

UNCLASSIFIED

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

EL SALVADOR

PROJECT PAPER

TECHNICAL ASSISTANCE TO BUSINESS

AID/LAC/P-879

PROJECT NUMBER: 519-0395

UNCLASSIFIED

**PROJECT DATA SHEET**

A C = Change  
D = Delete

2. COUNTRY/ENTITY

El Salvador

3. PROJECT NUMBER

519-0395

4. BUREAU/OFFICE

LAC

5

5. PROJECT TITLE (maximum 40 characters)

Technical Assistance to Business

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
06 30 94

7. ESTIMATED DATE OF OBLIGATION  
(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 92

B. Quarter 3

C. Final FY 9

8. COSTS (5000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	FIRST FY 92			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G.
AID Appropriated Total	500		500	500		
(Grant)	( 500 )	( )	( 500 )	( 500 )	( )	( )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1. IESC	100		100	562		
2.						
Host Country						
Other Donor(s)						
<b>TOTALS</b>	600		600	1,062		1,0

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. 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) PSEE						500		500	
(2)									
(3)									
(4)									
<b>TOTALS</b>						500		500	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSES

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To increase private investment and productive employment by helping Salvadoran firms become more productive, quality conscious, and cost efficient.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final 04 94

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)

17. APPROVED BY

Signature

*John Sanbrailo*

Title

John A. Sanbrailo  
Mission Director

Date Signed

MM DD YY

18. DATE DOCUMENT IN AID/W, OR FOR AMENDMENTS, DATE OF DIS

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.

ACTION MEMORANDUM TO THE MISSION DIRECTOR

To: John Sanbrailo, DIR  
From: James Stephenson, PRE and J. Michael Deal, PRJ  
Subject: Technical Assistance to Business Project, No. 519-0395

**Issue:** Your approval is required to authorize and obligate a two-year, \$500,000 cooperative agreement with the International Executive Service Corps (IESC) for the provision of technical assistance to 40 Salvadoran businesses. The project complements the industrial reconversion program being undertaken by the Salvadoran Industrial Association (ASI).

**Background:** Since 1989, the Government of El Salvador (GOES) has implemented a series of free-market economic policies which have removed the protection from external competition long enjoyed by Salvadoran companies. In order to ease the conversion from protected status to competition, USAID has supported modest technical assistance to the private sector to assist companies to trim costs, improve quality, or shift into more competitive products. As the GOES continues to implement the tariff reductions negotiated with the World Bank, additional assistance for restructuring individual firms will help them adjust to the new economic reality.

As part of its program to adapt the economy to a free market, in December 1991 the GOES granted local currency equal to \$375,000 to ASI for the first year of a three year effort to assist the private sector. During the first year, the ASI program will assist 30 companies in six industrial sectors: food processing; leather and shoes; textiles and apparel; plastics, paints, and inks; pharmaceuticals; and metal mechanics. It includes studies for guiding policymakers, locally procured technical assistance, and roundtables with industry on the reconversion process. ASI does not have access to foreign technical assistance under its grant from the GOES.

IESC represents a pool of experienced volunteer assistance in the form of retired executives from many U.S. industries. They offer a variety of technical, managerial, and administrative skills which are transferred directly from the volunteer executive to the staff of the assisted company. These volunteers are available world-wide at the cost of their travel and

per-diem expenses. IESC has cooperated with ASI since the initiation of the IESC program in El Salvador in 1985. IESC assisted 150 companies ranging in size from the national airlines to firms of less than \$100,000 in annual sales. USAID assisted in the provision of services to smaller firms, while larger clients such as TACA and ADOC paid the full cost of IESC's assistance.

Project Description: The goal of the project is to increase equitable economic growth. The project purpose is to assist Salvadoran companies to become more productive, quality conscious, and cost efficient. This purpose will be accomplished through technical assistance to the participating companies in order to achieve expansion of business, increase productivity and sales, improve competitiveness, technology transfer, and avoidance of business closures.

This two-year, \$500,000 Project will assist IESC to work with ASI on its industrial reconversion program. ASI is assisting companies in six industrial sectors to adapt their operations to the new economic conditions created by free market policies and the reduction of tariff protections. This Project helps private sector companies adapt to a more open and dynamic market and to survive and grow in a more competitive atmosphere where quality and efficiency are the keys to success. It finances IESC assistance in the sectors defined by ASI to companies jointly identified by ASI and IESC. IESC will conform its assistance to companies with the requirements of the Lautenberg Amendment.

IESC requires that all firms which receive its technical assistance contribute financially to the process. Smaller firms may pay as little as 40% of the cost of the volunteer executive's expenses, while medium and large firms pay 65%. Very large firms do not usually qualify for assistance from IESC using AID funds and thus pay all of the cost of the volunteer executive. To date, 65% of IESC clients receive some sort of assistance using USAID funds.

The direct beneficiaries of the project will be 40 Salvadoran companies. Prior to assisting a firm, IESC will analyze the firm's technology, management, etc., to diagnose the problem which IESC technical assistance will help solve. As part of this analysis, IESC will specify the planned benefits from the requested assistance, as recommended in the 1991 evaluation of our previous grant to IESC. This will determine the number of jobs and dollars to be saved or increased, as well as any other benefits to occur as a result of the assistance. These benefits are expected to be additional profitability and additional jobs, or reduced costs and jobs preserved, due to changes in product mix, production methods, or improved administration.

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Illustrative Budget	(\$000)
IESC administrative support	260
Technical Assistance	<u>240</u>
Total	\$500

Discussion: The FY 93-94 Action Plan shows USAID's intention to increase equitable economic growth, in part by increasing private investment. One means to promote this investment is technical assistance to help firms to adjust to the free-market economic reforms achieved by our Policy Reform Program. The additional investment can also increase demand for graduates of vocational education programs assisted by USAID.

The Offices of Projects and Private Enterprise assisted IESC in the preparation of its proposal. The proposal was reviewed by a committee of Mission staff on March 27; their comments are shown in Annex C. The IESC proposal was modified according to the review comments, and resubmitted April 9. Based on the resubmission and subsequent conversations, PRJ and P/E have developed a Project Paper for the Project. The Grant Officer has reviewed the attached Cooperative Agreement, and is prepared to sign it once the Project is approved and authorized.

Authority: Section II.C of LAC Delegation of Authority No. 752, dated August 2, 1991, authorizes you to approve PIDs and PID equivalents not exceeding \$500,000. Section II.A of the same delegation permits you to authorize a project if it does not exceed \$20 million over the approved life of project, does not present significant policy issues, does not require waivers approved by an Assistant Administrator, and does not have a life of project in excess of ten years.

A Congressional Notification has been submitted and expired without objection on June 30, 1992.

Recommendation: That by your signature below, on the accompanying Project Paper facesheet, and on the accompanying Project Authorization, you approve the Project Paper and authorize the Technical Assistance to Business Project and authorize the Project.

APPROVAL

*John Sanbrailo*  
\_\_\_\_\_

DISAPPROVAL

DATE

*7/6/92*  
\_\_\_\_\_

Drafted by: RWherry, PRJ  
Cleared by: TMcKee, DPP  
DArnold, CONT  
LKMCGhee, CO  
MFittipaldi, RLA  
KELLIS, A/DDIR

<i>RWherry</i>	Date	<i>6/16</i>
<i>TMcKee</i>	Date	<i>6/23</i>
<i>DArnold</i>	Date	<i>6/29</i>
<i>LKMCGhee</i>	Date	<i>7/6/92</i>
<i>MFittipaldi</i>	Date	<i>July 6, 1992</i>
<i>KELLIS</i>	Date	<i>July 6, 1992</i>

Office of the Director

REVIEWED

*Kennedy* *6/26/92*  
DATE *6/26/92*

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Technical Assistance to Business  
519-0395

I. SUMMARY AND RECOMMENDATION

During the 1960s, El Salvador participated in the Central American Common Market (CACM). Shielded behind tariff and other commercial barriers, Salvadoran manufacturing industries did not increase their efficiency in production or marketing. After the CACM dissolved in 1969, El Salvador continued to protect its manufacturing sectors. Since 1989, the Government of El Salvador (GOES) has implemented a strong economic reform program based on free market principles. Among other results of these reforms, the domestic economy has been subjected to increasing competition from imported goods. These items come not only from the former CACM, but from the other Latin countries as well as the United States, Japan, and Europe. Without a change in the way they do business, many companies are entering perilous financial conditions and a number might fail, taking with them jobs and tax revenues.

The effects of lagging modernization have fallen most heavily on businesses whose sole proprietors do not have the capacity to respond immediately to the changing economic conditions. These businesses are concentrated in six manufacturing sectors: Food and Agroindustry; Metal Mechanics; Pharmaceuticals; Plastics, Inks, and Paints; Apparel and Textiles; and Leather and Shoes. The Salvadoran Industrialist Association (ASI) has initiated a program with the GOES to assist local businesses to improve the efficiency of their installed manufacturing capacity of the six sectors. The program relies on increased productivity rather than on capital-intensive solutions which might reduce labor, Salvador's most abundant resource. Productivity gains can be realized by improved product quality, by reduced loss of time or material in the manufacturing process, or by use of improved techniques to increase volume of production.

The International Executive Service Corps (IESC) has joined forces with ASI to implement the conversion program. IESC has worked in El Salvador since 1985, assisting individual companies to improve their manufacturing capability. In an unsolicited proposal to USAID, IESC has offered to furnish technical assistance in the sectors defined by ASI in order to help Salvadoran entrepreneurs adjust to the new competitive environment. The plan calls for joint assistance to 30 companies, with IESC working alone with 10 companies. As a result of the advice of the IESC retired executives, IESC expects to stabilize these 40 companies, which employ approximately 2,000 persons, and to create 120 new jobs. In the absence of the assistance, 600 jobs would be expected to be lost during the planned project life, with the attendant problems in the banking system of the additional business failures.

## Recommendation

The Project Design Committee recommends approval of a two-year, \$500,000 grant to IESC for technical assistance to businesses in six manufacturing sectors.

### II. PROGRAM FACTORS

#### A. Country Setting

El Salvador is emerging from a twelve-year civil war which damaged both the commercial infrastructure and investor confidence. Despite problems with public utilities and transportation, many Salvadoran-owned businesses continued to function, providing a measure of economic security to their employees. The exigencies of the war and the protectionist legacy of the CACM led these entrepreneurs to content themselves with the status quo, rather than to contemplate improved or larger enterprises. El Salvador had been the star of Central American manufacturing in the 1950s and 1960s, but the gleam dimmed behind the protectionist wall. The GOES economic plan inaugurated in 1989 brought such thinking to an abrupt halt.

Improved monetary policy, reduced import controls and tariffs, and a liberalized financial sector combined to force Salvadoran manufacturers into the competitive marketplace. Cheaper or better quality imports threatened local production; economic reforms in neighboring countries gave incentive to their industry to compete with El Salvador as a supplier. As the GOES gradually reduced its control of the economy, manufacturers scrambled to stay in business under the new conditions.

#### B. The Private Sector and Economic Reform

The private sector in El Salvador, traditionally characterized as being controlled by the economic elite, is predominantly comprised of enterprises which are owned by individuals who are not among the elite. These businesses average 50 employees each, with few product lines and limited domestic or export markets. The owner represents the main source of technical expertise in the firm, provides the management talent, and acts as the financial manager.

Such firms tend not to change rapidly as a result of the short-term cost of new technology, the disruption of time-honored patterns, and the uncertainty of the new method or product. As a result, the improved economic policy climate put in place by the GOES actually threatens the survival of these businesses unless they shake off the past and adapt to the new circumstances. Adaptation requires access to improved methods of production, better control of costs, and perhaps a change of product mix in order to remain competitive. In the aftermath of the war, the means to adapt tend to be costly and not easily available to businessmen.

### C. U.S. Foreign Policy Objectives

Equitable economic growth is one of the five strategic objectives of the foreign assistance program in El Salvador. It depends in part on an increase in the availability of stable, well-paying jobs. As the GOES implements its reform program, the economic adjustments required of the private sector will put jobs at risk in those enterprises which are not competitive. This outcome of the reform program affects unemployment and underemployment, which, if not reduced, could place the reform program and the fragile political calm in jeopardy. The Project contributes to the stability of the private sector as a dependable employer.

Assistance financed by USAID under this Project will adhere strictly to the statutory requirements of the Lautenberg Amendment to the FY 91 Foreign Assistance Appropriations Act, which deals with U.S. Government support to foreign competition with U.S. domestic industry.

### III. PROJECT DESCRIPTION

#### A. Problem Statement

The GOES has undertaken an economic reform program in order to reactivate the economy and to prepare for post-war growth. However, many private companies are ill-equipped to survive in a more competitive, internationally open commercial climate. Unless they adjust their businesses at the same time as the GOES implements the new policies, some businesses could fail and many others will be financially weakened.

#### B. Constraints

##### Businessmen Cannot Keep up with Rapid Change

Entrepreneurs in El Salvador have been preoccupied on account of the war with keeping their enterprise functioning from one day to the next. This short-term focus on survival clashes with the need to analyze the effects of revised government policy, the impact of foreign competition, and the changing preferences of consumers as they adjust to peace. Exceptionally flexible managers are scrambling to anticipate these new situations and devise contingency plans, while rigid or less insightful ones struggle to keep up with the pace of change. As the capacity of these less adaptable companies is increasingly stretched, they exhaust their creativity and their funds. IESC anticipates that approximately 30% of the firms in the target manufacturing sectors could be in this category. Finally, the company fails and the employees are laid off, microeconomic casualties of sound macroeconomic policy.

### Businessmen Lack Analysis and Problem-solving Skills

Many businessmen were sheltered during the days of the CACM, and did not remain abreast of technological advances in their own industries. Simple improvements were not adopted, such as revisions in the pattern of motions by production workers. Waste in cutting and processing might have been unimportant then, but now represents an unacceptable loss of profits. Managers often do not have the skill or objectivity to analyze their own operations and identify the points where working smarter could save money.

The various industries in El Salvador include many examples of poor manufacturing techniques which lead to lost or rejected product. Many losses could be prevented by using more modern methods of work analysis or by applying better management tools. For example:

Food Industry: improper sanitation procedures leading to rejected canned goods; dull slicing knives leaving unacceptably ragged edges.

Paints and Inks: bottlenecks where the paint cans are filled (not enough people on the assembly line) lead to idle labor (too many people) where the boxed cans are moved to storage.

Furniture: Wood scraps are sold for firewood instead of being turned on a lathe for furniture legs.

Apparel and Leather: Improper handling of material leads to knotting in machinery; poor cutting layout wastes usable cloth or leather.

Pharmaceuticals: Improper work layout compromises sterile workrooms.

All these problems have been identified in Salvadoran businesses; all are amenable to the application of "technology" in the form of improved ways of analyzing the way a company organizes its work. In the aftermath of the civil conflict, technical assistance for this type of problem-solving is not easily available in El Salvador.

In El Salvador, labor is of high quality and generally cheaper than a complex mechanical production technique. Thus, the constraint to more efficient production is not the cost of machinery, but rather a wellplaced investment in machinery which complements the available labor force. The point in the production process where mechanical assistance will be installed must be chosen carefully so that it will speed production rather than create a bottleneck somewhere else in the line. Improper use of machines leads to wasted labor time; incorrectly maintained machinery leads to breakdowns and the entire production line being stopped.

### Social Patterns Impede Change

A characteristic of many smaller businesses is the personal loyalty of management to employees who have worked in the business for a long period. Such persons often become foremen by dint of seniority rather than skill, where they direct the work according to tradition instead of evolving industry standards. Management is reluctant to betray this loyalty, even to the point of foregoing potential profit. Until such employees can be brought up to date, gracefully assigned elsewhere, or perhaps retired, necessary improvements to the work flow cannot take place. The manager of such a business often requires an outside expert to highlight the problem and help plan a solution which minimizes the social constraint.

Traditional ways of doing the work also impede improvements to small business. The personalistic style of both managers and employees makes it difficult to move away from the "hand crafted" ideal in favor of less personalized but more productive means. The preference for a personal touch is more pronounced in businesses which do not have mechanized production lines.

### Businessmen Are Risk Averse

The amount and payback of a capital investment presents particular difficulty, especially to smaller firms. They are usually not well capitalized and thus cannot sustain an extended payback period for a large purchase. Due to their weak capitalization, management often takes an averse position to large risks, despite the expected benefit to their cash flow. They believe that a small but sure gain is better than a large but risky one. In the rapidly changing economic situation surrounding the Salvadoran economic reforms, some risks are necessary even if the entrepreneur is quite unsure of the outcome. Those businessmen who take few risks are most likely to fall behind their competitors and could eventually be put out of business.

### C. Project Strategy

IESC is a non-profit U.S. private voluntary organization which uses retired American executives to provide highly qualified advice to industries in developing countries. Since 1965, these volunteer executives have helped more than 10,000 companies in 81 countries to increase their productivity, upgrade their management skills, and improve their basic technologies. IESC has worked in El Salvador since 1984, assisting over 150 companies, a third of whom have paid the entire cost of the assistance. The remainder paid a part of the cost, with matching funds provided by two successive grants from USAID. The USAID contribution paid travel and transportation costs for the volunteer executives as well as a portion of the IESC local expenses.

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The Project will use technical assistance furnished by IESC, in conjunction with the assistance program being undertaken by ASI, to help smaller firms adjust to the new, more competitive environment. IESC and ASI will select participating companies from the target sectors, perform an evaluation of their businesses, and recommend changes in their operating procedures. With the company's consent, IESC will provide a retired executive from that sector to work six to ten weeks with the participating company, designing and implementing the recommended changes. IESC will return six to twelve months after the assistance has been rendered to evaluate the effect of the changes.

A principle result of IESC's assistance will be increased stability of the participating firm. It is thus more likely that the 2,000 employees of the participating companies will remain at work.

The bulk of Project assistance will be jointly programmed by IESC with ASI. By showing the IESC model to ASI, the Project expects to stimulate a similar analysis and assistance mechanism on a sustainable basis in El Salvador. However, to continue IESC's independent program of assistance to these sectors, IESC will program ten of the anticipated forty assistance activities apart from ASI. In accordance with the recommendations of the evaluation of IESC conducted in March 1992, the Project supports IESC's assistance to medium and large enterprises. It is separate from the very large enterprise program which IESC operates using other funding.

#### D. Goal and Purpose

The goal of the project is to increase equitable economic growth. The Project purpose is to increase private investment and productive employment by helping Salvadoran firms become more productive, quality conscious, and cost efficient. This purpose will be achieved through technical assistance to restructure manufacturing processes and administrative procedures.

#### E. Project Components

The Project has two components, Joint Assistance with ASI and IESC Assistance to Business. Although both components operate similarly and in the same six manufacturing sectors, the means of choosing the participating enterprises is different.

##### 1. Joint Assistance with ASI

IESC will work with the Salvadoran Industrialist Association to assist thirty of its member companies to adjust to the open, dynamic marketplace which is being fostered by the GOES economic reforms. IESC will use its business analysis techniques to help ASI define the needs of thirty companies, which will be used as a pilot for a larger program which ASI will operate with its own funds and with GOES assistance.

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Table 1. Technical Assistance to Business.  
Company Sizes, by Assets  
as Determined by the Central Reserve Bank

Small Firms	\$12,000 - \$95,000
Medium Firms	\$95,000 - \$250,000
Large Firms	more than \$250,000

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The selection of the firms will be done jointly by ASI and IESC, using criteria which ASI will develop. Prior to agreeing to Project-funded assistance with a participating company, IESC will analyze the company's technology and management in order to clearly diagnose the problems which the technical assistance will solve. The analysis will also show the expected benefits from the application of the technical assistance. These benefits are anticipated to be a number of jobs saved or created, the cost savings which could accrue, and changes in product mix to satisfy the preferences of the clientele.

After the diagnosis, IESC will seek a retired executive from its roster who is willing to come to El Salvador for approximately two months to assist the participating company. The executives volunteer their time and expertise, while the Project defrays travel and transport expenses related to bringing them to El Salvador. Upon completion of the technical assistance, the executive makes a brief written report of the assistance rendered and the conditions of the company at the time.

The participating companies will contribute financially to the technical assistance package, according to the size of the firm's assets. Small firms will contribute 40% to 60% of the cost, while medium and large firms will contribute 50% to 75%. Project funds will make up the difference. The contribution will be considered as program income for IESC and may be applied to either local or U.S. administrative expenses related to the Project.

Six to twelve months after the technical assistance has been rendered, IESC will visit each company to verify the effects of the technical assistance. Benefits will be measured according to the expected levels included in the assessment made in the diagnosis phase of the participation. IESC will also look for unplanned benefits as well as seeking to understand why technical assistance may not have produced the desired effect.

## 2. IESC Assistance to Business

IESC has maintained a program of assistance to medium and large businesses in El Salvador since 1985. In order to continue that program, the Project includes a component which furnishes assistance directly administered by IESC. The procedures for selection of these ten participating enterprises are the same as those in Component One, except that ASI is not involved in the process. The

independent selection of the ten firms ensures that companies which have not joined ASI will also have the opportunity to participate in the Project. IESC will receive the consent of the Project Manager prior to making the final selection of an enterprise under this component.

#### F. Project Beneficiaries

The project will directly benefit the 2,000 employees of the assisted companies by making their jobs more stable. Of those employees, approximately 600 are in danger of losing their jobs through business failure during the life of the Project. Another 120 persons will directly benefit due to the creation of jobs.

### IV. PROJECT IMPLEMENTATION

#### A. Instruments and Agencies

The Project will be implemented through a Handbook 13 Cooperative Agreement executed by USAID with International Executive Service Corps, a registered U.S. private voluntary organization headquartered in Stamford, Connecticut. The Director of IESC El Salvador is authorized to sign the grant agreement on behalf of IESC.

#### B. Management and Coordination

The Project will be managed by a senior FSN under the supervision of a U.S. direct hire officer in the Private Sector Office. This officer will be supported by a Project Implementation Committee consisting of representatives from the Offices of Contracts, Controller, Projects, and Program.

#### C. Implementation Schedule

June 1992	Signature of the Cooperative Agreement
July	IESC begins evaluation of participating companies ASI and IESC select companies to receive assistance
June 1993	IESC begins follow-up evaluation of companies assisted 6-12 months prior.
April 1994	Project evaluation of the 40 companies assisted by IESC in cooperation with ASI.
May	Project terminates.

#### D. Evaluation Plan

The IESC management assessment, done for each participating company in advance of the technical assistance visit, quantifies the anticipated output of the assistance and how it will benefit the

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company. The project evaluators will review these assessments and the data gathered by IESC in order to judge the effect of the assistance. The evaluators will then visit selected companies and verify the results obtained by IESC in their follow-up.

E. Covenants and Conditions Precedent to Disbursement

Prior to first disbursement of funds pursuant to the cooperative agreement, IESC will present to USAID a written agreement between IESC and ASI which lays out the terms and procedures of their cooperation in the ASI Industrial Reconversion Program.

VI. BUDGET

A. Financial and Audit Plan

The project is proposed for as a \$500,000, Handbook 13 Cooperative Agreement. The entire obligation will be made in FY 92, subject to the availability of funds. Total financing under the Project is \$1.1 million, with the Grantee expected to mobilize cost sharing of \$562,000. This cost sharing will be the calculated on the value of the services donated by the volunteer executives. The life of the Project is two years, beginning in FY 1992 and ending in FY 1994. Costs and the estimated A.I.D. annual disbursement schedule are summarized in Table 4.

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Table 2. Technical Assistance to Business  
Estimated Level of Effort By Component

Joint Assistance with ASI	
30 Executive Volunteers	60 pm
IESC Assistance to Business	
10 Executive Volunteers	20 pm
Total	80 pm

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TABLE 3. Technical Assistance to Business  
Project Financing Analysis by Budget Element  
(\$000, dollar equivalent of colones)

	AID FX	Ctrpt LC	Total Budget
Joint Assistance with ASI	160	374	534
IESC Assistance to Business	80	188	268
IESC Administrative Costs	<u>260</u>	—	<u>260</u>
TOTAL	500	562	1,062

Table 4. Technical Assistance to Business  
Project Cash Flow by Fiscal Year  
(\$000)

	FY 92	FY 93	FY 94	Total
Total Project cost	265	531	266	1,062
A.I.D. contribution	125	250	125	500
Counterpart contribution	140	281	141	562

Table 5. Technical Assistance to Business.  
Payment Verification Matrix  
for Methods of Implementation and Financing

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approx. Amount (\$000)</u>
Cooperative Agreement	Treasury Letter of Credit A.I.D. Procurement	\$500
Total		\$500

Audits will be conducted annually by a US Certified Public Accountant through the IESC home office in Stamford, Connecticut. This audit is included in the budget of the home office through an AID/W core grant. Funds under the grant are advanced by Treasury Letter of Credit; advances are liquidated in AID/W and debited to the Mission by M/FM through periodic Advice of Charge.

**B. Procurement**

IESC will procure no commodities under this agreement. Technical assistance procurement will be limited to the transportation and per diem costs related to the travel of the volunteer executives.

**C. Waivers**

All technical assistance procured under this project will be USA Only (AID Geographic Code 000). No waivers are contemplated.

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Logical Framework  
 Technical Assistance to Business  
 519-0395

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>MAJOR ASSUMPTIONS</u>
<b>GOAL</b>			
To increase equitable economic growth.	Private Investment as a percent of GDP	Central Bank data	1. GOES reform program remains in course. 2. Economic conditions remain stable. 3. The peace process is successful
	Aggregate of direct contribution of Mission projects	Mission Evaluation data	
<b>PURPOSE</b>			
To increase private investment and productive employment by helping Salvadoran firms become more productive, quality conscious, and cost efficient.	Salvadoran businesses in six sectors will have adjusted successfully to the GOES economic reforms.	1. Increased stability of the participating firms 2. 2,000 employees of the participating companies remain at work	1. Business conditions in the six sectors remain stable. 2. The free trade zone with Guatemala and Honduras is successful.
<b>OUTPUTS</b>			
1. Joint Assistance with ASI 30 companies assisted	Increased business stability and higher productivity for the 40 companies assisted under the two components.	1. Improved product quality	
2. IESC Direct Assistance 10 companies assisted		2. Reduced loss of time or material in the manufacturing process	
	3. Use of improved techniques to increase volume of production.		
	4. 120 jobs created and 600 jobs not closed		
<b>INPUTS</b>			
AID	\$000	Grantee	\$000
Technical Assistance	240	Volunteer time of executives	562
IESC Administrative Costs	260		
Total	\$500	Total	\$ 562
			1. OYB allocations arrive.

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.

PRJ -  
~~Mr Deal~~  
Mr Wherry  
Good Memo  
[Signature]  
4/3  
Let's review together

April 1st., 1992

MEMORANDUM

To: See Distribution  
Thru: Michael Deal, PRJ  
From: Ross Wherry, PRJ  
Subject: Initial Review of IESC Proposal for Industrial Reconversion

IESC has presented the Mission with a proposal for technical assistance to six sectors of Salvadoran manufacturing and service industries, valued at \$500,000 over two years, beginning in May 1992. The review was held Thursday, March 27, in the 7th floor conference room. The issues raised and their disposition are recorded below.

1. The Link Between IESC and the Reconversion Program of ASI

The Mission considers IESC to be complementary to the industrial reconversion program proposed to SETEFE by the Salvadoran Industrialists Association (ASI). The ASI program is not fully defined, but the local currency request has been approved by USAID and SETEFE. It provides that IESC and ASI are to jointly select enterprises within the six sectors for assistance in converting their operations to some more viable form. The IESC request coincides with the ASI program, but IESC is ready to begin work soon, whereas ASI is not. Therefore, the review concluded that up to 10 of the 40 enterprises which IESC proposes to assist within those sectors need not to be jointly selected by IESC and ASI. PRE will approve the 10 companies in writing before assistance is given.

Distribution:

TMcKee, DPP  
CDerrick, CO  
DArnold, CONT  
JStephenson, PRE  
JSullivan, PRE  
OSalinas, PRE

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JLovaas, DDIR

## 2. Recognition of Pre-Award Costs

IESC claims to have expended approximately \$65,000 from its AID core grant to fund its staff in El Salvador during the period between expiration of the previous bilateral grant (December 31) and the expected approval of the new proposal. As the Mission had made no commitment for these costs, they cannot be recognized against the new grant. However, provided that management approval is obtained, the review recommends that the Mission recognize up to \$11,000 in pre-award costs for the local office of IESC which are incurred after April 1, 1992.

## 3. Company Size Within IESC's Clientele

The evaluation of the previous grant pointed out the confusion caused by the variety of conflicting criteria for assigning sizes to companies. Under the new grant, IESC will conform its size classification to that used by ASI.

## 4. Appropriateness of Audit Budget

The grant will be awarded to IESC at its home office in the United States, not to IESC's Salvadoran office. The AID core grant to IESC funds an annual audit of IESC and its programs worldwide. The Controller's Office will advise on the acceptability of this central audit for internal control of the bilateral grant, so that a determination can be made on the need for local audits of IESC, funded under the bilateral grant.

## 5. The Amount of Budget Detail

The amount of budget detail provided by IESC in its proposal is appropriate for the submission and for subsequent negotiation. However, the detailed budget is excessive for controlling the grant in the MACS system. The review concluded that the final grant will contain a budget consisting of two elements only: Administrative Costs and Technical Assistance Costs.

## 6. Measurable Outputs and Project Beneficiaries

IESC does not identify the proposed outputs of the grant beyond companies which are "more productive, quality conscious, and cost efficient". The evaluation concluded that IESC had difficulty in identifying demand for its

OK

3

why??

Pls explain this to me... this is bad... I need to see

16

services (resulting in our requirement for cooperation with ASI under the new grant) and that better evaluation of the effects of technical assistance was required. IESC plans to amend its proposal to include an analysis of the planned benefits for each company which requests assistance. This will determine the number of jobs and/or dollars to be saved or increased, as well as any other benefits to occur as a result of its assistance. Six to twelve months later, IESC will verify that the assisted company did obtain these planned benefits, and to whom the benefits accrued (e.g., management, labor, customers). Using a system similar to that of FUSADES/PRIDEX and consistent with the USAID strategic objective process, IESC and ASI will jointly report the impact of their activities to USAID each six months.

#### 7. Timing and Closure

The review concluded that no full Congressional Notification was necessary, although a Technical Notification would have to be made. Provided that IESC accepted the comments of the review, the Grant Agreement was to be in circulation for final clearance before April 15. Controller clearance and eventual signature of the grant will be dependent upon receipt of budget allowances.

WPPPRJ38:16-18



3a. CALLE PONIENTE Y PASAJE 1 No. 5-91  
 COLONIA ESCALON, SAN SALVADOR  
 TELEFONOS: 24-4224 y 24-3564

USAID / SANSALVADOR  
 No. 30070  
 C + R  
 Date: 10 ABR. 1992

Re.: 56.92

April 9, 1992

**ACTION COPY**

Mr.  
 John Sanbrailo  
 Director USAID/El Salvador

ACTION TO:	PREC-									
ACTION DUE:	04/17									
INFC:	ECON	ANR	HPN	CONT	OET	CO	PRE	ODI	IRD	IRN
DIR	IRN/MID	IRN/RUD	IRN/CDD	IRN/ERD	RSO	GSO/S	JAO/PFR	ECON/S		
DDIR										
AMDO										
RIA										
IO										
EXO										
DPPO										
PRJ										
SUBJECT:										
ACTION T-KEN:										

Dear Mr. Sanbrailo:

Attached is a proposal from IESC/El Salvador to USAID/El Salvador requesting funding for the IESC technical assistance program.

Funding requested is for US \$ 500,000.00 for two (2) years and primary beneficiaries of IESC technical assistance will be ASI Industrial Reconversion clients.

We feel that a continuing IESC program will be beneficial to the salvadorean private sector and can contribute positively to the salvadorean national reconstruction program.

Thank you for your consideration.

Yours sincerely,

INTERNATIONAL EXECUTIVE  
 SERVICE CORPS

*Murto R. Sulit*  
 Murto R. Sulit  
 Director of Operations  
 IESC/El Salvador

MS\*jh

## INTRODUCTION

IESC's last Project with USAID was completed on December 31, 1991. Through this Project, IESC provided assistance to private enterprises and government entities in El Salvador for two-and-one-half years. This assistance was given in the areas of production, management, marketing, operations, planning, etc., in a variety of industries including: agro-industry, furniture, pharmaceuticals, and plastics. IESC technical assistance was instrumental in assisting these productive enterprises to adjust to the free market and reduced tariff policies implemented by the GOES since 1989.

IESC has previously implemented two projects with USAID in El Salvador and is hereby submitting a proposal for a two-year project. The Project will include technical assistance to companies identified by the Asociación Salvadoreña de Industriales (ASI), a USAID grantee, which will result in a close relationship between IESC and ASI.

### A. General Background

This section presents a short description of IESC's background worldwide and in El Salvador, and shows some of the recognized achievements in El Salvador.

#### 1. IESC worldwide

IESC is a non-profit organization, with its headquarters in Stamford, Connecticut. IESC recruits highly qualified retired American executives and consultants, in order to share their expertise and experience with the industrial sector in developing countries. Their technical assistance has helped industry and government in these countries to increase their productivity, upgrade their management skills and improve their basic technologies.

IESC is organized and managed by American company executives. It utilizes AID financial support and client voluntary contributions to cover projects costs.

It has worked in 81 different countries since 1965, and has completed nearly 10,000 projects. IESC has approximately 8,500 qualified men and women able to provide expertise in different areas for companies in different sectors.

#### 2. IESC/El Salvador

In El Salvador, IESC has been operating since April 1984 and it has been working with the USAID mission since March 1985, through Cooperative Agreements Nos. 519-0302 and 519-0371. These Agreements provided funds in the amount of \$500,000 and \$400,000, respectively. Also IESC administered the Small Business Program of USAID/PRE, which started by the end of 1986 and assisted the banking system to

establish their small/micro credit units. This was a two year program with funding of \$1,000,000.

Since April 1984, IESC has assisted over 150 Salvadoran companies. Of these companies, approximately 31% were fully paying clients and the other 69% were USAID funded projects, with partial monetary contribution from clients, paying an average of \$5,500 per project for technical assistance.

Grant No. 519-0371 was completed on December 31, 1991. During the project life of two-and-one-half years, IESC was able to provide technical assistance to large, medium and small firms through 31 AID funded projects and 13 non-AID-funded. The technical assistance provided to Salvadoran companies was mainly in the areas of: production, projects feasibility, and management and planning, which permitted the companies to improve their productivity, be more cost efficient, expand their operations, increase their export capacity and, in many cases, continue in business. IESC's assistance has gone to sectors such as: pharmaceuticals, plastics, agro industry, furniture, paints, etc.

#### B. Project Rationale

- IESC has over seven years of experience in El Salvador, assisting in the adaptation of the private sector to the improving economic policy climate being promoted by the GOES. The assistance provided to these companies helps to demonstrate that the GOES free market policies are indeed more advantageous than the original protectionist policies.
- An Evaluation of the Program conducted in October, 1991, by The Development Economic Group, Inc., concluded that IESC has effectively helped Salvadoran companies to reduce production costs, increase production and improve existing operations in order for firms to continue in business.
- IESC has highly qualified consultants and the infrastructure to place them in country, that would permit ASI, as part of its AID/GOES financed Industrial Reconversion Program to take advantage of IESC's volunteer executives expertise and that the assistance be delivered in a timely fashion. This transfer of technology helps improve the competitiveness of Salvadoran industry as the economy enters the restructured Central American Common Market.
- IESC's volunteer executives expertise is an important contribution to El Salvador's manufacturing sector given that the manufacturing sector is vital to the economic recovery for the country.

## II. TECHNICAL ASSISTANCE FOR BUSINESSES

### a. GOAL AND PURPOSE.

The purpose of the grant is to assist Salvadoran private sector companies to become more productive; quality conscious; and cost efficient.

The goal of the grant is to make the assisted firms better able to compete in the national and regional markets as trade barriers are lifted.

### b. OBJECTIVE

The objectives of the grant will be: expansion of business; increase in productivity and sales; improved competitiveness; technology transfer; and avoidance of business closures.

### c. STRATEGY

In order to reach the purpose and objectives of the grant, IESC will work together with the Asociación Salvadoreña de Industriales (ASI) on their Industrial Reconversion Program for El Salvador, which is a Program designed to help in the adaptation of private sector companies to a more open and dynamic market, to be able to survive and grow in a more competitive market where quality and efficiency are the key for success. This will allow IESC to provide direct technical assistance in sectors defined by ASI and in companies jointly identified by ASI and IESC.

ASI is assisting industries in six sectors to adapt their operations to the new economic conditions created by free market policies and the reduction of tariff protections.

### d. BENEFICIARIES

The beneficiaries of this grant will be 40 Salvadorean Private Sector firms in the following industries: Agro and Food Industry; Leather and Shoes; Textiles and Apparel; Plastic, Paints, Inks, etc. ; Pharmaceuticals; and Metal mechanics.

IESC executives have proven, in the past, capable of providing industry specific assistance and can be very useful to the ASI Reconversion Program by providing technical assistance to requesting small, medium and large companies in the above mentioned industrial sectors.

For the purpose of this grant, IESC will conform its size clasification to the one used by ASI which is:

(Central Bank figures based on assets ):

Small : ₡ 100,000.00; to 750,000.-  
Medium: ₡ 750,001.00; to 2.000.000.-  
Large : ₡ over 2.000.000.-

Assistance to the leather/shoe; textiles/appareal industries by IESC using AID funds will be consistent with and in keeping

with provisions in the Lautenberg Amendment.

#### e. SELECTION CRITERIA

The selection of firms to be assisted during the life of the project will be based on the needs of the ASI Reconversion Program in El Salvador.

During the Life of the Project, IESC will assist 40 companies from the above mentioned industries in: Production, Administration, Marketing, Finance and Sales. 30 of those companies will be jointly selected by ASI and IESC under the ASI program, and ten (10) of the companies will be IESC's clients under the industrial sectors defined by ASI but not necessarily under the reconversion program. These ten clients will be approved in writing by AID prior to the assistance.

Prior to giving assistance to any one firm using AID funds, IESC will conduct an analysis of the firm's technology, management, etc., in order to diagnose the problems which the IESC technical assistance will help solve. As part of this analysis, IESC will specify the planned benefits from the requested assistance. This will determine the number of jobs and/or dollars to be saved or increased, as well as any other benefits to occur as a result of its assistance. This benefits are expected to be additional profitability (resulting in additional jobs), or reduced costs (resulting in jobs not lost), due to changes in product mix, production methods, or improved administration.

Six to twelve months after the assistance has been given, IESC will verify if the assisted company did obtain the expected results and to whom those benefits reached (management, labor, customer).

The level of the funding for Technical Assistance will be consistent with the firm size. The IESC country director will use his discretion to fix the subsidy within these ranges:

Small: 40% to 60%  
Medium and Large: 25% to 50%

### III. FUNDING

#### a. COSTS AND LENGTH OF PROJECT

In order for IESC to provide Technical Assistance to the ASI Industrial Reconversion Program, and other qualified clients, IESC is requesting US\$500,000.00 (Five Hundred Thousand) for a two year program. These funds will cover local operating costs for US\$260,000.00 and Technical Assistance costs for US\$240,000.00.

The IESC contribution will be for an amount of US\$562,800. This includes Volunteer Executive Time, recruiting expenses

and others.

b. BUDGET

IESC EL SALVADOR PROGRAM			
BUDGET			
US\$			
	<u>Year 1</u>	<u>Year 2</u>	<u>TOTAL</u>
Operating Costs	130,000.-	130,000.-	260,000.-
Technical Assistance Costs	120,000.-	120,000.-	240,000.-
	<hr/>	<hr/>	<hr/>
TOTAL	250,000.-	250,000.-	500,000.-
IESC Contribution: value of donated services	281,400.-	281,400.-	562,800.-
	<hr/>	<hr/>	<hr/>
	531,400.-	531,400.-	1,062,800.-

127.

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## 5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:

(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project fosters private initiative and technical efficiency in industry by assisting entrepreneurs to more effectively deploy labor and technology within their businesses.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

N/A

### 3. Congressional Notification

a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

N/A

b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

The financial plan is included in the project paper.

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

No

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project fosters private initiative and improves the technical efficiency of industry by helping entrepreneurs to more effectively deploy labor and technology in their businesses.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The technical assistance will be furnished by retired U.S. executives who have contacts with a range of U.S. industry. Such contacts could result in U.S. investment.

## 11. Local Currencies

### a. Recipient Contributions

(FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

N/A

### b. U.S.-Owned Currency (FAA

Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

N/A

### c. Separate Account (FY 1991

Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

N/A

## 12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. Sahel Accounting (FAA Sec. 121(d)): If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

15. PVO Assistance

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

IESC is a registered U.S PVO which complies with AID audit procedure and standards.

b. Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

Yes

16. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

The obligation will be notified to AID/W according to statute.

17. Metric system (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the

Yes

extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

18. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes

19. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

N/A

20. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No

b. Will any funds be used to lobby for abortion?

No

21. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

N/A

## 22. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

## 23. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? N/A

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? Yes

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible N/A

under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. **Cargo preference shipping**  
(FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No

g. **Technical assistance**  
(FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

h. **U.S. air carriers**  
(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? No

i. **Termination for convenience of U.S. Government** (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? N/A

**j. Consulting services**  
(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

N/A

**k. Metric conversion**  
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

**l. Competitive Selection**  
Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

## **24. Construction**

**a. Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

**b. Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

C. Large projects,  
Congressional approval (FAA Sec. 620(k)):  
If for construction of productive  
enterprise, will aggregate value of  
assistance to be furnished by the U.S. not  
exceed \$100 million (except for productive  
enterprises in Egypt that were described  
in the Congressional Presentation), or  
does assistance have the express approval  
of Congress?

N/A

25. U.S. Audit Rights (FAA Sec.  
301(d)): If fund is established solely by  
U.S. contributions and administered by an  
international organization, does  
Comptroller General have audit rights?

Yes

26. Communist Assistance (FAA Sec.  
620(h). Do arrangements exist to insure  
that United States foreign aid is not used  
in a manner which, contrary to the best  
interests of the United States, promotes  
or assists the foreign aid projects or  
activities of the Communist-bloc  
countries?

Yes

27. Narcotics

a. Cash reimbursements (FAA  
Sec. 483): Will arrangements preclude use  
of financing to make reimbursements, in  
the form of cash payments, to persons  
whose illicit drug crops are eradicated?

Yes

b. Assistance to narcotics  
traffickers (FAA Sec. 487): Will  
arrangements take "all reasonable steps"  
to preclude use of financing to or through  
individuals or entities which we know or  
have reason to believe have either: (1)  
been convicted of a violation of any law  
or regulation of the United States or a  
foreign country relating to narcotics (or  
other controlled substances); or (2) been  
an illicit trafficker in, or otherwise  
involved in the illicit trafficking of,  
any such controlled substance?

Yes

28. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes
29. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes
30. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes
31. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes
32. **Military Personnel** (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes
33. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes
34. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
35. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes

36. **Repression of Population (FY 1991 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Yes

37. **Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516):** Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?

No

38. **Marine Insurance (FY 1991 Appropriations Act Sec. 563):** Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes

39. **Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569):** Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

No

3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes

4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project assists those entrepreneurs who, based on an analysis of their businesses, agree to the program of improvement which is recommended by the Project.

5. **Economic Development (FAA Sec. 101(a)):** Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

6. **Special Development Emphases (FAA Secs. 102(b), 113, 281(a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

The project promotes the self-help efforts of the participating businessmen by involving them in the design of the assistance to the business.

7. **Recipient Country Contribution (FAA Secs. 110, 124(d)):** Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes

8. **Benefit to Poor Majority (FAA Sec. 128(b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

N/A

10. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

11. **Disadvantaged Enterprises** (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

None

12. **Biological Diversity** (FAA Sec. 119(g)): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

N/A

13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):

a. **A.I.D. Regulation 16**: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes

b. **Conservation**: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent

N/A

feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

N/A

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) being provided in accordance with the policies contained in FAA section 102; (d) being provided in close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks,

N/A

to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmospheres, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

18. Loans

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

N/A

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

N/A

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

The project promotes self-help by involving the entrepreneurs in the design of the assistance programs for their businesses

**20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):**

**a. Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

N/A

**b. Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

**c. Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A

**21. Population and Health (FAA Secs. 104(b) and (c)):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of

N/A

mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

N/A

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

The Project will use retired business executives as the source of technical assistance for participating entrepreneurs.

- c. research into, and evaluation of, economic development processes and techniques; N/A
- d. reconstruction after natural or manmade disaster and programs of disaster preparedness; N/A
- e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; N/A
- f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development. N/A
24. Sahel Development (FAA Secs. 120-21). If assistance is being made available for the Sahelian region, describe: (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom). N/A

AGENCY FOR INTERNATIONAL DEVELOPMENT  
ADVICE OF PROGRAM CHANGE

Date:

Country : El Salvador  
Project Title : Technical Assistance to  
Businesses  
Project Number : 519-0395  
FY 1992 CP Reference : None  
Appropriation Category : Private Sector Energy and  
Environment (PSEE)  
Life-of-Project Funding : \$ 500,000 (G)  
Intended FY 1992 Obligation : \$ 500,000 (G)

This is to advise that A.I.D. intends to obligate a total of \$500,000 in grant funds in FY 1992 for the Technical Assistance to Businesses project (519-0395) in the PSEE account. The life of the project of this follow-on activity is \$500,000.

The purpose of the project is to assist Salvadoran private sector companies to become more productive, quality conscious, and cost efficient. The grantee, International Executive Service Corps (IESC), will support expansion of businesses, increase productivity and sales, improve competitiveness and technology transfer.

Annex: Activity Data Sheet

**AGENCY FOR INTER NATIONAL DEVELOPMENT  
ACTIVITY SHEET**

CP 81-05 (4-85)

**PROGRAM:** El Salvador

<b>TITLE</b> Technical Assistance to Businesses		<b>FUNDING SOURCE</b> Private Sector, Energy, Environment (P&EE)		<b>PROPOSED OBLIGATION</b> (In thousands of dollars)	
				FY 92 500	LIFE OF PROJECT (Auth.) 500
<b>NUMBER</b> S19-0395	<b>NEW</b> <input checked="" type="checkbox"/>	<b>PRIOR REFERENCE</b> None		<b>INITIAL OBLIGATION</b> FY 92	<b>ESTIMATED FINAL OBLIGATION</b> FY 92
<b>GRANT</b> <input checked="" type="checkbox"/> <b>LOAN</b> <input type="checkbox"/>	<b>CONTINUING</b> <input type="checkbox"/>				<b>ESTIMATED COMPLETION DATE</b> FY 94

**PURPOSE:** The objective of the project is to assist Salvadoran private sector companies to become more productive, quality conscious, and cost efficient. This purpose will be accomplished through technical assistance to the cooperating companies in order to achieve expansion of business, increase in productivity and sales, improved competitiveness, technology transfer, and avoidance of business closures.

**Background:** Since 1989, the Government of El Salvador (GOES) has implemented a series of free-market economic policies which have removed the protection from external competition long enjoyed by Salvadoran companies. In order to ease the conversion from protected status to competition, A.I.D. has supported modest technical assistance to the private sector to assist companies to trim costs, improve quality, and shift into more competitive products. As the GOES continues to implement the tariff reductions negotiated with the IMF, additional assistance for restructuring individual firms will help them adjust to the new economic reality.

**Project Description:** In order to ease the dilemmas associated from removing market protection policies for the private sector in El Salvador, this project will address private sector concerns through two components: (1) IESC will work with the Salvadoran Industrial Association (ASI) on its industrial reconversion program in six industry sectors. (2) IESC will assist private sector companies to adapt to a more open and dynamic market. IESC will implement these components by conducting analyses of firms and consider management, technology, and other business factors to identify and diagnose problems.

IESC technical assistance to ASI will support private sector activities oriented toward establishing planned objectives and benefits, such as additional profitability and jobs, reduced costs, modified production mix, technology used, and improved administration. In general, the assistance through IESC will be equally distributed between approximately 40 firms.

**Relationship to A.I.D. Country Strategy:** The FY 93-94 Action Plan shows A.I.D.'s intention to increase equitable economic growth, in part by increasing private investment. One means to promote this investment is technical assistance to help firms adjust to the free-market economic reforms achieved by our Policy Reform program. The additional investment can also increase demand for graduates of vocational education programs assisted by A.I.D. and others.

**Beneficiaries:** In terms of increased profitability and employment generation/ saving the beneficiaries of the project will be the owners and employees of the 40 Salvadoran private sector firms receiving assistance. The number of employees benefiting from this project will be approximately 30 persons per Private Sector firm.

**Host Country and Other Donors:** GOES has also collaborated and contributed funds (\$375,000 in 1992) to ASI on the industrial reconversion program. This IESC project complements and parallels GOES's efforts in alleviating problems in the private sector associated from the removal of market protection policies. The Inter-American Development Bank (IDB) also has a larger scale project addressing the industrial reconversion and the project is currently in the planning and assessment stages.

**Major Outputs:**

Assistance to Private Sector will result in:

	All Years
-- Increase Productivity by 6%	x
-- Approximately 600 Jobs saved in participating companies because of improved competitiveness	x
-- Sales increase of 5% after first year	x

**A.I.D.-Financed Inputs:**

	Life-of-Project (\$000)
IESC Administrative Support	260
Technical Assistance	240
<b>TOTAL</b>	<b>500</b>

**U.S. FINANCING** (In thousands of dollars)

	Obligations	Expenditures	Unliquidated
through September 30, 1990	-0-	-0-	-0-
estimated Fiscal Year 1991	-0-	-0-	-0-
estimated Through September 30, 1991	-0-	-0-	-0-
Proposed Fiscal Year 1992	500	-0-	500
		<b>Future Year Obligations</b>	<b>Estimated Total Cost</b>
		-0-	500

**PRINCIPLE CONTRACTORS OR AGENCIES**

International Executive Services Corps (IESC)  
Salvadoran Industrial Association (ASI)