



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.

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December 23, 1992

MEMORANDUM

TO: John A. Sanbrailo, DIR
FROM: *Marc Scott*
Marc Scott, ADIR/IRD
SUBJECT: PROJECT ASSISTANCE COMPLETION REPORT - FEDECCREDITO:
HEALTH AND JOBS FOR DISPLACED FAMILIES,
PROJECT No. 519-0281 (A)

Attached is the Project Assistance Completion Report for FEDECCREDITO, funded under Project 519-0281 from July 19, 1985 through March 31, 1989. FEDECCREDITO's activities under the Displaced Families Program were very successful, employing on an average 14,000 persons per month in temporary labor intensive community infrastructure projects.

The attached final report has been put together with the assistance of the Projects Office and reflects the accomplishments, lessons learned, recommendations and financial status of this Project Activity for your review and approval, as required for final close-out of this Project.

APPROVED:

John Sanbrailo

DISAPPROVED:

DATE:

12/28/92

**PROJECT ASSISTANCE COMPLETION REPORT FEDECCREDITO
PROJECT No. 519-0281 (A)**

I. PROJECT BACKGROUND AND DESIGN

The Agreement for the Emergency Program: Health and Jobs for Displaced Families (Project No. 519-0281) was signed with the Government of El Salvador (GOES) on May 12, 1982. At that time, USAID authorized \$3.0 million in grant funds of an estimated life of project funding of \$10,525,000.

The purpose of the Project was to assist families in El Salvador who had been displaced in the civil conflict by addressing critical needs which had been identified as top priorities:

- Creation of employment opportunities;
- Provision of preventive and curative health services; and
- Food assistance

Under the Job Opportunities Component, formal sub-agreements were initially signed with different credit agencies belonging to the Federación de Cajas de Crédito Rural de El Salvador (FEDECCREDITO).

On July 19, 1985 the United States Agency for International Development (USAID), entered into a Project Agreement with FEDECCREDITO, to continue developing the Project through 10 credit agencies. The total amount of funds authorized was \$23,948,591.07. The Project Assistance Completion Date for the Agreement was extended from November 30, 1985, to September 10, 1987. A second extension was approved until December 31, 1988, and a final one until March 31, 1989.

II. PROJECT IMPLEMENTATION

A. Purpose:

To assist families in El Salvador who have been displaced by the civil conflict through the creation of employment opportunities for them.

B. Objectives:

1. To provide cash employment to members of displaced families in the departments of Chalatenango, Cuscatlán, Cabañas, San Vicente, Usulután, San Miguel, Morazán, La Libertad, La Unión and La Paz.

2. To carry out projects which are designed to improve health conditions or to reduce health hazards and to improve community services and infrastructure. The projects will be located in the communities in which the displaced families have sought refuge.

The projects undertaken with funds under the Agreement were directed to activities which were of general and common benefit to the community as a whole.

C. Analysis of the Present Status of the Project:

1. Status of the Project Components:

The principal components of the Project were completed by the PACD. The average number of displaced persons employed per month by the 10 credit agencies participating in the project was 14,000.

The types of projects which were implemented were divided into different categories:

Category A:

Projects to improve health conditions or to reduce health hazards. These projects included, but were not limited to:

- Environmental measures, such as drainage to eliminate areas of stagnant water;
- Provision of latrines and other sanitary measures for waste removal;
- Cleaning and maintenance of water and sewage systems;
- Removal of garbage;
- Digging or maintenance of drainage; and
- Construction of dispensaries, nurse living quarters, supplemental feeding centers, potable water systems, and sewage systems.

Category B:

Projects to improve community services and infrastructure:

- Leveling and improving drainage or community roads;
- Reforestation, soil conservation or planting of trees in schools, health centers and other public buildings and lands;
- Street improvement and repair, access roads, retention walls and public building construction or repairs; and
- Other community improvement projects.

Category C:

Projects for the returnee and for relocation of displaced families through the construction and/or remodeling of sites for small workshops and other income-generation activities, and the rehabilitation or provisional construction of schools located in the areas where displaced are returning.

Category D:

Projects of vocational skills training courses, pilot training projects for the adult displaced population, including masonry, carpentry, plumbing, tailoring, bakery, apparel design and sewing.

2. Project Accomplishments:

PROJECT ACCOMPLISHMENT	PLANNED	ACCOMPLISHED
Service agencies operating	10	10
Construction of environmental improvements needed for camps	69	69
Employment projects completed	3,800	4,846
DP's employed (average per month)	10,000 to 12,000	14,000
Work projects for returnees	50	62
Vocational skills training courses completed	95	116
DP's graduated from training courses	2,349	1,897

3. Financial Status:

The expenditures incurred in the implementation of the Project totalled \$23.59 million (€126.3 Million) of which \$2.4 million (€12.5 Millions) were used for Administrative Costs and \$21.23 million (€113.78 Million) for Work Projects.

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III. AUDITS AND EVALUATION

A. Audits:

The Banco Salvadoreño, Fiscal Agent for Project No. 519-0281, provided the following financial and audit services under the FEDECCREDITO Agreement:

- Prepared advances from revolving fund on basis of approved project budgets.
- Received and approved vouchers for liquidation of advances.
- Maintained revolving fund separate account and complete accounting records (in accordance with generally accepted accounting principles) with respect to all receipts into and disbursements from the fund.
- Reconciled fund accounting records for submission to USAID for replenishment of the revolving fund.
- Submitted replenishment requests (in form and substance satisfactory to USAID) showing total activity in the fund for those projects for which the fund is being replenished.
- Carried out general accounting for funds managed (checking accounts and petty cash, authorized signatures, accounting records, documentation, etc.).
- Supervised project implementation - payroll and procurement (inventory control, procurement authorization, etc.); field testing and verification (reasonableness of labor work and material charges relative to work accomplished); and project cost accounting (procedures appropriate documentation, accuracy, etc.)

The final audit report from Banco Salvadoreño reported the following:

1. Examination of accounts and liquidations of the Petty Cash Fund:

All transactions were found satisfactory. The final liquidation of all expenditures was carried out and the cash amount (difference) to be transferred from FEDECCREDITO to the Bank was calculated at \$46,278.37 (231,391.82 Colones).

Some agencies, however, showed a difference in their final balance (amount of cash to be transferred to the Bank) due to unjustified expenditures for which no documentation was presented. The total amount transferred to the Bank was \$32,294.28 (161,471.39 Colones). The difference with the total amount to be transferred, as calculated by the Bank, resulted in \$13,984.09 (69,920.43 Colones) reimbursed to the U.S. Treasury as per Notice Of Collection No. 01-519-93359 dated 8/28/89.

2. Checking of Inventories:

A physical inventory of equipment, office supplies, vehicles, furniture, project materials and tools purchased with project funds was carried out by the Bank.

As authorized by USAID, the transfer and donation of the property and goods to the following institutions was carried out:

- Alcaldías Municipales**
- CONADES**
- Gobernación Política Departamental**
- Ministerio de Obras Públicas**
- World Relief**
- International Rescue Committee**
- Instituto Ricaldone**
- Educational Institutions**
- FEDECCREDITO**
- Credit Agencies participating in the Project**

B. Evaluation:

The implementation of infrastructure or training projects was evaluated through meetings and direct/periodic supervision, conducted at four levels, as follows:

- 1. Supervision of projects conducted by each of the 20 supervisors of the 10 implementation offices, who evaluated the project technical process by the advance of the labor based on the programmed time.**
- 2. Three supervisory engineers, hired by FEDECCREDITO, evaluated the technical area of each project, amount of acquired materials which were used in the projects, and the individual progress of them regarding the project goals for each implementing office.**
- 3. Two or three USAID supervisory engineers periodically visited the projects, corroborating their implementation according to the approved budget and the technical specifications.**
- 4. Selective supervision of five auditors from the Fiscal Agent who evaluated the project financial area according to the approved budget, assistance to contracted labor, inventory and use of acquired material, control on delivery and receipt of materials, etc.**

Furthermore, the project manager held, fortnightly meetings with FEDECCREDITO's project representatives to evaluate project progress and to identify/address problems in project implementation.

Other means of ongoing project evaluation and monitoring were meetings held with civilian, military and religious authorities with FEDECCREDITO's personnel, the implementing offices, and USAID in the ten departments where the projects were implemented, evaluating the program social impact in the beneficiary communities.

In May of 1988, a specific evaluation of the training component was carried out to determine the number of trainees employed after completion of the training program. According to this evaluation, 52.34% of the trained persons were at least temporarily contracted in the specialty in which they had been trained.

As part of a September 1988 Checchi and Company comprehensive project-wide evaluation, the Fedicredito employment component was also reviewed and was considered to have a positive impact on the economic welfare of the targeted population.

IV. SUMMARY OF LESSONS LEARNED

1. The basic infrastructure projects implemented in municipalities and communities that had received displaced persons afforded the opportunity to generate immediate employment in 10 departments of the country, specially those most affected by war. Even though approximately 95% of the project beneficiaries had prior work experience in agriculture only, they were able to provide effective labor with appropriate supervision, on a variety of construction activities.
2. In El Salvador, traditionally, employment on infrastructure projects such as enlargement and construction of roads, introduction of potable water, retention walls, etc., had been carried out by men only; however, the direct supervision and guidelines of the Project gave significant employment opportunities to women with the result that 20% of the labor was performed by women.
3. Despite the above, the previous, one of the lessons learned in this Project was that to generate employment for women, the project should include a specific component of activities promoting employment for women among the commercial and productive sectors.
4. Participation of Fiscal Agent auditors provided better control over financial management and on-the-job financial management training for accounting staff.
5. Assigning responsibility for implementation to local groups such as the Cajas de Crédito's Board of Directors, expedited implementation and more accurately identified the real needs of the benefitted communities.

V. RECOMMENDATIONS

- 1. Future employment projects should include a capability stage to insure subsequent financial independence of the workers.**
- 2. To maximize labor potential, small business management should be included.**
- 3. Once the emergency stage is over, an employment generation project should include a credit component, to generate more employment on a permanent and productive basis.**
- 4. For a project involving simultaneous implementation of infrastructure projects in different geographic areas, USAID's direct supervision is necessary to insure adequate funds management and a concurrent audit to control Project funds.**
- 5. Infrastructure projects should be distributed geographically to meet the needs of a department's geographic area, to avoid encouraging migration to resettlement in other main cities.**

VI. CONTINUING AND POST PROJECT A.I.D. MONITORING RESPONSIBILITIES

All infrastructure and training projects were programmed to be implemented while the project was in force, with the finished works remaining the property of the communities and under the responsibility of the municipalities.

The materials, tools and equipment acquired with project funds were donated to the municipalities where the 10 implementing agencies operated, and to institutions that assist displaced populations.

VII. FINANCIAL STATUS REPORT

The detail of the administrative costs and projects execution mentioned in point II-B-3 of this report is in the ATTACHMENT I, FINANCIAL STATUS REPORT, attached.

Table No.1 shows the total of the Project 519-0281 funds committed under the Job Component of the GOES Agreement, to fund the FEDECCREDITO's Project.

From the authorized budget of \$23.9 million, \$23.6 million (98%) was disbursed and the remaining balance of \$0.361 million was deobligated to be used for other activities under the Job Component of the Project 519-0281.

The FEDECCREDITO Project was implemented using a system of advances and liquidation of funds. At the end of the Agreement there was an outstanding advance for the amount of \$228,516.74 from which \$13,984.09 were reimbursed by FEDECCREDITO as a non eligible disbursement under the Agreement terms (see point III-A-1. of this report).

The remaining balance of \$214,532.65 was reimbursed to USAID by the Concurrent Auditor (Banco Salvadoreño) as per Notice of Collection dated 6/27/89, without number, for the amount of \$171,899.15 and No. 01-519-93306 dated 8/17/89 for \$42,633.51.

The data in Table No. 1 were taken from the USAID's MACS records that are shown in dollars. The exchange rate at the beginning of the Agreement was $¢2.5 \times \$1$. During the years 84/89 this rate changed frequently. The exchange rate used to convert colones into was an average.

Table No. 2 shows total expenditures and number of projects accomplished by FEDECCREDITO. The disbursements have been separated into administrative cost and work cost for each implementing agency. Data for preparing this table came from the Banco Salvadoreño records.

Table No. 3 reflects the total number of projects accomplished according to the type of projects mentioned in point C-1 of this report.

From the above we highlight the following:

1. Administrative costs of this project averaged 10% of total expenditures.
2. Most funds were disbursed in the Morazan zone, one of the most conflictive zones in the country.
3. The greater number of projects were implemented in Usulután zone (651).

4. The total of completed projects was 4,248.
5. Type B projects predominated and consequently used more funds.
6. Total disbursements were \$23,587,342, equivalent to ₡126,308,002.

The FEDECCREDITO project implemented a high number of projects at a low administrative cost. The use of the Banco Salvadoreño as Concurrent Auditor ensured the denial of non-eligible disbursements and an ordered project financial implementation in accordance to the USAID Standard Provisions.

At the end of the Project the books and accountant records were closed completely. All the files of documents, correspondence, project costs and expenditures, controls, invoices, etc., supporting the tables and figures herein will be kept in the Banco Salvadoreño's warehouse until August 27, 1992.

FINANCIAL STATUS REPORT

ATTACHMENT I

FEDECREDITO

PROJECT ASSISTANCE COMPLETION REPORT

TABLE No.1

**FEDECREDITO'S PROJECT FINANCIAL STATUS REPORT
BY TYPE OF FUNDS
U. S. DOLLARS**

LINE ITEM	TOTAL	TYPE OF FUNDS		
		SDA	ESF	MIG. & REFUG.
BUDGET	23,948,591.07	12,411,453.59	7,743,177.45	3,793,960.03
DISBURSEMENT	23,587,341.82	12,054,943.47	7,738,438.32	3,793,960.03
BALANCE 1/	361,249.25	356,510.12	4,739.13	0.00

1/ THIS AMOUNT IS DECCOMMITTED

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TABLE No.2

**FEDECREDITO's PROJECT FINANCIAL STATUS REPORT
BY LINE ITEM AND NUMBER OF PROJECTS
COLONES**

	1	2 = 3+4	3	4
LINE ITEM	TOTAL PROJECTS	TOTAL EXPENDITURES	EXPENDITURES	
			ADMINISTRATION	WORK PROJECTS
ADMINISTRATIVE COSTS	0	2,688,243	2,688,243	0
FEDECREDITO's CONTROL UNIT	0	2,688,243	2,688,243	0
IMPLEMENTING AGENCIES	4,248	123,619,759	9,837,715	113,782,044
CHALATENANGO	557	14,155,905	1,134,566	13,021,339
CUSCATLAN	368	11,710,633	1,109,759	10,600,874
CABAÑAS (SENSUNTEPEQUE)	337	14,208,281	1,043,290	13,164,991
SAN VICENTE	538	16,370,882	953,460	15,417,422
USULUTAN	651	13,823,549	1,010,698	12,812,851
SAN MIGUEL	414	11,154,827	985,825	10,169,002
MOPAZAN (SAN FCO. GOTERA)	551	21,910,013	1,330,693	20,579,320
LA LIBERTAD (QUEZALTEPEQUE)	308	5,283,467	798,583	4,484,884
LA PAZ (ZACATECOLUCA)	271	8,360,257	734,826	7,625,431
LA UNION	253	6,641,945	736,015	5,905,930
TOTAL COLONES	4,248	126,308,002	12,525,958	113,782,044
TOTAL DOLLARS	4,248	23,587,342	2,358,734	21,228,608
PERCENTAGE		100	10	90

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TABLE No.3

**FEDECCREDITO'S PROJECT
WORK PROJECTS IMPLEMENTED BY TYPE AND COST
COLONES**

TYPE OF PROJECT	DESCRIPTION	NUMBER	COST	PERCENTAGE
A	IMPROVE HEALTH CONDITIONS OR REDUCED HEALTH HAZARDS	1,743	31,139,011	27.37
B	IMPROVE COMMUNITY SERVICES AND INFRASTRUCTURE	2,409	80,614,403	70.85
C	RETURNEE AND/OR RELOCATION OF DISPLACED FAMILIES	29	1,007,781	0.89
D	VOCATIONAL SKILLS TRAINING COURSES	67	1,020,850	0.90
TOTAL		4,248	113,782,045	100.00
DOLLARS		4,248	21,228,608	

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for DSKitson, IRD [Signature] Date: 11/19/92 (with changes/corrections as noted)
SLaFoy, PRJ [Signature] Date: 2 Dec 92
MDeal, PRJ [Signature] Date: 12/16/92
DArnold, CONT [Signature] Date: 12/21/92
LKMcGhee, CO [Signature] Date: 12/21/92
JLovaas, DDIR _____ Date: _____

A/FILES/FEDE/WP51-DISK
NOVEMBER 13, 1992

**Office of the Controller
REVIEWED**

[Signature] 12/17/92
DATE

[Signature] 12/17/92