TOTAL II		14	15	15	15	15	15
TOTAL PROFESSIONAL AND ADMINISTRATIVE PERSONNEL		44	46*	46	46	46	46

(1) Regular permanent core staff in 01 budget item.

* 33 professional, 11 support administrative personnel and 2 service personnel.

TABLE No. IV-11
PERSONNEL SUMMARY
BY DISCIPLINE AND POSITIONS
(PROJECTED 1990-1994)

	TOTAL
<u>PROFESSIONALS/PROJECT</u>	
Agronomists	10
Business Administration	7
Economists	2
Zootechnicians	3
Industrial Engineers	3
Sociologists 1/	1
Accountants	5
 SUB-TOTAL	 31
 <u>ADMINISTRATIVE PERSONNEL</u>	
Administrative Manager	1
Business Administration	1
Adm. Assist. Accountant	1
Adm. Assist. Business Ad.	1
Secretaries	7
Technical Assistants	3
Messenger/Driver	1
Watchman	1
 SUB-TOTAL	 15 -----
 TOTAL	 46 -----

1/ An Agronomist with Sociology knowledge will collaborate with the sociologist.

NOTE: Personnel structure hired in item 01 increases by 1 professional and 1 secretary as related to 1989, staff will be maintained through 1993.

TABLE No. IV-12
TECHNOSERVE EL SALVADOR PROGRAM
PROFESSIONAL SERVICES BUDGET ITEM 06 1/
PERSON MONTH/YEAR

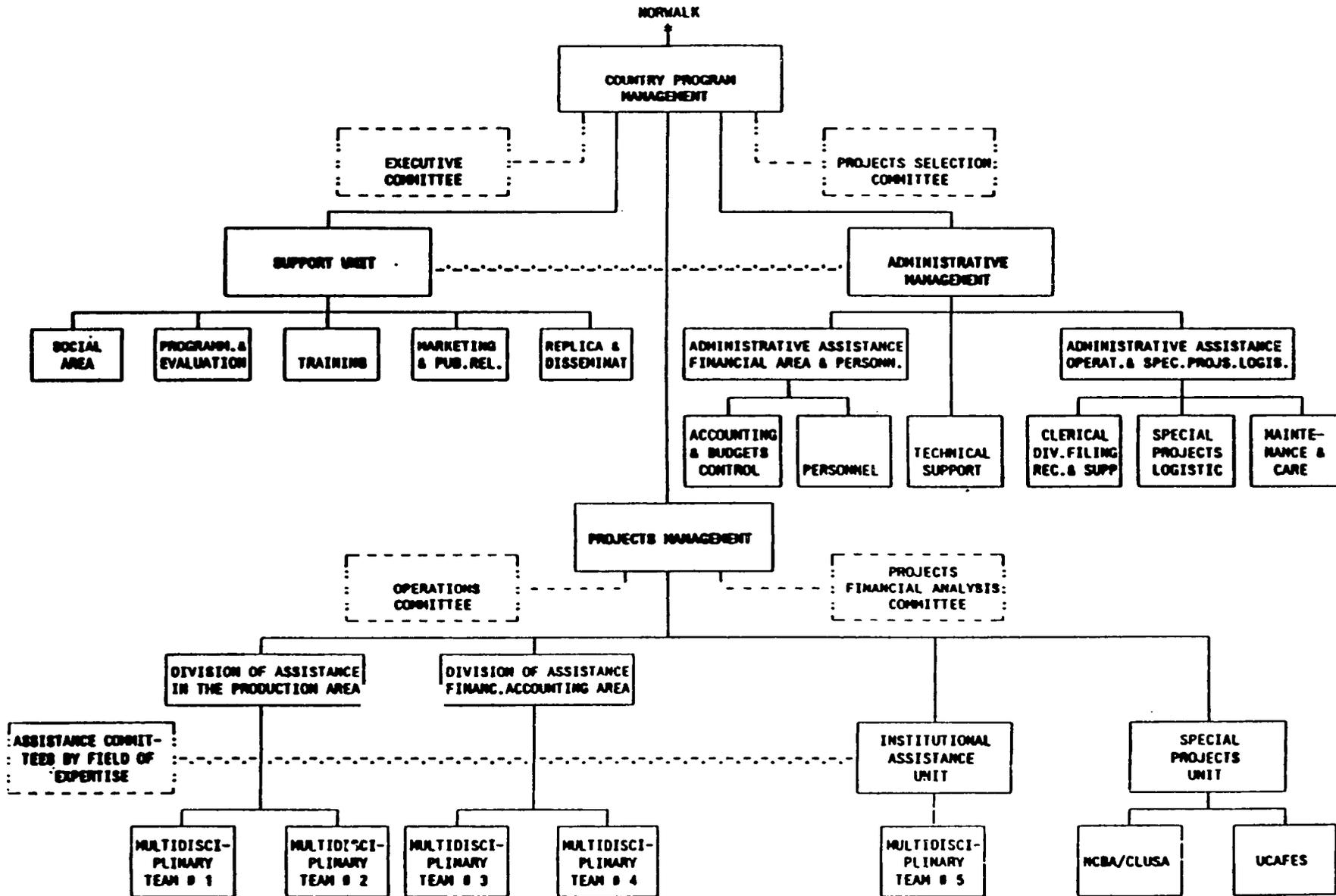
PROFESSIONAL -----	(YEAR)	BASE				
		1990	1991	1992	1993	1994
Professionals		48	36	36	36	36
Other special services		12	24	24	24	24
Legal Advisor		12	12	12	12	12

Total by Contract, person/month		72	72	72	72	72
		=====				
Equivalent person/year		6	6	6	6	6

1/ Beginning 1990 the hiring will be the equivalent to one year advisor distributed in 9 specialized disciplines according to the strategic plan.

DIAGRAM IV - 1

GENERAL ORGANIZATION CHART OF TECHNOSERVE, INC. EL SALVADOR



Indicator:
 -.-.-.-. Coordination Line.
 _____ Command Line.

2. Program Cost and Financing

Total cost for Operation Budget and In-Kind Contribution for the period April 1, 1990 through March 31, 1994 is US\$8,440,000. Including cost for Capital Expenditures (C.E.) of US\$308,000 and a Program/Project Evaluation cost of US\$50,000 in late 1992, the total Project Cost is estimated at US\$8,798,000.

Table No. IV-13 presents the Operation Budget Cost by periods and gross figures for local and home office direct cost operation and the General and Administrative cost, the latter estimated at a 20.6% rate of 01-09 local cost plus 11-21 direct Latin American Division cost.

Table No. IV-14 presents the funding sources, by periods for the Operation Budget, including the In-Kind Contribution. Because of the current economic and social conditions in El Salvador and the difficulties in raising local money, mainly as In-Kind and project fees at devalued exchange rates, TechnoServe kindly request to USAID/RDO El Salvador Mission an 80% of the total cost presented in this table. As estimated and using rounded figures, total financing requested is US\$6,750,000 from AID as cash for Operation Budget, with a contribution in cash from TechnoServe of US\$744,000 and an In-Kind Contribution of US\$946,000. All make a total cost for operation budget of US\$8,440,000.

Since in the last times it has been hard for TechnoServe to get contributions for El Salvador from other traditional sources and the actual need during the period to replace vehicles and other depreciated equipment, TechnoServe also requests AID to finance the replacement cost of vehicles and office equipment, including new facilities, as a radio system to improve field communications special under emergency or security circumstances, office equipment and computer. List of Capital Expenditures estimated by periods, is presented in Table No. IV 15.

Table IV-16 and IV-17 present the Cash Budget, Use of Funds and the distribution by budget item for cash disbursements excluding the In-Kind Contribution. Thus, total amount requested to USAID/RDO El Salvador Mission is US\$6,750,000 for operation budget, rounded figures and US\$308,000 for CE for a total grant of US\$7,058,000. Including the project evaluation cost in 1992 estimated at US\$50,000, total AID contribution would be US\$7,108,000.

TechnoServe Contribution will be US\$744,000 and the In-Kind US\$946,000, for a total match of US\$1,690,000.

-60-

TABLE No. IV-13
 TECHNOSERVE INC. EL SALVADOR PROGRAM
 BUDGET SUMMARY FOR PERIOD 1990-1994
 US \$ (000) EXCH. RATE 1/

BUDGET ITEM	BASE 1989	04/01/90 09/30/90	10/01/90 09/30/91	10/01/91 09/30/92	10/01/92 09/30/93	10/01/93 03/31/94	TOTAL
A. OPERATION :							
01 / 09	1293	633	1333	1419	1505	785	5675
11 - 21	105	62	126	134	142	75	539
SUB-TOTAL	1398	695	1459	1553	1647	860	5214
G.A. (20.6%)	259	143	301	320	339	177	1260
TOTAL	1657	838	1760	1873	1986	1037	7494
B. CAPITAL EXP. (C.E.) 2/							
		39	103	38	78	0	258

NOTE: Budget increases 6% for annual inflation rate, plus adjustments due to 06 budget item increments for specific consultant contracts in irrigation, marketing, quality standard and regulations, coffee production, etc.

1/ TechnoServe Program El Salvador, has expenses in US\$, mainly for General and Administrative cost, Latin American Division direct cost, international travel, some benefits and fringes for El Salvador staff and purchases made in U.S.A. About 70% of the Total cost is incurred in salvadoran colones are estimated at an exchange rate of ₡6.75 = US\$1.00, parallel market average for the last six months.

2/ See Table No. IV-15

TABLE No. IV-14
 TECHNOSERVE EL SALVADOR PROGRAM
 OPERATION BUDGET AND FUND SOURCES
 US\$ (000)

SOURCE	APR/90 SEP/90	OCT/90 SEP/91	OCT/91 SEP/92	OCT/92 SEP/93	OCT/93 MAR/94	TOTAL
CASH:						
A I D 1/ TechnoServe	755 83	1585 175	1687 186	1789 197	934 103	6750 744
SUB TOTAL	838	1760	1873	1986	1037	7494
OTHER:						
In-Kind	106	221	233	254	132	946
TOTAL COST	944	1981	2106	2240	1169	8440

1/ Estimated AID 60% of total cost.

TABLE No. IV - 15

TECHNUSERVE EL SALVADOR PROGRAM
CAPITAL EXPENDITURES FOR PERIOD 1990-1994

DESCRIPTION	BASE UNIT VALUE * 1989	APR - SEP 1990 TOTAL COST		OCT 1990- SEP 1991 TOTAL COST		OCT 1991- SEP 1992 TOTAL COST		OCT 1992- SEP 1993 TOTAL COST		OCT 1993- MAR 1994 TOTAL COST		TOTAL	
		UNIT	US \$	UNIT	US \$	UNIT	US \$	UNIT	US \$	UNIT	US \$	UNIT	US \$
VEHICLES	12,500			6	84,000	5	74,000	5	78,000			16	236,000
COMPUTERS SYSTEM	4,500			3	15,000							3	15,000
PRINTERS	2,400	1	2,500									1	2,500
PHOTOCOPIERS SMALL	2,800					1	3,300					1	3,300
BIG	8,800					1	10,500					1	10,500
TYPEWRITERS	1,600			1	1,800							1	1,800
AIR CONDITIONERS	550			3	1,900							3	1,900
MOTORCYCLES	2,900	3	9,300									3	9,300
RADIO SYSTEM	25,000	** S	27,000									** S	27,000
TOTAL (US \$)			38,800		102,700		87,800		78,000				307,300

* UNITARY BASE VALUE HAS BEEN INCREMENTED IN 6% YEAR TO YEAR.

** S = SYSTEM CONSIST OF 1 BASE UNIT, 1 BROADCASTING REPEATER, 8 MOBILE UNITS AND 5 PORTABLE RADIOS.

29-Mar-90 COAGCASH/AFM/FLO

TABLE No.IV-16
 TECHNOSERVE EL SALVADOR
 TOTAL CASH BUDGET PERIOD: 04/90 -- 03/94
 ROUNDED FIGURES (US \$000)

	04/90 to 09/90	10/90 to 09/91	10/91 to 09/92	10/92 to 09/93	10/93 to 03/94	TOTAL
1) Personnel Expenses						
Salaries and Benefits						
a) U.S. Personnel	22	45	48	51	27	193
b) Salvadoran Personnel	493	1029	1091	1157	504	4274
2) Travel and Allowances						
a) International Travel	10	20	21	22	12	85
b) In-Country travel E.S.	53	110	117	124	64	455
3) Office Expenses	37	76	81	86	45	325
4) Other Direct Expenses	80	179	195	207	109	769
5) General Administrative (G&A)	143	301	320	339	177	1280
Sub Total	938	1760	1873	1996	1037	7494
Capital Expenditures	39	103	88	78	0	308
Project Evaluation			50	0	0	50
T O T A L	977	1863	2011	2064	1037	7952

TABLE No. IV-17
 TECNOSERVE EL SALVADOR
 USE OF FUNDS AND DISTRIBUTION BY BUDGET ITEM
 ROUNDED FIGURES (US 0000)
 ILLUSTRATIVE

	04/30/90 - 09/30/90			10/01/90 - 09/30/91			10/01/91 - 09/30/92			10/01/92 - 09/30/93			10/01/93 - 03/31/94			GRAND TOTAL		
	AID	TRM	TOTAL	AID	TRM	TOTAL	AID	TRM	TOTAL	AID	TRM	TOTAL	AID	TRM	TOTAL	AID	TRM	TOTAL
1) Personnel Expenses																		
Salaries and Benefits																		
a) U.S. Personnel	19.0	2.2	22	40.5	4.5	45	43.2	4.0	40	45.3	5.1	51	24.3	2.7	27	173.7	19.3	193
b) Salvadoran Personnel	444.1	40.9	483	826.0	102.2	1029	902.7	100.3	1001	1042.1	114.9	1157	544	60	604	3930.7	434.3	4374
2) Travel and Allowances																		
a) International Travel	9	1	10	10	2	20	10.9	2.1	21	19.0	2.2	22	10.0	1.2	12	76.5	8.5	85
b) In-Country travel E.S.	47.7	5.3	53	99.1	10.9	110	105.4	11.6	117	111.7	12.3	124	57.6	6.4	64	421.5	46.5	468
c) In-Country Travel U.S.																		
3) Office Expenses	33.3	3.7	37	60.5	7.5	76	73	0	81	77.5	8.5	86	40.5	4.5	45	282.0	32.2	325
4) Other Direct Expenses	72.1	7.0	80	161.2	17.0	170	175.6	19.4	195	186.4	20.6	207	97.3	10.7	108	692.6	76.4	769
5) General Administrative (GAA)	120.0	14.2	143	271.1	29.0	301	280.2	31.0	320	305.3	33.7	339	159.4	17.0	177	1152.0	127.2	1280
Sub Total	754.0	83.2	830	1505.2	174.0	1700	1607	186	1873	1780.7	197.3	1986	933.9	103.1	1037	6749.6	744.4	7494
Capital Expenditures	39		39	103		103	00		00	70		70				300		300
Project Evaluation									50			0						50
TOTAL	793.0	83.2	877	1600.2	174.0	1803	1775	186	2011	1866.7	197.3	2054	933.9	103.1	1037	7107.6	744.4	7852

Management and control of funds will continue as known and approved by AID. These budget figures are not intended to be absolutely binding but should not exceed the total expenses charged to AID.

3. Project Cost by Activities and Main Components.

Cost for the major components of the project, enterprise assistance and assistance to institutions and organizations, is based on the effort matrix of TechnoServe and the professional staff assigned to project implementation and assistance and the time allocated by the direction of the Program. Total advisor/days averages 7,440 days per year.

TechnoServe determines cost per advisor/day for each professional with a structure for salaries and other costs, including G & A. Based on the calculated cost and the projected time assigned for each activity of the effort matrix and by major component of the project. Costs are presented in the series of tables No. IV-18, IV-19 and IV-20.

Table IV-18 presents the cost for each of the main activities of TechnoServe's effort matrix. Time is controlled with a monthly report sheet for each advisor and information is available in the files. The average for the period 1990 - 1994 is presented in the table and refers to direct time allocated to the specific activities, as part of the strategic plan and previously presented to AID. Of the total cost, near US\$ 4,000,000 will be spent in the enterprise assistance and US\$ 1,600,000 in direct institutions assistance - relations in support to rural enterprise development.

Table IV-19 also presents the total cash cost for operation budget in the life of the project, US\$ 7,494,000 distributed by the major components, which includes for enterprise assistance, the direct and indirect time projected and based upon previous TechnoServe's experiences. Total costs of the components of enterprise assistance reaches US\$ 6,490,000, institutions and organizations amounts US\$ 745,000 and other activities cost for the four years period is estimated at US\$ 259,000 rounded figures.

Table IV-20 presents the estimated cost by budget items, for each components. This table relates to table IV-17 and is presented for illustrative purposes and refers to cash operation budget for the life of the project.

TABLE No. IV-18
 TIME EFFORT MATRIX BY ACTIVITIES AND COSTS

A C T I V I T Y	BASE YR (1989)	AVERAGE LIFE OF PROJECT 1990/94	TOTAL COST (U.S. \$ 000)
I. ENTERPRISE ASSISTANCE 1/	60.0%	53.0%	3,971.8
II. INSTITUTIONAL ASSISTANCE	17.0%	21.2%	1,588.7
III. PRELIMINARY INVESTIGATIONS	2.2%	1.7%	124.4
IV. SATCOR (SHORT TERM ASSISTANCE)	3.3%	4.3%	323.7
V. TRAINING	8.0%	11.1%	831.8
VI. EVALUATION	2.5%	2.9%	214.3
VII. REPLICA & DISSEMINATION	2.2%	2.4%	179.9
VIII. MARKETING	1.5%	1.6%	119.9
IX. OTHERS	3.3%	1.9%	139.4
TOTAL	100.0%	100.0%	7,494.0

TABLE No. IV-19
EFFORT MATRIX AND COST BY MAJOR COMPONENT

A C T I V I T Y	BASE YEAR 1989	AVERAGE LIFE OF PROJECT 1990/94 *	TOTAL COST (U.S. \$ 000)
1. ENTERPRISE ASSISTANCE	87.2%	86.6%	6,490.1
a. Direct assistance	60.0%	53.0%	3,971.8
b. Indirect assistance through Institutions	12.8%	15.9%	1,191.5
c. Preliminary Investigations	2.0%	1.5%	112.0
d. Short Term Assistance	3.0%	3.9%	291.4
e. External training to enterprises	6.4%	8.9%	665.5
f. Evaluation	1.8%	2.0%	150.0
g. Replica and Dissemination	1.3%	1.4%	107.9
2. INSTITUTIONS AND ORGANIZATIONS	8.0%	9.9%	744.6
3. OTHERS	4.8%	3.5%	259.3
T O T A L	100.0%	100.0%	7,494.0

* Based on an average of 7440 advisor/days per year.

TABLE No. IV-20

TOTAL BUDGET COST BY COMPONENTS AND BUDGET ITEMS, APRIL 1990 - MARCH 1994

C O M P O N E N T	TOTAL COST (U.S. \$ 000)	C A S H C O S T B Y B U D G E T I T E M (U . S . \$ 0 0 0)								
		1) PERSONNEL EXPENSES, SALARIES AND BENEFITS			2) TRAVEL AND ALLOWANCES			3) OFFICE EXPENSES	4) OTHER DIRECT EXPENSES	5) - G & A - GENERAL AND ADMINISTRATIVE
		a) U.S. PERSONNEL	b) SALVADOREAN PERSONNEL	TOTAL	a) INT'L TRAVEL	b) IN COUNTRY (E.S.)	TOTAL			
1. ENTERPRISE ASSISTANCE	6,490.1	167.4	3,788.3	3,955.7	73.3	405.0	478.3	281.7	665.9	1,102.5
a. Direct assistance	3,971.8	102.5	2,318.4	2,420.8	44.9	247.8	292.7	172.4	407.5	678.4
b. Indirect assistance through Institutions	1,191.5	30.7	695.5	726.2	13.5	74.4	87.8	51.7	123.3	203.6
c. Preliminary Investigations	112.0	2.9	65.4	68.2	1.3	7.0	8.3	4.9	11.5	19.1
d. Short Term Assistance	291.4	7.5	170.1	177.6	3.3	18.2	21.5	12.6	28.9	45.2
e. External training to enterprises	665.5	17.2	388.4	405.6	7.5	41.5	49.0	28.9	68.3	113.7
f. Evaluation	150.0	3.9	87.6	91.4	1.7	9.4	11.1	6.5	15.4	25.6
g. Replica and Dissemination	107.9	2.8	63.0	65.8	1.2	6.7	8.0	4.7	11.1	18.4
2. INSTITUTIONS AND ORGANIZATIONS	744.6	18.2	434.6	453.8	8.4	46.5	54.9	32.3	76.4	127.1
3. OTHERS	259.3	6.7	151.3	158.0	2.9	16.2	19.1	11.3	26.6	41.3
T O T A L	7,494.0	193.3	4,374.2	4,567.6	84.7	467.6	552.3	325.2	768.9	1,280.0